

**MEMORANDUM**

March 19, 2014

TO: PHED Committee

FROM: Craig Howard, <sup>CH</sup> Senior Legislative Analyst  
Stephanie Bryant, <sup>SB</sup> Legislative Analyst  
Office of Legislative Oversight

SUBJECT: **Worksession on OLO Report 2015-7: Case Studies of Local Business and Community Districts**

On March 23<sup>rd</sup>, the PHED Committee will discuss OLO Report 2015-7. The Council formally released this report on February 24<sup>th</sup>. This report responds to the Council's request to:

- 1) Review the structure and characteristics of local business and community districts in other jurisdictions; and
- 2) Identify several models or approaches that may be applicable to different areas in Montgomery County.

To do so, OLO developed case studies of 15 local districts (commonly referred to as business districts or BIDs) in 10 jurisdictions. OLO also reviewed the current legal structure for local districts in Maryland and Montgomery County.

OLO will provide a short presentation summarizing the report and its three recommended issues for Council discussion. Included as part of the packet are two excerpts from the report:

- Executive Summary of Report 2015-7 (©1)
- Chapter 5 – Recommend Issues for Council Discussion (©2-3)

The complete OLO Report 2015-7 is available online at:

[http://www.montgomerycountymd.gov/OLO/Resources/Files/2015\\_Reports/OLO%20Report%202015-7.pdf](http://www.montgomerycountymd.gov/OLO/Resources/Files/2015_Reports/OLO%20Report%202015-7.pdf)

# Case Studies of Local Business and Community Districts

OLO Report 2015-7

February 24, 2015

## Executive Summary

This report responds to the County Council's request to review the structure and characteristics of local business and community districts in other jurisdictions, and identify several models or approaches that may be applicable to different areas in Montgomery County. To do so, OLO developed case studies of 15 local districts (commonly referred to as business improvement districts or BIDs) in 10 jurisdictions.

## Summary of Case Studies

For each case study, OLO collected information within seven categories: services provided, connection to local government, formation process, governance structure, funding and revenue, budget allocation, and performance management. Key findings include:

- The case study districts provide 22 different types of services, ranging from cleaning and safety to placemaking and marketing. The specific cohort of services varies by location.
- All the jurisdictions have a standard process an organization must follow to form a BID. In most cases a BID must receive a pre-determined level of support from potential BID members – such as a set percent of property owners within the proposed district signing a petition of support.
- Every district is governed by a board of directors, with most elected directly by district members.
- Some form of annual tax assessment or fee on businesses, commercial property, and/or residential property is the primary source of revenue for nearly all BIDs. OLO found a variety of assessment formulas and structures, most of which are set by district organizers during the planning phase.
- Staff from local jurisdictions and BID organizations note that BIDs initiated and led by the private sector are more successful. Also, effective models allow for the creation of districts with differing characteristics and service needs.

## Legal Structure

Montgomery County law allows the formation of urban districts. While this model has proven successful in Bethesda, Silver Spring, and Wheaton, it may not be possible to replicate in other parts of the County for multiple reasons. In 2010, the State of Maryland enabled counties to create business improvement districts funded by a business improvement district tax. The State law includes several structural provisions found in the case study jurisdictions, and also exempts a business improvement district tax from "a county or municipal corporation tax cap."

## Recommended Discussion Issues

Based on research compiled for this study, OLO recommends three issues for Council discussion with Executive Branch representatives, local business and community groups, and other stakeholders:

- 1) State and County legal structures for creating local business and community districts;
- 2) Establishing a process for creating local business and community districts in the County; and
- 3) The role of local business and community districts as part of the County's overall economic development plan.

## Case Study Locations

### New York, NY

- Montague Street BID
- East Brooklyn BID

### Philadelphia, PA

- Manayunk SSD
- Aramingo Avenue BID

### Pittsburgh, PA

- Pittsburgh Downtown Partnership

### Washington, DC

- Georgetown BID
- Mount Vernon Triangle CID
- NoMa BID

### Denver, CO

- Downtown Denver Partnership

### Arlington, VA

- Ballston BID
- Clarendon Alliance

### Los Angeles, CA

- Chatsworth BID

### San Francisco, CA

- Yerba Buena BID

### Chicago, IL

- Chicago Loop Alliance

### Boston, MA

- Downtown Boston BID



## Chapter 5. Recommended Issues for Council Discussion

Based on models used in other jurisdictions, the current State and County legal structure, and constituent interest for these types of districts in different areas of the County, OLO recommends three issues for Council discussion with Executive Branch representatives, local business groups, community organizations, and other stakeholders.

### Issue 1. State and County legal structures for creating local business and community districts

Currently, the County Code allows for the formation of Urban Districts to ensure “prosperous urban centers” by allowing district-specific services, capital improvements, and event programming. While this model has proven successful in Bethesda, Silver Spring, and Wheaton, it may not be possible to replicate in other parts of the County for two reasons: 1) the reliance on parking lot districts as a funding source, and 2) the inclusion of urban district taxes within the County’s charter limit calculation.

In 2010, the State of Maryland enacted legislation authorizing counties to create business improvement districts funded by a business improvement district tax. One notable provision in the State law is that a business improvement district tax “may not count against a county or municipal corporation tax cap.” This provision may exempt such a tax from the County’s charter limit calculation, although the County would likely need a legal opinion on this issue since the charter limit is not as much a tax cap as a supermajority voting requirement. The state BID law also requires support from 80% of property owners in a proposed district, a threshold much higher than OLO found in the case study jurisdictions. Other jurisdictions in Maryland use a special benefit district model, in some cases (Baltimore City) receiving specific grants of authority from the State to do so.

OLO recommends that the Council discuss the current governance structure related to establishing these type of local business and community districts in Montgomery County with Executive Branch representatives and other stakeholders. Specific discussion questions include:

- Should Montgomery County develop a mechanism for local business or community groups to create voluntary taxing or assessment districts outside the current urban district structure? If so, how would this impact current urban districts?
- Is the BID framework established in State law sufficient for Montgomery County, or are additional provisions, authorizations, or other changes needed?
- Alternatively, can the current urban district structure be revised or expanded to permit greater flexibility? Should the County review the special benefit district model used by other Maryland jurisdictions?

### Issue 2. Establishing a process for creating local business and community districts in the County

In researching case studies and best practices, OLO found that many jurisdictions create a formal process for organizations to follow to become a business improvement or similar type of district. Additionally, feedback from other jurisdictions indicates that having a standard formation process is an important factor for success.

If there is interest in forming new types of local business or community districts in Montgomery County, OLO recommends that the Council discuss with the Executive Branch and stakeholders establishing a formal process and structure. Based on the case studies of other locations, specific components and/or guiding principles that should be discussed as part of a formal structure include:

- Developing a process that is initiated and led by the private sector, non-profit, or community organization seeking to become a district;
- Creating meaningful opportunities for the business community to be involved in the process;
- Determining the role of the County Government in providing guidance and support during the formation process, and ensuring organizations meet basic criteria to form a district;
- Determining which department or office is best positioned to be the conduit between districts and the County;
- Determining how much support should be required from potential district members (e.g., set percent of affected property owners signing a petition, etc.) before a district is established;
- Defining the types and/or formats of funding and assessment structures, including who should define the assessment rates and formulas and whether non-commercial properties should be included in assessment structure; and
- Creating clear criteria for oversight, review, and evaluation components.

### **Issue 3. The role of local business and community districts as part of the County's overall economic development plan**

Through research and interviews with BID and department staff, OLO found that many jurisdictions link business and community districts with overall economic development planning for a region. Interviewees recount numerous opportunities for promotion, retention, and recruitment of businesses when this link was created. Additionally, OLO found that "mature" local business districts often take the lead on developing marketing and promotional efforts for an area.

OLO recommends that the Council discuss with Executive Branch staff how local business and community districts might fit in with the County's economic development goals and strategies. Specific discussion questions include:

- Should the County consider local commercial district vitality when planning for economic development?
- Can the County leverage local business and community districts to help achieve existing economic development goals?
- Should the County partner with existing non-governmental economic development organizations to work with or assist groups interested in forming a business district?