

**2008 EVALUATION OF THE
BETHESDA URBAN PARTNERSHIP, INC.**



OFFICE OF LEGISLATIVE OVERSIGHT
REPORT NUMBER 2009-3

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EXECUTIVE SUMMARY

2008 EVALUATION OF THE BETHESDA URBAN PARTNERSHIP, INC.

OFFICE OF LEGISLATIVE OVERSIGHT REPORT 2009-3 / OCTOBER 7, 2008

The County Council established the Bethesda Urban Partnership (BUP) in 1993 as the urban district corporation for the Bethesda Urban District. By law, an urban district corporation exists for five years and then must be reauthorized by Council resolution and approved by the County Executive. BUP’s current term ends on January 31, 2009. The Office of Legislative Oversight’s legally mandated evaluation finds that the Bethesda Urban Partnership continues to fulfill its mandated responsibilities. OLO recommends the Council reauthorize BUP for another five years.

BUP’S ORGANIZATIONAL STRUCTURE AND RESPONSIBILITIES

A Board of Directors oversees the Bethesda Urban Partnership. The Board consists of 11 members appointed by the County Executive and approved by the County Council. BUP currently employs 37 staff members in four divisions: internal operations, field operations, marketing, and transportation management.

By law, “urban districts are created to provide public services and facilities that are: (1) primarily of benefit to the property and persons within the urban district rather than to the County as a whole; and (2) in addition to services and facilities that the County provides generally” (County Code Chapter 68A). The table below lists BUP’s responsibilities, as authorized by County law and associated County contracts, and the services BUP provides to fulfill them.

AUTHORIZED RESPONSIBILITIES	BETHESDA URBAN PARTNERSHIP SERVICES
Maintain and enhance streetscape amenities	<ul style="list-style-type: none">• Perform maintenance and landscaping in the public right-of-way and at public parking lots and garages in Bethesda• Perform maintenance and landscaping of state highways at “gateways” to Bethesda
Promote, organize, and support cultural, recreational, and business activities	<ul style="list-style-type: none">• Maintain a website, interact with local media, and publish free booklets and brochures that promote Bethesda• Organize special events that promote Bethesda’s restaurants and businesses and offer entertainment to residents and visitors• Promote cultural activities in the Bethesda Arts and Entertainment District
Advance the business and residential environment and sense of community	<ul style="list-style-type: none">• Provide assistance to Bethesda visitors• Respond to emergency maintenance or safety issues• Work with the community to address urban district concerns
Enhance safety and security in public areas	<ul style="list-style-type: none">• Respond to police requests for assistance, such as clearing the roadway of debris related to storms or vehicle collisions
Provide specialized transportation services	<ul style="list-style-type: none">• Operate the Bethesda Circulator trolley
Increase the number of people using alternative modes of transportation for commuting to Bethesda	<ul style="list-style-type: none">• Assist employers with the development of traffic mitigation plans• Market alternative transportation options to employers and employees• Promote the County’s Super Fare Share program• Conduct an annual survey of employees to monitor changes in transportation use
Services in other urban districts	<ul style="list-style-type: none">• Provide trash collection and street sweeping service in the Wheaton and Silver Spring Urban Districts

FEEDBACK ON BUP'S SERVICES

County Government and community representatives interviewed by OLO report that BUP provides high quality services and is responsive to questions and requests. Further, BUP is perceived as working collaboratively with County Government, businesses, and residents to resolve problems and coordinate activities in downtown Bethesda.

Focus group feedback on BUP's performance gathered by the Maryland Association of Nonprofit Organizations during BUP's strategic planning process similarly evidenced positive views of BUP's performance. The focus groups included representatives from County Government as well as employers, residents, customers, and developers in downtown Bethesda. All of the focus groups had positive comments about the services BUP provides, including compliments for the staff, praise for the high quality of BUP's street cleaning, and a sense that BUP generally does a good job. Employees, customers, and residents indicated that BUP staff were approachable and helpful, which helped to promote a sense of community in Bethesda.

BETHESDA URBAN PARTNERSHIP'S FINANCES

The table on the next page shows BUP's actual revenues and expenditures during the previous four fiscal years. BUP receives revenue from a combination of County and non-County sources. From FY05-FY08, 93% of BUP's revenue came from the County Government and 7% came from non-County sources. During this period, BUP's County revenue increased by 52%, while non-County revenue increased by 65%.

BUP's County revenue comes from multiple contracts to provide:

- **Urban District Management** services, such as maintenance and landscaping, promoting downtown Bethesda, and planning special events, under a contract managed by the Bethesda Chevy-Chase Regional Services Center. This contract is BUP's largest single source of revenue.
- **Bethesda Transportation Management District (TMD)** services, such as promoting alternate modes of transportation and conducting an annual commuter survey of employees in the Bethesda TMD under a contract managed by the Department of Transportation. In FY07 and FY08, this contract also included management of the Bethesda Circulator trolley. In FY09, the Circulator became part of the contract to manage the urban district.
- **Groundskeeping services at public parking lots and garages in Bethesda** under a contract managed by the Department of Transportation.
- **Street sweeping and trash collection services in the Silver Spring and Wheaton Urban Districts** under one contract with the County to provide street sweeping and one to collect trash from public receptacles in the Silver Spring and Wheaton Urban Districts.

BUP's non-County revenue comes from event income and sponsorships, advertising on the Bethesda Circulator, and contracts that BUP holds with other entities (e.g., State Highway Administration, Imagination Stage) to provide services. BUP uses this additional revenue to enhance services and to fund an equipment replacement reserve.

BUP's expenditures divide into six main categories: field operations (e.g., maintenance), marketing and special events, transportation management, the Bethesda Circulator, internal operations, and an equipment replacement reserve. BUP's total expenditures were \$4.1 million in FY08, an increase of 46% compared to FY05 expenditures of \$2.8 million. A large portion of this \$1.3 million increase was the cost of running the Bethesda Circulator (\$710,000 in FY08), which was added to BUP's expenditures in FY07 when BUP took over its management.

From FY05 to FY08, BUP's revenues exceeded expenditures. BUP's non-County revenue accounted for most of this difference (\$25,000 to \$200,000 per year). Also, the transportation management contract allows BUP to retain unspent funds for general and administrative overhead. Other County contracts reimburse BUP on a fee for service basis or do not allow BUP to retain funds.

Bethesda Urban Partnership Revenues and Expenditures, FY05 – FY08

	FY05	FY06	FY07	FY08
Revenues (\$000s)				
County Contracts	2,645	2,862	3,580	4,013
Urban District Management	1,962	2,107	2,344	2,486
Transportation Management	463	518	546	588
Bethesda Circulator	--	--	452	698
Groundskeeping at Public Parking Lots and Garages	22	21	22	26
Street sweeping and Trash Removal in Wheaton and Silver Spring	197	216	215	216
Non-County Revenue	188	200	285	311
Total Revenue	2,833	3,062	3,865	4,324
Expenditures (\$000s)				
Field Operations	1,243	1,233	1,397	1,454
Marketing and Special Events	729	761	790	835
Bethesda Circulator	--	--	577	710
Transportation Management	444	491	478	570
Internal Operations	356	437	448	488
Reserve for Equipment Replacements	36	36	50	50
Total Expenditures	2,808	2,959	3,740	4,108

SOURCES OF COUNTY FUNDING FOR CONTRACTS WITH BUP

The revenue for BUP’s contracts with the County Government primarily comes from two sources:

Bethesda Parking Lot District (PLD) Fund. The Bethesda PLD Fund receives revenue from a property tax on commercial and non-commercial property in the PLD, parking fees and fines collected within the PLD, and investment income. By law, these funds may be used to operate, construct, and renovate parking facilities in Bethesda and fund the Urban District and transportation management activities in Bethesda. In FY08, approximately \$3.8 million (15%) of expenditures from the Bethesda PLD Fund were transferred to the Bethesda Urban District and the Bethesda TMD, both managed by BUP.

Bethesda Urban District Fund. The Bethesda Urban District Fund receives revenue from an urban district tax on real and personal property, transfers from the Bethesda PLD, and maintenance charges paid by optional method developers. In FY08, approximately \$2.5 million (97%) of expenditures from this fund went to BUP’s contract with the County to manage the urban district.

BETHESDA URBAN PARTNERSHIP’S STRATEGIC PLAN

BUP’s Board of Directors recently approved a new 2008-2012 strategic plan with goals for maintenance, marketing, transportation, and internal operations. The Board determined that BUP’s focus should be on “...its core mission of maintenance, marketing, and transportation management initiatives.” The Board also identified five items for discussion with the County, which are listed as part of Recommendation #3 on the next page.

OLO offers the following recommendations for Council action regarding the Bethesda Urban Partnership:

Recommendation #1: Reauthorize the Bethesda Urban Partnership for another five-year term and retain the requirement for an OLO evaluation prior to reauthorization.

OLO's review confirmed that BUP's activities continue to fulfill the purposes of the organization. In addition, OLO found that BUP's public and private sector customers are pleased with the quality of BUP's work.

Recommendation #2: Require BUP to develop a new five-year strategic plan before the next reauthorization.

In developing the organization's next strategic plan, OLO recommends the Council encourage BUP to:

- Continue to seek input from constituents at the beginning of the strategic planning process, and
- Refine the process of soliciting comments on BUP's proposed objectives from relevant County Government departments prior to finalizing the strategic plan.

Recommendation #3: Convene a Council Committee worksession with representatives from BUP and the County Government to discuss five issues identified in BUP's strategic plan.

Issue (a): Extending BUP's authorization from the current five-year term to a ten-year term. BUP's Board proposes that the Council extend the authorization period to ten years based on BUP's successful performance. The Board suggests that after five years BUP could provide the County with a detailed report and a new five-year strategic plan. OLO recommends that the Council retain the five-year authorization period, which allows the Council to evaluate BUP's performance and consider changes to BUP's purpose, responsibilities, or finances.

Issue (b): Moving administration of the Bethesda Transportation Management District contract from the Department of Transportation to the Bethesda-Chevy Chase Regional Services Center. BUP's Board suggests a change in contract administration for the Transportation Management District contract for "greater efficiency." OLO recommends that the County Council ask the County Executive to consider this request, but to carefully identify the advantages and disadvantages of shifting contract administration before making a change.

Issue (c): Implementing a biannual budget cycle, with a change to an off-cycle review time that still allows for an annual review of funds. BUP receives funding from the Bethesda Parking Lot District and the Bethesda Urban District Funds. The Board believes that it would be beneficial to have an off-cycle budget because it can "be confusing to other county groups and local media" when the County reviews BUP's budget along with those that are funded through the General Fund.

OLO recommends that BUP continue to adhere to the County Government's annual, fiscal year budget cycle because BUP's funding is linked to several other funding structures in the County and a change to BUP's budget cycle could limit the Council's prerogative to set funding priorities and tax rates.

Issue (d): Expanding the route and hours of the Bethesda Circulator. BUP is exploring potential options for expanding Circulator services, which would increase operating costs. OLO recommends that the Council discuss how this would impact Circulator financing and its priority level relative to competing needs.

Issue (e): Expanding BUP's responsibility for lighting and crosswalk repair. BUP's Board has concerns about lighting in Bethesda and believes that crosswalk maintenance could improve. Increasing BUP's role in these activities would have contractual and funding implications. The Council should discuss BUP's concerns and the current arrangements for lighting and crosswalk repair with BUP and the County Government.

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**2008 EVALUATION OF THE
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Executive Summary i

I. Authority, Scope, and Organization of Report..... 1

II. Background Special Districts in Bethesda..... 4

III. Overview of the Bethesda Urban Partnership..... 9

IV. Organizational Structure and Operations 15

V. The Bethesda Urban Partnership’s Finances..... 30

VI. Bethesda Urban Partnership Strategic Plan..... 40

VII. Feedback from County Government and Community Representatives..... 46

VIII. Findings..... 49

IX. Recommendations 58

X. Agency Comments 63

Appendix A: February 8, 1995 memorandum from Asst. County Attorney Melnick.... A1

Appendix B: Bethesda Urban Partnership Board Membership B1

Appendix C: Bethesda Transportation Management District Advisory Committee
Membership..... C1

Appendix D. Bethesda Arts and Entertainment District Board of Directors
Membership..... D1

Appendix E: Bethesda Circulator Map..... E1

Appendix F: 2008 Bethesda Urban Partnership Strategic Plan..... F1

Appendix G: Bethesda Urban Partnership Focus Group Summary..... G1

Appendix H: List of OLO Interviews H1

Lists of Tables and Exhibits begins on page vi.

LIST OF TABLES

Number	Title	Page
3-1	Bethesda Urban Partnership Timeline, 1993-2004	13
4-1	Bethesda Urban District Maintenance and Landscaping Activities	19-20
4-2	Average Number of Circulator Riders, FY07 and FY08	23
5-1	Bethesda Urban Partnership Expenditures, FY05 – FY08 (Actuals, \$000s)	31
5-2	Bethesda Urban Partnership Total Revenue, FY05 – FY08 (Actuals, \$000s)	32
5-3	Bethesda Urban Partnership County Revenue, FY05 – FY08 (Actuals, \$000s)	32
5-4	Bethesda Urban Partnership Non-County Revenue (Actuals, \$000)	34
5-5	Bethesda Urban District Resources and Expenditures, FY05 – FY08 (\$000s)	36
5-6	Urban District Funding, Tax and Fee Requirement (\$000s)	37
5-7	Bethesda PLD Fund Expenditures, FY05 – FY08	38
6-1	Bethesda Urban Partnership Strategic Goals, 2008 – 2012	43
7-1	Relationship between Bethesda Urban Partnership and County Government and Community Representatives	46-47
8-1	Bethesda Urban Partnership Governing Documents and Contracts	50
8-2	Bethesda Urban Partnership Expenditures, FY05 – FY08 (Actuals, \$000s)	54
8-3	Bethesda Urban Partnership County Revenue, FY05 – FY08 (Actuals, \$000s)	54
8-4	Bethesda PLD Fund Expenditures	55
8-5	Urban District Funding, Tax and Fee Requirement (\$000s)	56

LIST OF EXHIBITS

Number	Title	Page
2-1	Map of Districts in Bethesda	8
4-1	Bethesda Urban Partnership Organizational Chart	17
5-1	Bethesda Urban Partnership Expenditures, FY08 (Actual)	31
5-2	Bethesda Urban District Revenue, FY08 Estimated	36
5-3	Bethesda PLD Fund Expenditures, FY08 Estimate	39

CHAPTER I. Authority, Scope, and Organization of Report

A. AUTHORITY

Council Resolution 16-673, *Fiscal Year 2009 Work Program of the Office of Legislative Oversight* and Chapter 68A of the County Code.

B. SCOPE AND ORGANIZATION OF REPORT

Chapter 68A of the County Code authorizes the County to establish urban district corporations to provide services within the County's urban districts. By law, an urban district corporation exists for five years after its articles of incorporation are accepted for recording by the State Department of Assessments and Taxation. An urban district corporation can be extended for an unlimited number of additional five-year terms by a resolution adopted by the County Council and approved by the County Executive. Before the County renews a corporation's term, the law requires the Office of Legislative Oversight to conduct a performance evaluation that includes feedback from property owners, business owners, and residents from in and around the urban district.

Bethesda is the only urban district in Montgomery County that has an urban district corporation. In 1994, the Bethesda Urban Partnership, Inc. (BUP) began its first term as the urban district corporation to manage the Bethesda Urban District. In this capacity, BUP performs landscaping and other maintenance services, plans special events, and promotes the urban district and oversees the operation of the Bethesda Circulator, a shuttle serving the downtown area. BUP also manages the Bethesda Transportation Management District and the Bethesda Arts and Entertainment District.

In 1998 the County Council released an OLO evaluation of the Bethesda Urban Partnership's first five years of operation and shortly after reauthorized BUP for another five-year term. OLO conducted another evaluation of BUP in 2003, and in January 2004 the County Council approved Resolution No. 5-461, which reauthorized the Bethesda Urban Partnership for its third five-year term starting on February 1, 2004 and ending on January 31, 2009.

To aid the Council as they consider the reauthorization of BUP for a fourth term, this OLO report will include:

- A description of BUP's current services, staffing, and financing, highlighting major changes to BUP's operations since OLO's last evaluation in 2004;
- Feedback on BUP's performance from County government and community representatives who regularly interact with BUP; and
- Identification of issues for the Council to discuss when considering reauthorization of BUP for another term.

C. ORGANIZATION

Chapter II, Background - Special Districts in Bethesda, describes urban districts in general and describes other designated districts in downtown Bethesda.

Chapter III, Overview of the Bethesda Urban Partnership, provides an overview of BUP's governing structure, including State and County laws governing BUP, as well as a history of BUP since the organization's creation in 1993.

Chapter IV, Organizational Structure and Operations, describes BUP's staffing and the maintenance, marketing, transportation management, and other services it provides.

Chapter V, Finances, describes BUP's funding sources and expenditures for the past five years and the sources of County revenue spent on BUP services.

Chapter VI, Bethesda Urban Partnership Strategic Plan, reviews progress that BUP made on implementing their 2003 strategic plan and highlights goals BUP has identified in their new 2008 strategic plan.

Chapter VII, Feedback from County Government and Community Representatives, provides feedback on BUP's performance from a variety of individuals who interact directly with BUP or benefit from the services they provide.

Chapters VIII and IX present the Office of Legislative Oversight's **Findings and Recommendations**.

Chapter X, Agency Comments, presents comments from the County's Chief Administrative Officer and the Bethesda Urban Partnership's Board of Directors on the final draft of this report.

D. METHODOLOGY

Office of Legislative Oversight staff members Jennifer Renkema and Sarah Downie conducted this study. The research for the report consisted of examination of County laws and operating budget documents and review of documents provided by BUP such as financial reports, BUP's most recent strategic plan, and materials describing BUP's work. OLO also met with the BUP Board of Directors and BUP staff. To obtain feedback on BUP's performance, OLO interviewed County staff and other individuals who interact with BUP on a regular basis. OLO also used feedback from focus groups facilitated by the Maryland Association of Nonprofit Organizations during BUP's strategic planning process.

E. ACKNOWLEDGEMENTS

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OLO appreciates the assistance of County Government staff including Ken Hartman from the Bethesda-Chevy Chase Regional Services Center; Natalie Cantor and Joe Callaway from the Mid-County Regional Services Center; Jerry Sanford and Mark Rockman from the Silver Spring Regional Services Center; Carolyn Biggins, Sandra Brecher, James Carlson, William Selby, Philip McLaughlin, Chuck Menter, and Tommy Shoemaker from the Department of Transportation; Brady Goldsmith from the Office of Management and Budget; Wayne Jerman and Russel Hamill from the Police Department; James Resnick from Fire and Rescue Services; Sharon Suarez, Wayne Koempel, and Elza Hisel-McCoy from the Planning Department; Brian Woodward and Brooke Farquhar from the Park Department; and Susan Cymek from the Department of Finance.

CHAPTER II. Background - Special Districts in Bethesda

The Bethesda Urban Partnership manages three overlapping districts in downtown Bethesda: the Urban District, Transportation Management District, and Arts and Entertainment District. This chapter provides background information about these special districts as well as the Bethesda Central Business District and the Bethesda Parking Lot District, which also impact the work of the Bethesda Urban Partnership. Specifically,

Section A, Overview of Urban Districts, summarizes County Code Chapter 68A, which authorizes the creation of urban districts.

Section B, Other Districts in Bethesda, describes the Parking Lot District, Transportation Management District, Arts and Entertainment District, and Central Business District located in downtown Bethesda.

A. OVERVIEW OF URBAN DISTRICTS

County Code Chapter 68A, Montgomery County Urban Districts, permits the County Council to create urban districts. Urban districts are special taxing districts with diverse commercial, institutional, and residential development that the County desires to “maintain and enhance...as prosperous, livable urban centers.”¹

The Council has established three urban districts: the Bethesda Urban District, the Silver Spring Urban District, and the Wheaton Urban District. The map on page 8 shows the boundaries of the Bethesda Urban District. As of 2007, development data for the Bethesda Urban District showed that the district includes:

- 8 single-family housing units,
- 3,420 multi-family housing units,
- 7.2 million square feet of office space, and
- 1.4 million square feet of retail space.²

Purpose. The County Code requires that services provided in urban districts primarily benefit property and persons within the district and are in addition to services normally provided by the County. For example, the County may provide services that:

- Promote the commercial and residential interests of these areas,
- Maintain and enhance streetscape amenities,
- Program public interest activities,
- Enhance safety and security in public areas, and
- Include “any capital project that promotes the economic stability and growth of the district.”³

¹ County Code § 68A-2(a)

² Planning Department, Research and Technology Center

³ County Code § 68A-3(b)

Funding. The County funds urban districts through five sources:

- An urban district tax that may not exceed \$0.30 per \$100 of assessed property value;
- Parking lot district fees, limited to the number of parking spaces multiplied by enforcement hours per year multiplied by \$0.20;⁴
- A charge on optional method development property for the cost of maintaining off-site amenities such as streetscape improvements;⁵
- Transfers from the County's general fund which may be subject to repayment (the Bethesda Urban District no longer receives revenue from this source); and
- Other revenue collected by the urban district from various sources, such as charges for services or private contributions.

Funds for urban districts may only be used for the district where they are collected and for the purposes listed on the previous page.⁶ Additionally, the law states that “the proceeds from either the urban district tax or parking fees transferred into an urban district fund must not exceed 90 percent of their combined total.”⁷

Management. An urban district may be managed by a County department, such as a Regional Services Center, and a citizen advisory board that is appointed by the County Executive and confirmed by the County Council.⁸

Alternatively, the Council may create an “urban district corporation” to manage the urban district.⁹ If so, the corporation must have a board of directors that is appointed by the County Executive and confirmed by the County Council.¹⁰ The Bethesda Urban Partnership is the urban district management corporation for the Bethesda Urban District. The Silver Spring and Wheaton districts do not have corporations.

B. OTHER DISTRICTS IN BETHESDA

In addition to the Bethesda Urban District, there are four other districts in the downtown Bethesda area: the Parking Lot District, Transportation Management District, Arts and Entertainment District, and Central Business District.

⁴ See page 6 for a description of parking lot districts.

⁵ Optional method development is “property for which the owner has agreed with the Maryland-National Capital Park and Planning Commission to be responsible for installing and maintaining both on-site and off-site improvements.” (County Code § 68A-1(h))

⁶ County Code § 68A-4(d)

⁷ County Code § 68A-4(c)

⁸ County Code § 68A-5 (a)

⁹ County Code § 68A-9 (a)

¹⁰ County Code § 68A-10 (a)

1. The Bethesda Parking Lot District

A parking lot district (PLD) is a legally designated geographic area defined in Chapter 60 of the County Code in which the County can assess a special property tax and collect parking fees (e.g., parking meter or permit fees) to acquire, build, maintain, or operate off-street parking facilities. Parking fees may also be transferred to an urban district fund, transportation management district, or to the Department of Transportation for transit-related activities within a PLD that does not have a transportation management district. Any fees transferred to a transportation management district must not exceed the fees collected in that district. Taxes and fees must be used in the PLD where they were collected.¹¹

The Bethesda PLD is one of four parking lot districts in the County. The other districts are in Silver Spring, Wheaton, and Montgomery Hills.

2. Transportation Management District

A transportation management district (TMD) is a geographic area established by the County Council to reduce traffic congestion through transportation demand management. The goals of transportation demand management are to: “increase transportation capacity; reduce existing and future levels of traffic congestion; reduce air and noise pollution; and promote traffic safety and pedestrian access.”¹²

The County Code allows the Department of Transportation to sign sole source contracts with a transportation management organization to carry out transportation management programs in a TMD.¹³ In 1999, the Council established a TMD in Bethesda, and the Bethesda Urban Partnership became the transportation management organization for the Bethesda TMD through a contract managed by the Department of Transportation.¹⁴

Funding for activities in a transportation management district may include a transportation management fee charged to optional method developers or owners of existing commercial and multi-unit residential buildings.¹⁵ Additionally, funds may be transferred from a PLD to fund TMD activities.¹⁶

3. Arts and Entertainment District

The Bethesda Urban District received State of Maryland designation as an Arts and Entertainment District in 2002 in order to promote the visual and performing arts in Bethesda through tax incentives, special events, and other initiatives.

¹¹ County Code § 60-16 (a, c)

¹² County Code § 42A-22 (f)(1-4)

¹³ County Code § 42A-23 (c)

¹⁴ Resolution 14-56

¹⁵ County Code § 42A-29 (a)

¹⁶ County Code § 60-16 (c)(1)(B)

Specifically, to encourage artists and entertainment venues to locate in Bethesda, this designation provides County tax incentives including certain property tax credits and exemption from the admission and amusement tax for art and entertainment establishments and artists who reside and work in the district.¹⁷ In addition, the Bethesda Urban Partnership, which manages the district, markets the arts in Bethesda and organizes events that showcase visual and performing arts.

4. Central Business District

The Bethesda Central Business District (CBD) is a planning area designated by the Maryland-National Capital Area Park and Planning Commission for downtown Bethesda. The 1994 sector plan for the Bethesda CBD and its 2006 amendment to the Woodmont Triangle area aim to establish a core development area around the Bethesda Metro Station that includes diverse commercial and residential property; encourages cultural activities; improves streetscapes; and addresses transportation and pedestrian needs.¹⁸

Specific goals outlined in the plan include:

- Encouraging the development of retail through sufficient parking availability, improved pedestrian accessibility, a circular bus route, directory maps to direct visitors to retail destinations, and marketing activities;
- Establishing Bethesda as a cultural center;
- Creating a transportation management organization to manage transportation demand in the Bethesda CBD; and
- Improving the streetscapes using methods such as planting trees and burying utilities to reduce visual clutter.

The map on the next page shows the geographic relationship among the Bethesda Urban District, Parking Lot District, Transportation Management District, and Central Business District. While the boundary of the Bethesda Urban District and Arts and Entertainment District are the same, they differ slightly from the boundaries of the other districts. Specifically, the map shows that:

- The Parking Lot District is slightly smaller than the Urban District, ending just east of Pearl Street; and
- The Transportation Management District is larger than the Urban District, extending farther west and including an area outside the Urban District north of East West Highway.

Although not pictured on the map, the Central Business District is the largest of the districts. It encompasses the entire TMD, but also extends south to Nottingham Drive and Willett Parkway, west to Tilbury St., and includes the area between Pearl St. and the Bethesda Urban District.

¹⁷ Md. Code art. 83A Department of Business and Economic Development, § 4-(702-703); COMAR 24.05.26; Montgomery County Code Chapter 25 § 52-18L

¹⁸ *Bethesda Central Business District Sector Plan*. (July 1994); *Woodmont Triangle Amendment to the Sector Plan for the Bethesda CBD*. (March 2006)

