

Economic Impact Statement

Montgomery County, Maryland

Bill 14-23 Police – Late Night Business Safety Plan

SUMMARY

The Office of Legislative Oversight (OLO) anticipates that enacting Bill 14-23 would have an indeterminate impact on economic conditions in the County in terms of the Council’s priority indicators. By requiring late night businesses to submit and adhere to MCPD-approved safety plans, the Bill likely would have mixed impacts on certain businesses and their customers. On the one hand, the requirements likely would increase operating costs for late night businesses and prices for customers. However, the Bill likely would increase revenues for businesses that provide security-related goods and services to late night businesses. Moreover, OLO is unable to determine the likelihood the Bill would reduce crime and, therefore, estimate economic benefits of crime reduction on businesses and residents.

BACKGROUND AND PURPOSE OF BILL 14-23

According to the County Executive, the intent of Bill 14-23 is to “ensure that the County public safety agencies and businesses are working synergistically to ensure there are improvements to the balance of [nightlife] safety and vibrancy throughout our County.” Towards that end, the Bill proposes requiring “certain establishments that operate in the late night/early morning hours, in areas with higher calls for service during those hours, to develop a Safety Plan.”¹

Bill 14-23 defines a late night business as “a business located within a ‘priority’ police response area if the business: (1) has liquor, tobacco, or food sold and consumed on the premises; and (2) operates between the hours of midnight and 6:00 a.m.”² If enacted, Bill 14-23 would:

- **Require that designated late night businesses submit a late night business safety plan to the Montgomery County Police Department (MCPD) every three years.** The late night business plan would depend upon the business and could require security personnel and training, exterior lighting, digital security cameras, and clearing exterior windows, among other things. Businesses that are required to install security cameras would have to provide video recordings to MCPD upon demand if MCPD is investigating a violent felony. MCPD could recommend, but not require, a business to search patrons by metal detectors, magnetometers, or pat downs.
- **Authorize MCPD to review and approve a proposed late night business safety plan.** The late night business safety plan would be subject to MCPD approval. If the plan is disapproved, the late night business would not be permitted to operate from midnight to 6:00 a.m.
- **Authorize MCPD to establish the requirements of a late night business plan.** MCPD would be required to develop Method (2) regulations to implement the Bill’s requirements. The regulations would need to be submitted to the

¹ [Introduction Staff Report for Bill 14-23.](#)

² Bill 14-23 defines a priority area as one or more police response areas (PRA) identified and published by the Montgomery County Police Department, based upon public safety indicators, including crime levels, as areas where late night businesses would benefit by operating in accordance with a late night safety plan.

Council for review and approval within 180 days of the Bill's enactment. Late night businesses would be required to submit a late night business safety plan within 90 days of the approved regulations being published in the County Register.³

Violations of the Bill would constitute a Class A violation; each day a violation continues would be a separate offense.³

Bill 14-23, Police – Late Night Business Safety Plan, was introduced by the Council at the request of the County Executive on February 28, 2023.⁴

INFORMATION SOURCES, METHODOLOGIES, AND ASSUMPTIONS

Per Section 2-81B of the Montgomery County Code, the purpose of this Economic Impact Statement is to assess, both, the impacts of Bill 14-23 on residents and private organizations in terms of the Council's priority economic indicators and whether the Bill would have a net positive or negative impact on overall economic conditions in the County.⁵

The primary economic stakeholders of Bill 14-23 likely would be late night businesses, nearby businesses, their customers, and businesses that provide security-related services and goods to late night businesses. To assess Bill 14-23's impacts on the Council's priority indicators, OLO performs a qualitative assessment based on the security requirements described in the Bill, as well as the following 2022 peer-reviewed research article:

- Fe and Sanfelice, "[How Bad Is Crime for Business? Evidence from Consumer Behavior](#)," *Journal of Urban Economics* (2022).

This article was selected because of its concise overview of the expansive literature on the impact of crime on businesses.

VARIABLES

The primary variables that would affect the economic impacts of enacting Bill 14-23 are the following:

- Total cost of preparing safety plans;
- Total cost of implementing MCPD-required security measures; and
- Crime rates in areas around late night businesses.

³ Refer to Montgomery County Code, Chapter 1, Article 01, Sec. 1-19 for fines and penalties associated with Class A violations.

⁴ [Introduction Staff Report for Bill 14-23](#).

⁵ Montgomery County Code, [Sec. 2-81B](#).

IMPACTS

WORKFORCE ■ TAXATION POLICY ■ PROPERTY VALUES ■ INCOMES ■ OPERATING COSTS ■ PRIVATE SECTOR CAPITAL INVESTMENT ■ ECONOMIC DEVELOPMENT ■ COMPETITIVENESS

Businesses, Non-Profits, Other Private Organizations

OLO anticipates that enacting Bill 14-23 would have mixed impacts on certain private organizations in terms of the Council’s priority economic indicators. The Bill’s economic impacts would occur through: (a) requiring late night businesses to submit and adhere to MCPD-approved safety plans and (b) the potential for the new requirements to reduce crime.

MCPD-Approved Safety Plans: By requiring late night businesses to submit and adhere to MCPD-approved safety plans, the Bill likely would increase operating expenses for certain late night businesses in several ways. First, late night businesses may need to devote staff hours to prepare and submit safety plans to MCPD every three years. Second, requiring businesses to receive MCPD approval on their safety plans likely would induce certain businesses to adopt security measures they otherwise would not in the absence of the Bill. These measures may include hiring security personnel, undergoing security training, purchasing/installing exterior lighting and digital security cameras, posting required signage, etc.

The Bill also likely would result in loss revenues for late night businesses who would be unable to operate due to failing to submit safety plans or MCPD rejecting them.

In addition to late night businesses, the safety plan requirement likely would impact other County-based businesses. Any businesses that provide security-related goods and services to late night businesses that would adopt additional security measures because of the safety plan requirements would experience increases in business revenues.

Potential Crime Effects: Importantly, it is beyond the scope of this analysis to assess the likelihood that Bill 14-23 would reduce crimes against businesses. However, if the Bill does reduce crime, businesses may be affected in several ways. While “there is not a clear consensus on the effect of crime on business activities,” studies suggest that local crime can increase the cost of doing business through product theft or repairing property damage, reduce revenues by scaring away customers, and potentially affect business inception and survival.⁶ Thus, if it reduces crime, the Bill may prevent operating expenses, revenue loss, and other negative impacts related to crime.

Given uncertainty on the effect of crime on business activities, OLO is unable to determine whether the Bill would affect private organizations in terms of the Council’s other priority indicators.

Residents

OLO anticipates that Bill 14-23 would have mixed impacts on certain residents in the County in terms of the Council’s priority economic indicators. On the one hand, resident customers of late night businesses may experience price increases from businesses that pass on any costs induced by submitting and adhering to MCPD-approved safety plans. Holding all else equal, these residents would experience net decreases in disposable income. On the other hand, if it reduces crime,

⁶ Fe and Sanfelice, “[How Bad Is Crime for Business?](#).”

the Bill may economically benefit certain residents, for example, by preventing price increases to cover crime-related losses.

Given uncertainty on the effect of crime on business activities, OLO is unable to determine whether the Bill would affect residents in terms of the Council's other priority indicators.

Net Impact

OLO concludes Bill 14-23 would have an indeterminate impact on economic conditions in the County in terms of the Council's priority indicators. As discussed above, by requiring late night businesses to submit and adhere to MCPD-approved safety plans, the Bill may increase costs to businesses and customers. However, the Bill likely would economically benefit businesses that provide security-related goods and services to late night businesses. Moreover, OLO is unable to determine the likelihood that the Bill would reduce crime and, therefore, estimate economic benefits of crime reduction on businesses and residents.

DISCUSSION ITEMS

Not applicable

WORKS CITED

Fe, Hao and Viviane Sanfelice. "[How Bad Is Crime for Business? Evidence from Consumer Behavior.](#)" *Journal of Urban Economics* (2022).

Montgomery County Code. [Sec. 2-81B, Economic Impact Statements.](#)

Montgomery County Council. [Introduction Staff Report for Bill 14-23.](#) Introduced on February 28, 2023.

CAVEATS

Two caveats to the economic analysis performed here should be noted. First, predicting the economic impacts of legislation is a challenging analytical endeavor due to data limitations, the multitude of causes of economic outcomes, economic shocks, uncertainty, and other factors. Second, the analysis performed here is intended to *inform* the legislative process, not determine whether the Council should enact legislation. Thus, any conclusion made in this statement does not represent OLO's endorsement of, or objection to, the Bill under consideration.

AUTHOR

Stephen Roblin (OLO) prepared this report.