



**Committee:** ECON  
**Committee Review:** Completed  
**Staff:** Christine Wellons, Senior Legislative Attorney  
**Purpose:** Final action – vote expected

AGENDA ITEM #9A  
April 11, 2023  
**Action**

## SUBJECT

Expedited Bill 13-23, Montgomery County Urban Districts – Friendship Heights Urban District

Lead Sponsor: Council Vice-President Friedson

## EXPECTED ATTENDEES

N/A

## COUNCIL DECISION POINTS & COMMITTEE RECOMMENDATION

- The Economic Development Committee unanimously recommends enactment of Expedited Bill 13-23 with amendments.

## DESCRIPTION/ISSUE

Expedited Bill 13-23 would:

- (1) create an urban district located in the Friendship Heights area of the County;
- (2) expand the purposes of urban districts in the County;
- (3) create a commercial district charge as an additional mechanism to fund an urban district;
- (4) establish a Friendship Heights Urban District Advisory Committee; and
- (5) generally amend the law concerning urban districts in the County.

## SUMMARY OF KEY DISCUSSION POINTS

- The ECON Committee recommends enactment of the bill with amendments to:
  - define the terms “Class 1 property” and “Class 2 property”; and
  - to provide that one member of the Friendship Heights Urban Advisory Committee would be a business representative nominated by the Greater Bethesda Chamber of Commerce.

## This report contains:

Staff Report	Pages 1-4
Expedited Bill 13-23	© 1
Friendship Heights Alliance Info Sheet	© 14
Friendship Heights Alliance FAQ	© 16
Map of proposed District– prepared by Planning Department Staff	© 19
Friendship Heights Alliance Business Plan	© 20
RESJ Statement	© 33
Climate Impact Statement	© 37
Fiscal Impact Statement	© 41
Economic Impact Statement	© 43
Public Testimony	© 46

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**MEMORANDUM**

April 6, 2023

TO: County Council

FROM: Christine Wellons, Senior Legislative Attorney

SUBJECT: Expedited Bill 13-23, Montgomery County Urban Districts – Friendship Heights Urban District

PURPOSE: Action – final vote expected

**COMMITTEE RECOMMENDATION:** The Economic Development Committee unanimously recommends enactment of Expedited Bill 13-23 with amendments.

Expedited Bill 13-23, Montgomery County Urban Districts – Friendship Heights Urban District, sponsored by Lead Sponsor Council Vice-President Friedson, was introduced on February 28, 2023. A public hearing was held on March 14, 2023, and an Economic Development (ECON) Committee worksession was held on March 23, 2023. Final action is scheduled for April 11, 2023.

Expedited Bill 13-23 would:

- (1) create an urban district located in the Friendship Heights area of the County;
- (2) expand the purposes of urban districts in the County;
- (3) create a commercial district charge as an additional mechanism to fund an urban district;
- (4) establish a Friendship Heights Urban District Advisory Committee; and
- (5) generally amend the law concerning urban districts in the County.

**BACKGROUND**

The Friendship Heights Alliance, a 501(c)(6) organization, formed in 2021 “to coordinate place management, community building and revitalization along the Wisconsin Avenue corridor on both sides of Western Avenue from Fessenden Street in Northwest D.C. to Oliver Street in in Chevy Chase, Maryland.” (©13).

Made up of property owners within both the Maryland and D.C. sides of Friendship Heights, the work of the Alliance is cross-jurisdictional. To support the work of the Alliance on behalf of Friendship Heights property owners, the Alliance has requested the formation of a

Business Improvement District (BID) in D.C., and the formation of an urban district in Montgomery County.

The bill would establish the urban district to provide funding for and support the work of the Alliance on behalf of businesses and residents in Friendship Heights.

### **BILL SPECIFICS**

Expedited Bill 13-23 would create a new urban district within the County, the Friendship Heights Urban District. Currently, urban districts exist for Bethesda, Silver Spring, and Wheaton. The boundaries of the new Friendship Heights Urban District would be articulated under Section 68A-9 of the County Code.

Each property owner within the district that leases property to commercial or residential tenants would be charged – subject to an annual levy by the Council – a commercial district charge. The amount of the charge would be calculated as follows:

- for Class 2 Properties, excluding hotels and motels, the amount of \$0.165 per square foot for each net rentable square foot;
- for hotels or motels, the amount of \$120 per hotel or motel room; and
- for Class 1 Properties that contain 5 or more residential units, available for rental for non-transient residential dwelling purposes, \$120 per unit.

Residential units limited to households earning 100 percent or less of the Area Median Income would be exempt from the commercial district charge.

Funds collected through the commercial district charge would be used for public services and facilities related to, among other things, streetscapes, promoting the district, and enhancing safety. Like other urban districts, the Friendship Heights Urban District would have an Advisory Committee appointed by the County Executive and confirmed by the Council.

### **SUMMARY OF PUBLIC HEARING**

At the public hearing on March 14, 2023, several individuals and organizations testified in support of Expedited Bill 13-23:

- Mr. Hartman Espada, on behalf of County Executive, stated that the bill would reenergize Friendship Heights through a cross-jurisdictional alliance with the District of Columbia.
- Mr. Donahoe, chair of the Friendship Heights Alliance, explained that the FHA has gained broad support from businesses and residents. He stated that the bill would support long-term efforts to promote and improve Friendship Heights.
- A longtime resident and member of the Brookdale Citizens Association stated that urban districts are a proven mechanism for revitalization and that the bill would help small businesses and residents.



- The chair of the Greater Bethesda Chamber of Commerce stated that the bill would help Friendship Heights to have a “place-centered” approach to revitalization. The Chair also requested an amendment regarding the membership of the Friendship Heights Urban Advisory Committee: in Line 123 of the bill, replace the term “owner” with “representative”.
- The owner of a small business in Friendship Heights stated that the “shared sense of marketing” enabled by the bill will help the small businesses in the district.

### SUMMARY OF IMPACT STATEMENTS

The Office of Legislative Oversight (OLO) “anticipates that Expedited Bill 13-23 will have a minimal impact on **racial equity and social justice** in the County.” OLO has not recommended any amendments to the bill, but notes that “if future business improvement districts in the County are only pursued in affluent and predominantly White communities, racial and social disparities in entrepreneurship and other economic outcomes could widen.”

OLO expects that the bill would have little to no effect on **climate**. Under the **economic impact statement**, OLO anticipates the bill would have a positive economic impact in the County. According to the Office of Management and Budget (OMB), there is no expected **fiscal impact** of the bill.

### ISSUES FOR THE COMMITTEE’S CONSIDERATION

The ECON Committee recommends the following amendments to Expedited Bill 13-23.

#### 1. **Committee Amendment - Membership of the Friendship Heights Urban Advisory Committee**

Under the bill, a five-member Friendship Heights Urban Advisory Committee would be appointed by the County Executive and confirmed by the Council. The Committee would consist of:

- (A) two members are commercial property owners in the district nominated by the Friendship Heights Alliance;
- (B) one member is a resident renter in the district
- (C) one member is a residential property owner in the district; and
- (D) one member is a business owner in the district nominated by the Greater Bethesda Chamber of Commerce.

The Greater Bethesda Chamber of Commerce has asked that the member it nominates be a “business representative” rather than a “business owner”. The ECON Committee agreed with the amendment to paragraph (D) as follows.

(D) one member is a business [[owner in the district]] representative nominated by the Greater Bethesda Chamber of Commerce.

**2. Potential Amendment – Definitions of Class 1 and Class 2 Properties**

The Office of the County Attorney suggested, and the ECON Committee agreed, that the bill should define the terms “Class 1 Properties” and “Class 2 Properties” under the bill. These terms are used in the bill to delineate between different types of property. The rate of the urban district charge will vary by property type.

To define the terms “Class 1 properties” and “Class 2 properties”, the Committee adopted the following amendment

*After line 1, insert the following.*

**68A-1. Definitions.**

For purposes of this Chapter, the following terms have the meanings indicated:

(a) Board of directors means the board of directors of an urban district corporation.

(b) Class 1 property means real property used or intended to be used for residential use categories under Chapter 59.

(c) Class 2 property means real property used or intended to be used for commercial or industrial use categories under Chapter 59.

[[~~(b)~~]] (d) Corporation means an urban district corporation.

\* \* \*

**NEXT STEP:** Roll-call vote on whether to enact Expedited Bill 13-23 with amendments, as recommended by the ECON Committee.

<u>This packet contains:</u>	<u>Circle #</u>
Expedited Bill 13-23	1
Friendship Heights Alliance Info Sheet	14
Friendship Heights Alliance FAQ	16
Map of proposed District– prepared by Planning Department Staff	19
Friendship Heights Alliance Business Plan	20
RESJ Statement	33
Climate Impact Statement	37
Fiscal Impact Statement	41
Economic Impact Statement	43
Public Testimony	46

Expedited Bill No. 13-23  
Concerning: Montgomery County  
Urban Districts – Friendship Heights  
Urban District  
Revised: 4/5/2023 Draft No. 4  
Introduced: February 28, 2023  
Expires: December 7, 2026  
Enacted: \_\_\_\_\_  
Executive: \_\_\_\_\_  
Effective: \_\_\_\_\_  
Sunset Date: \_\_\_\_\_  
Ch. \_\_\_\_\_, Laws of Mont. Co. \_\_\_\_\_

## COUNTY COUNCIL FOR MONTGOMERY COUNTY, MARYLAND

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Lead Sponsor: Council Vice-President Friedson

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**AN EXPEDITED ACT** to:

- (1) create an urban district located in the Friendship Heights area of the County;
- (2) expand the purposes of urban districts in the County;
- (3) create a commercial district charge as an additional mechanism to fund an urban district;
- (4) establish a Friendship Heights Urban District Advisory Committee; and
- (5) generally amend the law concerning urban districts in the County.

By amending

Montgomery County Code  
Chapter 68A, Montgomery County Urban Districts  
Sections 68A-1, 68A-3, 68A-4, 68A-5, and 68A-8

<b>Boldface</b>	<i>Heading or a defined term.</i>
<u>Underlining</u>	<i>Added to existing law by original bill.</i>
<b>[Single boldface brackets]</b>	<i>Deleted from existing law by original bill.</i>
<u>Double underlining</u>	<i>Added by amendment.</i>
<b>[[Double boldface brackets]]</b>	<i>Deleted from existing law or the bill by amendment.</i>
* * *	<i>Existing law unaffected by bill.</i>

*The County Council for Montgomery County, Maryland, approves the following act:*

1           **Sec 1. Sections 68A-1, 68A-3, 68A-4, 68A-5, and 68A-8 are amended as**  
2 **follows.**

3 **68A-1. Definitions.**

4           For purposes of this Chapter, the following terms have the meanings  
5 indicated:

6           (a) Board of directors means the board of directors of an urban district  
7 corporation.

8           **(b) Class 1 property means real property used or intended to be used for**  
9 **residential use categories under Chapter 59.**

10           **(c) Class 2 property means real property used or intended to be used for**  
11 **commercial or industrial use categories under Chapter 59.**

12           **[(b)] (d)** Corporation means an urban district corporation.

13           **[(c)] (e)** Department means a County department, principal office, or  
14 other office that the County Executive designates to perform functions  
15 under this Chapter. Department does not include an urban district  
16 corporation.

17           **[(d)] (f)** Maintaining streetscape amenities means cleaning, repairing  
18 rehabilitating, or replacing streetscape amenities.

19           **[(e)] (g)** Maintaining the streetscape includes cleaning sidewalks,  
20 driveways, streets, and other public areas; collecting trash; and caring  
21 for trees and other plantings. Maintaining the streetscape includes  
22 streetscaping of the medians and street sweeping, but does not include  
23 maintaining the road or the curbs.

24           **[(f)] (h)** Off-site amenity means a streetscape amenity installed by an  
25 optional method developer on a public right-of-way.

26           **[(g)] (i)** On-site amenity means a streetscape amenity installed by an  
27 optional method developer on property owned by the optional method

28 developer or on private property not owned by an optional method  
29 developer.

30 ~~[(h)]~~ (j) Optional method development means property for which the  
31 owner has agreed with the Maryland-National Capital Park and  
32 Planning Commission to be responsible for installing and maintaining  
33 both on-site and off-site improvements.

34 ~~[(i)]~~ (k) Streetscape amenity includes such items as bulletin boards and  
35 electronic displays; communication systems; containers for growing  
36 things; fountains and pools; drinking fountains; functional and  
37 decorative lighting; outdoor seating; restrooms; seating and other street  
38 furniture; shelters for pedestrians and persons using public  
39 transportation; non-standard paving; sidewalks; trees and other  
40 plantings; trash containers; vending booths and kiosks; works of art;  
41 any outdoor item that an optional method developer agreed to install  
42 and maintain as a condition of site plan approval; and other items of a  
43 similar character or purpose.

44 ~~[(j)]~~ (l) Urban district corporation means a corporation created under  
45 Section 68A-9.

46 **68A-3. Creation of urban districts; purposes.**

47 (a) Urban districts are created in the business districts of Wheaton,  
48 Bethesda, [and] Silver Spring, and Friendship Heights as described in  
49 Section 68A-8.

50 (b) Except as provided in subsection (c), the department may provide the  
51 public services and facilities necessary to implement the following  
52 purposes of an urban district:

53 (1) maintaining the streetscape and streetscape amenities on:

54 (A) public rights-of-way; and

- 55 (B) any property that is used by the general public;
- 56 (2) promoting and programming public interest activities that benefit
- 57 both residential and commercial interests of an urban district
- 58 (and which may incidentally benefit neighboring communities,
- 59 or neighboring jurisdictions if the neighboring jurisdictions share
- 60 a common economic interest with the subject urban district);

61 \* \* \*

62 **68A-4. Funding.**

- 63 (a) *General.* Each urban district is funded through:
- 64 (1) Urban District Tax.
- 65 (A) Except as provided in paragraph (7), [Each] each tax year
- 66 the County Council may levy against all the assessable real
- 67 and personal property in an urban district a sum not greater
- 68 than 30 cents on each \$100 of assessable property.
- 69 (B) The urban district tax is levied and collected as other
- 70 county taxes are levied and collected by law.
- 71 (C) The urban district tax has the same priority, bears the same
- 72 interest and penalties, and in every respect must be treated
- 73 the same as other county taxes.
- 74 (D) The urban district tax rate may differ from one urban
- 75 district to another.
- 76 (2) Parking Lot District fees.
- 77 (A) The County Council may transfer revenue from parking
- 78 fees to the fund of the urban district in which the fees are
- 79 collected.
- 80 (B) The amount of revenue from parking fees transferred to an
- 81 urban district must not exceed the amount calculated by

- 82 multiplying:
- 83 (i) The number of parking spaces in the urban district
- 84 by
- 85 (ii) The number of enforcement hours per year by
- 86 (iii) 20 cents.
- 87 (C) The amount of revenue from parking fees may differ from
- 88 one urban district to another.

89 (3) Maintenance charge on optional method developments.

- 90 (A) The County Executive may charge each optional method
- 91 development for the cost of maintaining off-site amenities
- 92 for that development, including the County's cost of
- 93 liability insurance.
- 94 (B) The County Executive may collect a maintenance charge
- 95 under this section in the same way that the County collects
- 96 taxes.
- 97 (C) A maintenance charge under this section has the same
- 98 priority and bears the same interest and penalties as county
- 99 taxes.

100 (4) Commercial district charge.

101 (A) Except as provided in paragraph (7), each tax year the

102 County Council may levy a commercial district charge on

103 each owner of real property within the district used by

104 commercial or residential tenants, computed as:

- 105 (i) for Class 2 Properties, excluding hotels and motels,
- 106 the amount of \$0.165 per square foot for each net
- 107 rentable square foot;
- 108 (ii) for hotels or motels, the amount of \$120 per hotel

109 or motel room; and  
110 (iii) for Class 1 Properties that contain 5 or more  
111 residential units, available for rental for non-  
112 transient residential dwelling purposes, \$120 per  
113 unit.

114 (B) Except as provided under paragraph (4)(A), Class 1  
115 Properties and residences are exempt from the commercial  
116 district charge under this paragraph.

117 (C) Residential units restricted by law to households earning  
118 100 percent of the area median income or less are exempt  
119 from the commercial district charge under this paragraph.

120 (D) The Director must collect the charge in the same manner  
121 as County real property taxes, apply the same interest,  
122 penalties, and other remedies (including tax sale) if the  
123 charge is not paid, and generally treat the charge for  
124 collection and administration purposes as if it were a  
125 County real property tax. The Director may treat any  
126 unpaid charge as a lien on the property to which the charge  
127 applies.

128 (E) The Director may require each property owner within the  
129 district to report annually, on a form provided by the  
130 Director and by a deadline specified by the Director:

131 (i) the number of Class 2, hotel or motel, or Class 1  
132 square footage or units, as applicable, subject to the  
133 charge;

134 (ii) the amount of charge required by this Section to be  
135 collected; and



136 (iii) any other information the Director requires to  
137 assure that the proper charge will be remitted to the  
138 County.

139 ~~[(4)]~~ (5) Transfer from the General Fund. The Council may transfer  
140 revenues from the County general fund to an urban district. The  
141 transfer may be subject to repayment as specified in the Council  
142 resolution approving the district's annual operating budget.

143 ~~[(5)]~~ (6) Miscellaneous Revenue. All other revenues collected by  
144 an urban district, including charges for services and private  
145 contributions, must remain in the respective urban district fund,  
146 and, subject to appropriation, may be used to fund the urban  
147 district budget.

148 (7) Exclusivity of urban district tax or commercial district charge.  
149 Within a single urban district, the Council may levy under this  
150 Section either an urban district tax or a commercial district  
151 charge, but not both.

152 \* \* \*

153 **68A-5. Advisory committees.**

154 (a) Composition. Each urban district must have an advisory committee, or  
155 an urban district corporation board of directors, whose members are  
156 appointed by the County Executive and confirmed by the County  
157 Council.

158 \* \* \*

159 (4) The Friendship Heights Urban District Advisory Committee has  
160 5 members. The County Executive must strive to appoint the  
161 members so that:

162 (A) two members are commercial property owners in the

163 district nominated by the Friendship Heights Alliance;

164 (B) one member is a resident renter in the district

165 (C) one member is a residential property owner in the district;  
166 and

167 (D) one member is a business [[owner in the district]]  
168 representative nominated by the Greater Bethesda  
169 Chamber of Commerce.

170 [(4)] (5) The County Executive may reject a person nominated to  
171 serve on an advisory committee and request additional  
172 nominations from the same source.

173 \* \* \*

174 **68A-8. Urban district boundaries**

175 \* \* \*

176 (c) The Friendship Heights Urban District is all the land within the area  
177 described as follows:

178 (1) Beginning at the centerline intersection of Belmont Avenue and  
179 Oliver Street;

180 (2) Then in a southeasterly direction along the centerline of Belmont  
181 Avenue until the centerline intersection of Belmont Avenue and  
182 Park Street;

183 (3) Then in a southeasterly direction continuing along the right of  
184 way for Belmont Avenue Trail;

185 (4) Then in a northeasterly direction continuing along the right of  
186 way for Belmont Avenue Trail;

187 (5) Then in a southeasterly direction to the westernmost corner of  
188 Lot 20, Block 5 on Plat 349, recorded among the land records of  
189 Montgomery County, Maryland;

- 190           (6)   Then in a southeasterly direction to the southernmost corner of  
191                   Lot 8, Block 5 on Plat 349, recorded among the land records of  
192                   Montgomery County, Maryland;
- 193           (7)   Then in a southeasterly direction to the centerline of Western  
194                   Avenue;
- 195           (8)   Then in a southwesterly direction along the centerline of Western  
196                   Avenue;
- 197           (9)   Then in a northwesterly direction to the southernmost corner of  
198                   Parcel A on Plat 5074, recorded among the land records of  
199                   Montgomery County, Maryland;
- 200           (10) Then in a southwesterly direction along the western boundary of  
201                   Parcel A on Plat 7074, recorded among the land records of  
202                   Montgomery County Maryland;
- 203           (11) Then in a northwesterly direction along the western boundary of  
204                   Parcel A on Plat 5074, recorded among the land records of  
205                   Montgomery County, Maryland;
- 206           (12) Then in a northwesterly direction along the western boundary of  
207                   Parcel A on Plat 5074, recorded among the land records of  
208                   Montgomery County, Maryland;
- 209           (13) Then in a northeasterly direction along the western boundary of  
210                   Parcel A on Plat 5074, recorded among the land records of  
211                   Montgomery County, Maryland;
- 212           (14) Then in a northwesterly direction along the western boundary of  
213                   Parcel A on Plat 5074, recorded among the land records of  
214                   Montgomery County, Maryland;
- 215           (15) Then in a southwesterly direction along the western boundary of  
216                   Parcel A on Plat 5074, recorded among the land records of

- 217 Montgomery County, Maryland;  
218 (16) Then in a northwesterly direction along the western boundary of  
219 Parcel A on Plat 5074, recorded among the land records of  
220 Montgomery County, Maryland;  
221 (17) Then in a northeasterly direction along the western boundary of  
222 Parcel A on Plat 5074, recorded among the land records of  
223 Montgomery County, Maryland;  
224 (18) Then in a northwesterly direction along the western boundary of  
225 Parcel A on Plat 5074, recorded among the land records of  
226 Montgomery County, Maryland;  
227 (19) Then in a northwesterly direction along the western boundary of  
228 Parcel A on Plat 5074, recorded among the land records of  
229 Montgomery County, Maryland;  
230 (20) Then in a northwesterly direction along the western boundary of  
231 Parcel A on Plat 5074, recorded among the land records of  
232 Montgomery County, Maryland;  
233 (21) Then in a northwesterly direction along the western boundary of  
234 Parcel A on Plat 5074, recorded among the land records of  
235 Montgomery County, Maryland;  
236 (22) Then in a northwesterly direction along the western boundary of  
237 Parcel A on Plat 5074, recorded among the land records of  
238 Montgomery County, Maryland;  
239 (23) Then in a northwesterly direction along the western boundary of  
240 Parcel A on Plat 5074, recorded among the land records of  
241 Montgomery County, Maryland;  
242 (24) Then in a northeasterly direction along the western boundary of  
243 Parcel A on Plat 5074, recorded among the land records of

- 244 Montgomery County, Maryland;
- 245 (25) Then in a northwesterly direction along the western boundary of
- 246 Parcel A on Plat 5074, recorded among the land records of
- 247 Montgomery County, Maryland;
- 248 (26) Then in a southwesterly direction along the western boundary of
- 249 Parcel A on Plat 5074, recorded among the land records of
- 250 Montgomery County, Maryland;
- 251 (27) Then in a northwesterly direction along the western boundary of
- 252 Parcel A on Plat 5074, recorded among the land records of
- 253 Montgomery County, Maryland;
- 254 (28) Then in a northeasterly direction along the western boundary of
- 255 Parcel A on Plat 5074, recorded among the land records of
- 256 Montgomery County, Maryland;
- 257 (29) Then in a northwesterly direction along the western boundary of
- 258 Parcel A on Plat 5074, recorded among the land records of
- 259 Montgomery County, Maryland;
- 260 (30) Then in a southwesterly direction along the western boundary of
- 261 Parcel A on Plat 5074, recorded among the land records of
- 262 Montgomery County, Maryland;
- 263 (31) Then in a northwesterly direction to the westernmost corner at
- 264 the Willard Avenue right of way of Parcel A on Plat 5074,
- 265 recorded among the land records of Montgomery County,
- 266 Maryland;
- 267 (32) Then in a northwesterly direction to the centerline of the Willard
- 268 Avenue right of way;
- 269 (33) Then in a northeasterly direction along the centerline of the
- 270 Willard Avenue right of way;

- 271           (34) Then in a northeasterly direction along the centerline of the  
 272           Willard Avenue right of way to the intersection of North Park  
 273           Avenue;
- 274           (35) Then in a southeasterly direction along the centerline of the  
 275           Willard Avenue right of way to the intersection of Friendship  
 276           Boulevard;
- 277           (36) Then in a northeasterly direction along the centerline of  
 278           Friendship Boulevard;
- 279           (37) Then in a northwesterly direction along the centerline of  
 280           Friendship Boulevard to the intersection of South Park Avenue;
- 281           (38) Then in a northeasterly direction along the centerline of South  
 282           Park Avenue to the intersection of The Hills Plaza;
- 283           (39) Then in a northwesterly direction along the centerline of The  
 284           Hills Plaza;
- 285           (40) Then in a northeasterly direction to the northernmost corner of  
 286           Lot 20, Block 1 of Plat 8963;
- 287           (41) Then in a northeasterly direction to the centerline of Wisconsin  
 288           Avenue;
- 289           (42) Then in a northwesterly direction along the centerline of  
 290           Wisconsin Avenue to the centerline intersection of Oliver Street;
- 291           (43) Then in a northeasterly direction along the centerline of Oliver  
 292           Street to the point of beginning; and
- 293           (44) Any lot that is partially within and partially outside of the areas  
 294           under paragraphs (1) through (44).

295           **Sec. 2. Expedited Effective Date.**

296           The Council declares that this legislation is necessary for the immediate  
 297           protection of the public interest. This Act takes effect on the date on which it

298 becomes law.



## **The Friendship Heights Alliance**

### **A cross jurisdictional approach to economic revitalization and community building**

#### **Background**

In 2021, a group of major property owners in Friendship Heights from both DC and Maryland formed the Friendship Heights Alliance, a 501 c (6) organization to coordinate place management, community building and revitalization along the Wisconsin Avenue corridor on both sides of Western Avenue from Fessenden Street in Northwest D.C. to Oliver Street in Chevy Chase, Maryland.

Friendship Heights is on the cusp of significant change. Ensuring that the area thrives in today's competitive environment will take cross-jurisdictional collaboration, careful planning, and extensive stakeholder engagement. The mission of the Friendship Heights Alliance is to guide this transformation and provide innovative services and programs that lead to a more vibrant urban place, stimulating businesses and residential quality of life.

For the past year, through private contributions from founding property owners and grants from both the District and Montgomery County governments, the Friendship Heights Alliance conducted robust cross sector community and business engagement. Building on this feedback, the Alliance initiated a range of placemaking, research and community building efforts throughout 2022.

#### **Sustaining support for the Friendship Heights Alliance through a BID and Urban District**

To build on this successful first year, property owners joined with DC and Montgomery County government leaders to develop a sustainable funding model that will support the FH Alliance's programming into the future. On the District side, property owners are seeking the formation of a Business Improvement District under The Business Improvement District Act of 1996. The Friendship Heights BID will be the District of Columbia's 12th BID. On the Maryland side, stakeholders are working to form an Urban District, a Montgomery County program to support enhanced place based services.

These two funding streams, which rely on special assessments paid by property owners within a defined geography will support the Friendship Heights Alliance in a sustainable and equitable manner. Guided by a Board with members from both sides of the Maryland and DC border, the Friendship Heights Alliance will drive:

- Deeper coordination among property owners, residents, businesses, and government stakeholders around planning, design and economic development
- Marketing of Friendship Heights to attract residents, customers, and businesses vitality to the neighborhood.



- Enhanced cleaning and maintenance services along Wisconsin Avenue and commercial side streets
- A more dynamic and vibrant public realm through landscaping, public art, and other placemaking interventions

### **Broad support**

Friendship Heights property owners in both Maryland and the District support the dual BID and Urban District funding mechanism, affirming the value of making a collective investment to support a vibrant future for Friendship Heights. The Friendship Heights Alliance board currently includes:

- James "Jad" Donohoe IV, Donohoe Development Company (Chair)
- Mustafa Popal, Tishman Speyer (Treasurer)
- John Ziegenhein, The Chevy Chase Land Company (First Vice-Chairperson)
- James Rich, Zuckerman Gravely Development (Secretary)
- Wish Carr, Carr Companies
- Donna Cooper, Pepco
- Brian Grant, Equity Residential
- Harris Markowitz, Clarion Partners
- Joe Michel, Transwestern
- Liz Price, WMATA
- Geoff Sharpe, Federal Realty Investment Trust
- DJ Sworobuk, Grosvenor
- Ralph Voight, Voight Building LLC
- Simon Bustow, Boston Properties

In addition, the Friendship Heights Alliance team has spent the last year building a strong network of support among a variety of community and small business stakeholders through events and outreach, engaging over 1000 residents, small business owners, community leaders and employees to help shape programming priorities.

The Friendship Heights Alliance will also benefit from oversight by both the District and Montgomery County governments. On the Montgomery County side, the Urban District funding will come under annual review. On the District side, the BID will undergo charter renewal every five years.

For more details on the Friendship Heights Alliance please refer to [the business plan](#).



## Frequently Asked Questions

### **What is the Friendship Heights Alliance?**

The Friendship Heights Alliance is a place management organization. It is a 501(c)6 nonprofit formed in 2021 to coordinate the place management efforts and programs in the Friendship Heights neighborhood along the Wisconsin Avenue corridor on both sides of Western Avenue.

### **What do place management organizations do?**

Place management organizations typically fund services that are a supplement to those already provided by the government, such as economic development, business support and promotion, public realm cleaning and maintenance, management of capital improvements, placemaking and streetscape enhancements, neighborhood marketing, events and brand management.

Place management organizations have a proven track record around the world of helping urban, mixed-use commercial districts meet these challenges. They are designed to bring private-sector creativity and ground-level expertise to Friendship Heights' evolution in collaboration with District and County partners.

### **How will the Friendship Heights Alliance be funded?**

Since its inception, the Alliance has received grant funding from DSLBD and Montgomery County, as well as proportional private contributions from property owners on both sides of the DC and Maryland border. To create a sustainable and long-term funding stream, the Alliance is beginning a business improvement district formation process on the DC side, and an urban district formation process on the Maryland side.

Creating these two funding mechanisms to support the Alliance will enable the Friendship Heights Alliance to leverage funds sustainably and equitably from both sides of the MD and DC border without having to form two separate organizations, guided by two separate boards, with a more complicated operational and organizational system.

### **What is a Business Improvement District (BID) funding model?**

A BID is a funding mechanism in which property owners pay an additional assessment to support place management programs and community building within a defined area. BIDs are 501(c)6 nonprofit organizations with a board of directors and an executive director that are funded primarily through the tax but can also draw upon other public and private funding streams.

### **What is an Urban District Funding model?**

Urban Districts are special taxing districts formed in mixed-use commercial areas of Montgomery County to increase the maintenance of the streetscape and its amenities; provide additional public amenities such as plantings, seating, shelters, and works of art; promote the commercial and residential interests of these areas; and program cultural and community activities.

### **What are the boundaries of the Friendship Heights Alliance?**

The coverage area extends along the Wisconsin Avenue commercial corridor from Fessenden Street on the south to Oliver Street on the north – in other words, from Rodman’s to Saks Fifth Avenue.

### **How will the Alliance be governed?**

The Friendship Heights Alliance is a 501(c)(6) organization governed by a Board of Directors, elected by members on both sides of the DC and MD border. Property owners from both sides of the DC and MD border will comprise a majority of the board. Remaining members will include a balance of Maryland and DC business, non profit and community stakeholders. The board will shape the organization’s programming priorities, provide financial oversight and hire leaders and staff to carry out a collaboratively defined vision.

### **What does the Alliance’s 2024 Business Plan focus on?**

- Grounds programming goals and mission in extensive community engagement and successful demonstration projects in 2022.
- Demonstrates value of collective investment in improving the public environment, building community and providing a deeper level of coordination.
- Focuses on the Friendship Heights Alliance as ONE cross jurisdictional place making and management entity – with TWO funding mechanisms (BID and Urban District)
- Still requires legal review when it comes to annual meetings, member voting, etc.
- Has a budget and taxing structure in line with similar organizations in similar jurisdictions

### **What are the benefits of the Alliance for the small business community?**

Place management organizations like the Alliance have proven to be remarkably successful in supporting small businesses through collective marketing, networking opportunities, and public space improvements. In addition to supporting small businesses through joint marketing campaigns, economic development research, and placemaking services, BIDs have the nimbleness and flexibility to respond quickly to business concerns, to provide information and support as they navigate municipal issues, and to create opportunities for small businesses to make their voices heard around key decisions impacting a place.

**What are the benefits of the Alliance for residential property owners?**

The Friendship Heights Alliance will take a robust role in cultivating Friendship Heights' many overlapping ecosystems. It will help support a unique and thriving small business community and attract the office and retail tenants that are so necessary for creating daytime and nighttime vibrancy. In addition, the Alliance will focus on creating gathering places, creative cultural events, and community building programs to bring people together.

**Is there public sector oversight of the BID activities?**

Yes. In DC, the BID funding mechanism must be renewed every five years by a vote of property owners and review of the mayor. In Montgomery County, the Urban District funding model with the Friendship Heights Alliance will undergo annual appropriations reviews and a five-year renewal of the Memorandum of Understanding.

**What types of properties will be included in the Friendship Heights Alliance and thereby subject to a special assessment?**

In DC: All real property that is not exempt from paying property taxes will be included except: residential condos and coops that exist on or before the establishment of a BID; residential properties with fewer than 4 dwelling units. Government and nonprofit buildings are exempt. In Maryland: all non-exempt commercial properties will be subject to the Urban District assessment.

**How many place management organizations are there across the U.S.?**

Currently, there are more than 2,500 place management organizations in North America, including more than 70 in New York City, 11 in Washington, D.C., three in Northern Virginia, and several in Baltimore.







# Friendship Heights

ALLIANCE

2024–2026



# Business Plan



**FINAL  
MARCH 2023**



**BRINGING NEW  
LIFE & BUILDING  
COMMUNITY**

**The Friendship Heights Alliance business plan is grounded in the recognition that every place already has a history and a story to tell.**

By listening first, the Alliance team heard respondents and stakeholders overwhelmingly express their belief in the possibility of a more vibrant, dynamic, and inclusive future for Friendship Heights, with more diversity in housing opportunities and retail experiences, and a more people-friendly public realm.

The Friendship Heights Alliance is committed to bringing residents, businesses, property owners and nonprofit stakeholders together to advance this vision.

This plan is built around the following objectives:

- Build cross-sector collaboration and partnerships to strengthen the neighborhood
- Create and care for more people-centered public spaces
- Support a vibrant business environment where people and places thrive
- Offer ample and varied community building opportunities
- Create more venues for arts, culture, and local entrepreneurship

A detailed description of the Alliance’s governance, funding structures, and program areas follows, along with data and metrics from the Alliance’s first year of successful programming and engagement.

# Table of Contents

**Friendship Heights Alliance: The First Year** ..... 2

**Friendship Heights Alliance Business Plan** ..... 10

**Financials** ..... 17

**FAQs About the Friendship Heights Alliance** ..... 20





# The First Year

## ABOUT FRIENDSHIP HEIGHTS

Friendship Heights runs along Wisconsin Avenue from Fessenden Street on the DC side to Oliver Street on the Montgomery County side. It is a bustling, mixed-use neighborhood with a dynamic mix of office, retail and residential. Just minutes from the Beltway, downtown DC and Bethesda, Maryland, Friendship Heights is a convenient crossroads for residents, visitors and workers alike. Known for decades as a premier regional shopping destination with affordable premier office space, it's in the process of transitioning to a neighborhood-focused retail mix with a more dynamic, walkable and people-centered built environment.

With multiple sites under redevelopment and 1,400 housing units slated for delivery in the next few years, Friendship Heights is headed toward a bright future.

In seizing the transformational opportunities that lie ahead, a range of public and private sector stakeholders recognize the importance of collaboration and care around the public realm, the quality of place, community building, and neighborhood identity. As the neighborhood's business mix and built environment transform, developers, residents and business owners recognize that for the neighborhood to thrive, coordination is key.



## ABOUT THE FRIENDSHIP HEIGHTS ALLIANCE

The Friendship Heights Alliance grew out of the recognition that the success of the neighborhood's redevelopment goes beyond the quality of individual projects. There is a need for focused attention on the public environment and the social aspects of what makes a place thrive. There's broad agreement around the need to strengthen cross-jurisdictional coordination and establish a collaborative organization that will catalyze the needed initiatives. This place management organization will coordinate the community building needed to reinvigorate Friendship Heights and shape its future as a dynamic, inclusive, walkable urban place.





With a grant from the District of Columbia and private contributions from the area's large property owners, the Friendship Heights Alliance was formed in late 2021 as a 501(c)6 nonprofit.

The goal was to demonstrate the value of an integrated, cross-jurisdictional approach to community building, economic development, and revitalization at the neighborhood level, while exploring organizational and funding models to sustain this work into the future. From the outset, the Alliance sought to ground these two work areas in a clear understanding of community and business dynamics, best practices research, and a robust market analysis.

Below is an overview of the Alliance's first year of activities, including both what we learned and what we heard. This work forms the scaffolding of the Alliance's long-term planning effort, informing the organization's funding mechanisms, governance structure, and programmatic approach.

### THE FIRST YEAR: A LISTENING TOUR

In its first year, the Friendship Heights Alliance focused on listening and community building. Through focus groups, online surveys, community presentations, and dozens of one-on-one interviews, the Alliance asked what the stakeholders wanted first: then used those hopes and goals to inform placemaking initiatives and research efforts. Jon Stover & Associates spent five months researching the neighborhood and comparable places to assess the area's strengths, biggest challenges, and upcoming opportunities, resulting in a dense market analysis report covering retail trends, residential development, and office transitions.



Using feedback from the community, the Alliance initiated a range of projects – including a pop-up art gallery, community makers markets, and placemaking installations – to demonstrate what is possible in place-focused community building. Simultaneously, the team focused on building the organization's systems, operations and administrative aspects to ensure the nonprofit is capable of shaping a new neighborhood vision with broad community buy-in and support.

### WHAT WE HEARD

Friendship Heights has incredible assets. It has incredible transit connectivity, wide sidewalks, and nearby amenities. Though the retail landscape is shifting, it maintains a range of beloved restaurants and retail amenities. From Saks to Rodman's, and from Clyde's to Michaels, Friendship Heights has some enormous strengths.

At the same time, we heard widespread concern about inward-looking retail environments, hard edges, the impact of Wisconsin Avenue on walkability, a sense of stagnation, and a lack of diversity across age, race, and ethnicity. The stakeholders we engaged talked about the lack of social gathering places or venues for local culture and connectivity. Many talked about how, for too long, Friendship Heights has been more a collection of buildings than a place to enjoy. People expressed a desire for more care and focus on the quality of public space and on creating a sense of neighborhood identity. Yet, at the same time, many people – including residents, business owners and visitors – expressed deep appreciation for the neighborhood; and, in fact, were mystified as to why, with so many great assets, it could feel stagnant and left behind. Limited neighborhood promotions also rose to the top, as many stakeholders noted the lack of a marketing platform or business directory.



## Community Engagement

### THE FIRST YEAR BY THE NUMBERS





In February, 2022, the Friendship Heights Alliance released an online survey to shape programming plans and priorities for the organization. Over 1100 residents and workers shared their hopes and priorities.

**Soften the hard edges and introduce delight**

- Only 30 percent of respondents rated the quality of public space in Friendship Heights as good or very good. The rest rated it as fair to very poor.
- This was borne out in focus groups and interviews as well. Though it has wide sidewalks, treeboxes, and a generally clean environment, the expanses of concrete, the highway feel of Wisconsin Avenue, and the long, unbroken blocks can feel cold and unwelcoming.
- **Key takeaways:** In the short-term, landscaping and placemaking interventions can help soften these hard edges and create oases of calm and delight along the corridor. Long-term visioning, planning, coordination, and design guidelines can influence drastic improvements.

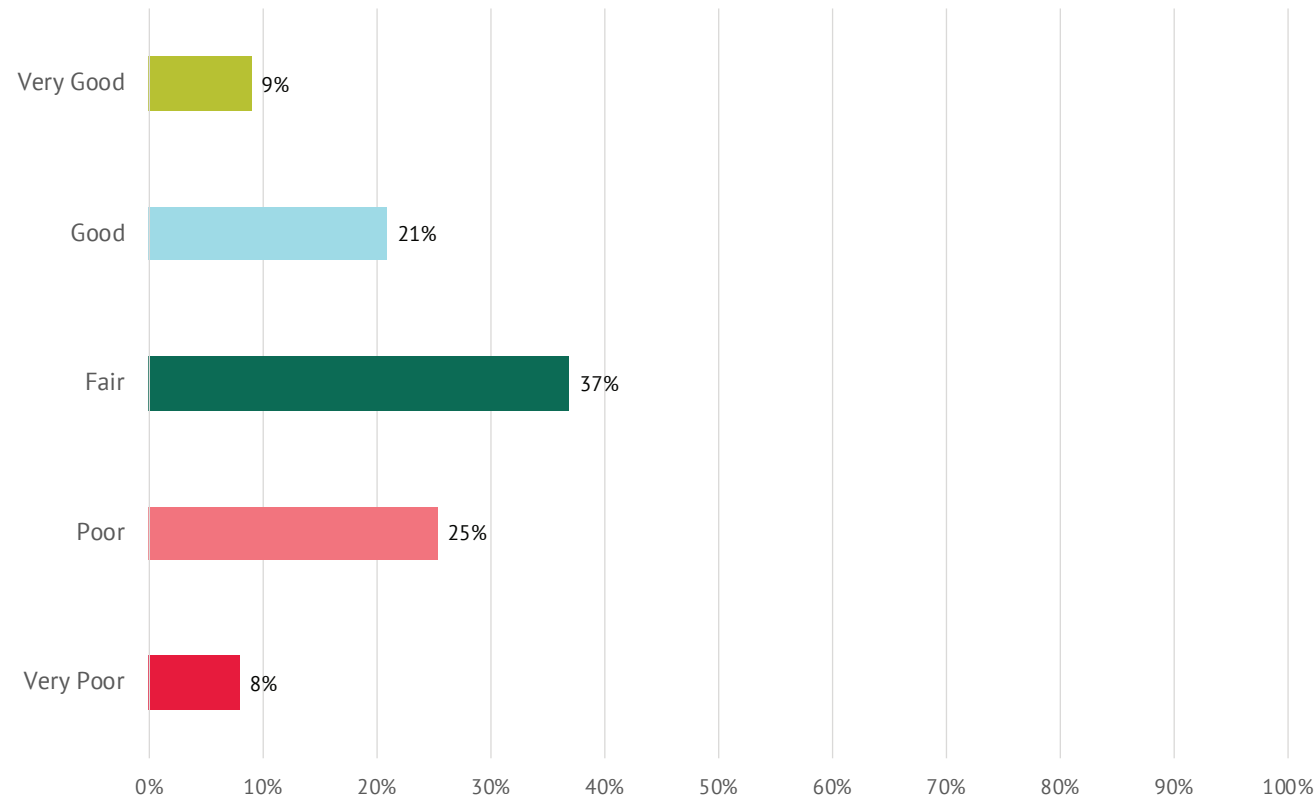


**Desire for community building and great places**

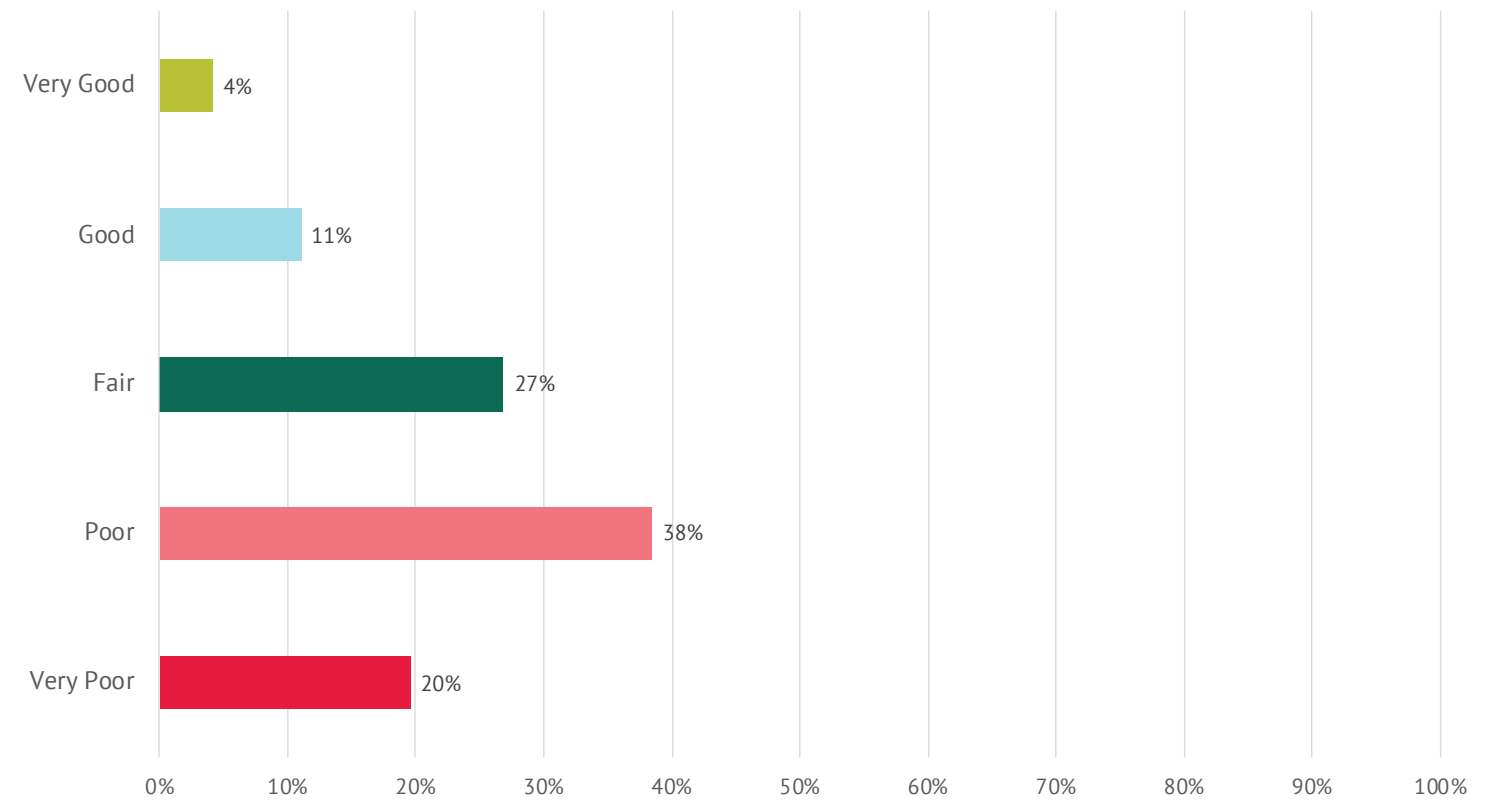
- 58% rated the quality of events and programming poor or very poor.
- Only 18% rated retail and restaurant offerings as good or very good, with most rating these from very poor to only fair. Only 30% expressed satisfaction with the level of diversity in the neighborhood, with most rating this quality as fair or poor.
- **Key takeaways:** For Friendship Heights to thrive, activating places with events and cultural activities that bring more opportunities for community building and gathering is critical. Respondents expressed a desire for more cultural venues and spaces to gather along with more locally focused retail. To attain this vision, there's a need to create more affordable housing, more venues for community building, and more opportunities for diverse local entrepreneurs to invest and thrive.



HOW RESPONDENTS RATED PUBLIC SPACE BEFORE 2022



HOW RESPONDENTS RATED EVENTS & PROGRAMMING BEFORE 2022







## WHAT WE DID: ACCOMPLISHMENTS

With funding from property owners (who voluntarily assessed themselves at 5 cents per SF) and a grant from the District government, the Friendship Heights Alliance built a first-year workplan based on the themes and priorities that emerged during extensive outreach:

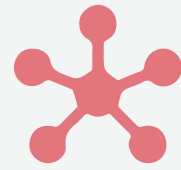
- Build a solid organizational infrastructure;
- Build a brand and marketing framework to support existing businesses and to showcase neighborhood events;
- Gain a solid understanding of market dynamics and demographic shifts impacting Friendship Heights;
- Organize events and placemaking activations guided by community input;
- Create opportunities for stakeholders to share a future vision for Friendship Heights;
- Organize a series of markets with a diverse array of vendors from the neighborhood and beyond;
- Create venues for art and culture through pop-up galleries and public art.

### Operations & Administration

From an operational perspective, the Alliance staff also worked to set up a valuable, secure, and safe organization. On the administrative side, the staff developed a database and project management system, established financial controls, and secured and managed funding requirements with DSLBD and Montgomery County.



## 2022 Accomplishments



Developed organizational infrastructure



Engaged & built relationships with a range of stakeholders



Established a brand, visual identity & on-line presence



Organized two community festivals & pop-up galleries



Produced a market snapshot



Developed a placemaking library & a set of installations



Educated stakeholders about the value of a collective approach to placemaking & management



### Placemaking & Events

- Conducted a public space audit to map potential event spaces
- Organized a pop-up gallery and three events in Chevy Chase Pavilion, showcasing the first solo show for the National Park Service's large-format documentary photographer
- Managed and promoted two successful street markets on Wisconsin Avenue with vendors, food, games and music; the events attracted 3,000+ people to shop, dine and enjoy the space.
- Formed a partnership with Georgetown University and the Social Life Project to develop a placemaking strategy to be implemented starting in summer 2022
- Organized workshop and walkthrough to reimagine key nodes within Friendship Heights through landscaping, street furniture, and public art interventions

### Marketing & Brand

- Conducted a comparative brand analysis
- Coordinated with property owner marketing directors for insights
- Developed a Creative Brief based on stakeholder engagement
- Hired a photographer to begin building an image library and a social presence, marketing community events



### The Brand

The Friendship Heights Alliance brand and marketing materials percolated from stakeholder feedback. The friendly, approachable visual identity centers a tulip, a symbol of vitality and rebirth, with a sophisticated font and bright color palette.

- Secured a website provider and started the initial build-out of a dynamic and interactive website
- Posted on neighborhood listservs, community calendars, and relevant publications about programming in the neighborhood.





# The Friendship Heights Business Plan

## SUSTAINING THE FRIENDSHIP HEIGHTS ALLIANCE INTO THE FUTURE

After a full year of programming, community engagement, and organization building, the Friendship Heights Alliance has developed a business plan for a robust place leadership organization grounded in deep stakeholder input and lessons learned from the range of placemaking, research, and community building initiatives we undertook.

This organization will be supported by sustainable funding mechanisms representing a unique cross-jurisdictional private/public partnership. It will continue to be managed by an independent nonprofit

organization and governed by stakeholders from both sides of the Maryland and DC borders. The governments of Montgomery County and the District of Columbia will have oversight over this entity through a five-year renewal process.

This is one of a handful of cross-jurisdictional place management programs in the United States, and demonstrates the strong spirit of collaboration among both the public and private sector stakeholders serving Friendship Heights.

### Boundaries

The boundaries of the Friendship Heights Alliance include the commercial Wisconsin Avenue corridor from Oliver Street in Montgomery County, Maryland, to Fessenden Street NW in Washington, DC. For a map and full description of the boundaries, please see Exhibit A.

### Mission of the Alliance

The mission of the Friendship Heights Alliance is to provide innovative services and programs that lead to a more vibrant urban place, stimulating businesses and residential quality of life. The Alliance will ensure the area is clean, safe, and friendly, and also champion a vision of the area that is dynamic, inviting, and inclusive.



## Guiding Vision

The Friendship Heights Alliance envisions a connected, caring and vibrant neighborhood with beautiful public spaces, thriving businesses and a diverse range of residents and housing types.

## Goals of the Alliance

- To promote Friendship Heights as the Washington region's most dynamic, and livable urban center, competitively positioned to attract new investment in and recognition for its vibrant shopping, dining, entertainment, and living opportunities
- To foster an engaged community committed to building on Friendship Heights' assets and potential
- To nurture a dynamic, connected, and livable environment through public art, landscaping, and other improvements to the public realm
- To nurture and maintain relationships with a broad cross section of stakeholders by providing Friendship Heights resources and information
- To provide opportunities for meaningful collaboration among Friendship Heights business, government, and community stakeholders to identify issues and solve problems together



- To ensure a positive experience when navigating to, from and within Friendship Heights
- To foster a strong and diverse small business ecosystem and sustain a vibrant retail mix
- To improve the perception of the area for both consumers and investors
- To improve safety and security of the area day and night
- To increase visitation to area attractions and businesses
- To attract and retain more residents





## GOVERNANCE OVERVIEW

The Friendship Heights Alliance is a cross-jurisdictional nonprofit organization. It is governed by a board of directors with stakeholders from both Maryland and the District of Columbia. The Alliance will be funded by two separate funding mechanisms: by a business improvement district (BID) in Washington, DC, and by an Urban District in Montgomery County, Maryland.

### Management

The Friendship Heights Alliance will be managed by a publicly chartered, private nonprofit organization. As a 501(c)6 organization, it will be exempt from federal

income taxes under the code and will also be exempt from local sales tax under DC law. The organization is also registered as a foreign corporation in the state of Maryland.

### Governance

The organization will be governed by a board of directors representing both sides of the District of Columbia and Maryland border who will set broad policies and goals. The Board will appoint officers and oversee a chief executive officer who will manage the day-to-day affairs of the organization.

### Board Composition

The board of directors will consist of between 15 and 21 voting members including property owners (who will hold over 50% of the board positions) in DC and Maryland, business tenants, and representatives of multifamily buildings and cultural and civic institutions. Members will include non-exempt property owners and commercial tenants. Board members will be elected to the three-year terms with an election held each year at the annual meeting. Approximately one-third of the board will be elected each year.

### Members

The Friendship Heights Alliance will hold annual meetings among members to (1) elect the board of directors and (2) adopt the annual budget and business plan.

The Corporation is a membership corporation. A person shall be eligible for membership so long as the person is an owner of commercial real property or a commercial tenant located within Friendship Heights.

There shall be two classes of Members:

- Class 1 Members are Business Improvement District Members as so designated by D.C. Code [X].
- Class 2 Members (hereinafter referred to as "Members") are all members of the Friendship Heights Alliance.

Members shall have voting rights with respect to election of Directors, and such other matters as may be provided in these Bylaws or as the Board of Directors may designate from time to time as follows: Each Member commercial tenant shall have one (1) vote. Property owners' votes will be allocated proportionally, by every five hundred dollars (\$500.00) paid in Business Improvement District taxes represent one (1) vote. Property owners shall have at a minimum one (1) vote.

### Funding

As a cross-jurisdictional entity, The Friendship Heights Alliance will leverage two funding streams.

On the Maryland side, an Urban District will be formed in accordance with Chapter 68A. Montgomery County Urban Districts legislation. The Montgomery County tax

authority will collect the assessments and enter into a Memorandum of Understanding (MOU) with the Alliance to deliver services on the Maryland side.

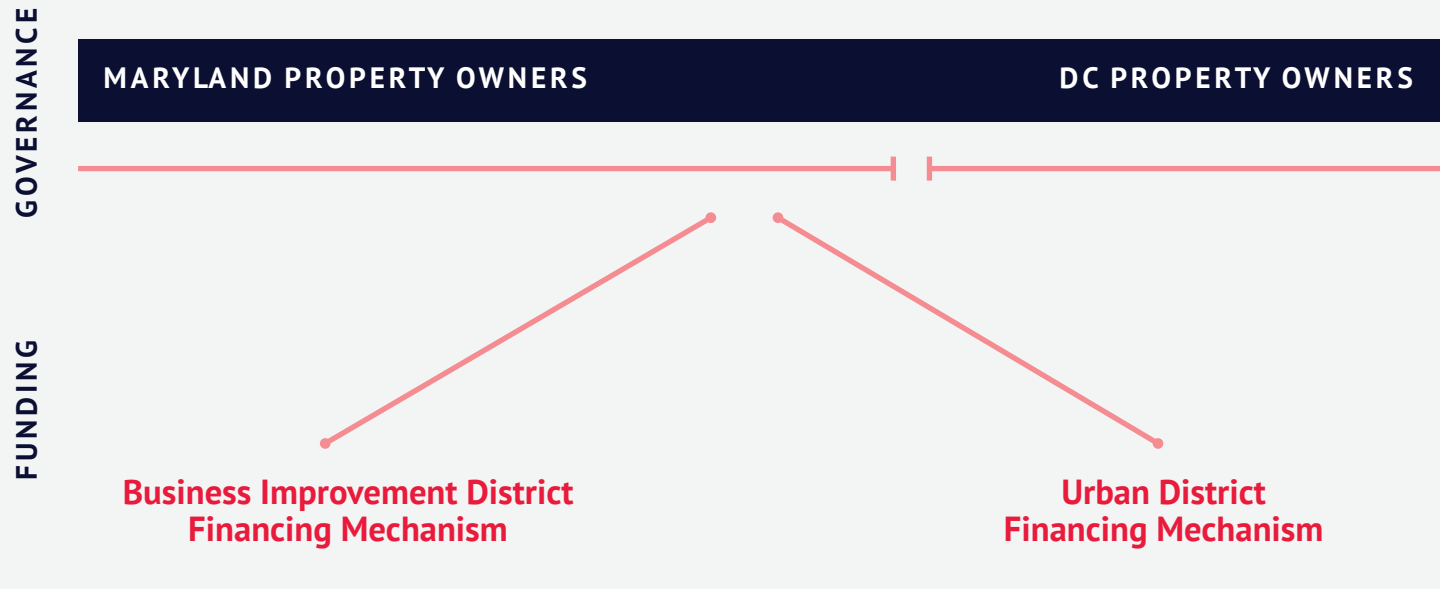
On the District side, a Business Improvement District will be formed in accordance with DC code 2-1215.04. The DC BID tax will be paid bi-annually in two payments submitted to the DC Office of Tax and Revenue, similarly to property tax bills. These funds will be transferred to the Friendship Heights Alliance twice per year.

### Rates

- Commercial buildings at 16.5 cents per SF
- Hotels at \$120 per room
- Residential units at \$120 per unit

It is the intention of the initial board of directors to attempt to keep the tax rates fixed for the initial five years that the BID and Urban District funding streams are in existence.

## Friendship Heights Alliance







# Operating Plan

## MANAGEMENT TEAM

### Executive Director

The Alliance will employ an executive director who will have the overall responsibility for the management of day-to-day programs as well as its financial and operating performance. The director will also provide strategic direction for the organization and ensure that the organization follows the policies and procedures as promulgated by the board of directors. The director will represent the organization to its members, to the community, to the media, and to the government.

Other staff positions will focus on administration and budget, marketing and communications, events and outreach, public space management, clean and safe operations, and economic development.

In the first year of operations, some programs may be organized by consultants, before internal staff can be hired and trained.

## MARKETING, COMMUNICATIONS & BRANDING

Promoting the area with a vibrant brand and innovative economic development strategies will be key functions of the Friendship Heights Alliance. The place branding program will work to promote Friendship Heights as greater Washington’s most livable urban center, competitively positioned to attract new investment in and recognition for its vibrant shopping, dining, entertainment, and living opportunities.

In addition to providing consumer marketing and communication activities, it will also focus on showcasing the benefits of opening businesses, developing property, or living in the area. It will employ an integrated marketing strategy to include cultivating relationships with the media and PR outlets, building community partnerships in collaboration, and differentiating the Friendship Heights brand among others.

To carry out the overall program, it will focus on specific areas of attention, including digital and print marketing, social media, and public relations. A key aspect of this program area will be to nurture and maintain relationships with key real estate and development

stakeholders by providing Friendship Heights resources and information. It will also cultivate a strong network of relationships with local businesses, nonprofits, and community groups.

## EVENTS

The Friendship Heights Alliance will develop a series of events and programming rooted in stakeholder feedback and guided by economic development and community building priorities. The events programming will be geared toward creating more opportunities for community gathering and for small businesses and entrepreneurs to flourish. The events will also focus on arts, music, and culture.

## ECONOMIC DEVELOPMENT & ENGAGEMENT

The Friendship Heights Alliance will have a robust economic development and stakeholder engagement program. This work area includes monitoring and communicating market data and trends while continually gathering input from a broad array of Friendship Heights stakeholders. Potential programs include:

- Annual or biannual updates for the market analysis report
- Regular surveys and touchpoints with stakeholders
- Roundtables or ‘lunch and learn’ events
- Volunteer opportunities
- Community presentations

## PLACE MANAGEMENT

Working in conjunction with individual property owners and businesses, the Friendship Heights Alliance will be committed to enhancing the experience of a welcoming and inviting place with a variety of activities and projects. The organization will immediately focus on ensuring that the area is clean, safe, and friendly.

The clean and safe services provided by the Friendship Heights Alliance will coordinate with the existing Clean Team currently under contract with Tenleytown Main Street on the DC side; and with new contracts for cleaning and maintenance on the Maryland side.



The Alliance will work closely with the clean and safe team to ensure a high level of service and coordination around the organization’s key priorities. This will include activities such as:

- Sidewalk cleaning
- Trash collection
- Litter removal
- Tree box maintenance
- Graffiti removal
- Maintenance of elements in the public streetscape needing repair

## HIGH-LEVEL COORDINATION

Additionally, as part of the place management program, the Friendship Heights Alliance will engage with District and Montgomery County agencies to ensure that the area receives the highest level of attention for its basic services, concerns, and community priorities. This program will ensure the Alliance staff remain in communication with public agencies, businesses, and property owners.





Special attention will be paid to improving safety in and around parking garages and coordinating with both nonprofit and county homeless service providers to address housing and service needs of un-housed Friendship Heights community members. A major part of this program area will entail ongoing communications with public safety stakeholders including police, public health, and social service agencies.



## PLACEMAKING

In addition to ensuring that the public spaces are well maintained and secure, the Friendship Heights Alliance will work to enhance the sense of place by creating a more dynamic and vibrant public realm. This may include but will not be limited to such initiatives as:

- Planting and landscaping services: softening some of the hard edges in the streetscape through plantings and public art;
- Installing or securing funds for additional bike racks;
- Installing public art and using other placemaking strategies to improve the pedestrian experience;
- Providing on-street decorations, signage, and marketing campaigns to promote the neighborhood
- Assisting with storefront façade improvements; and
- Activating public spaces with events and activities in coordination with retail, restaurant, and community stakeholders.
- Creating a high-quality set of voluntary streetscape standards that may be used by all property owners for new construction or redevelopment

The Alliance will work with stakeholders to envision key long-term changes and strategies to improve the public realm; and develop streetscape enhancements and lighting to create a decorative atmosphere and promote retail shopping on a seasonal basis.

The Friendship Heights Alliance will measure its impacts in the following ways:

- Growth in occupancy rates and new investment
- Increased retail sales
- Attendance at events and activities
- Pedestrian counts
- Annual attitudinal surveys of businesses, residents, visitors
- Website visitors
- Social media followers and reach
- Amount of trash collected
- Crime statistics
- Number of media citations using Alliance information

## Financials

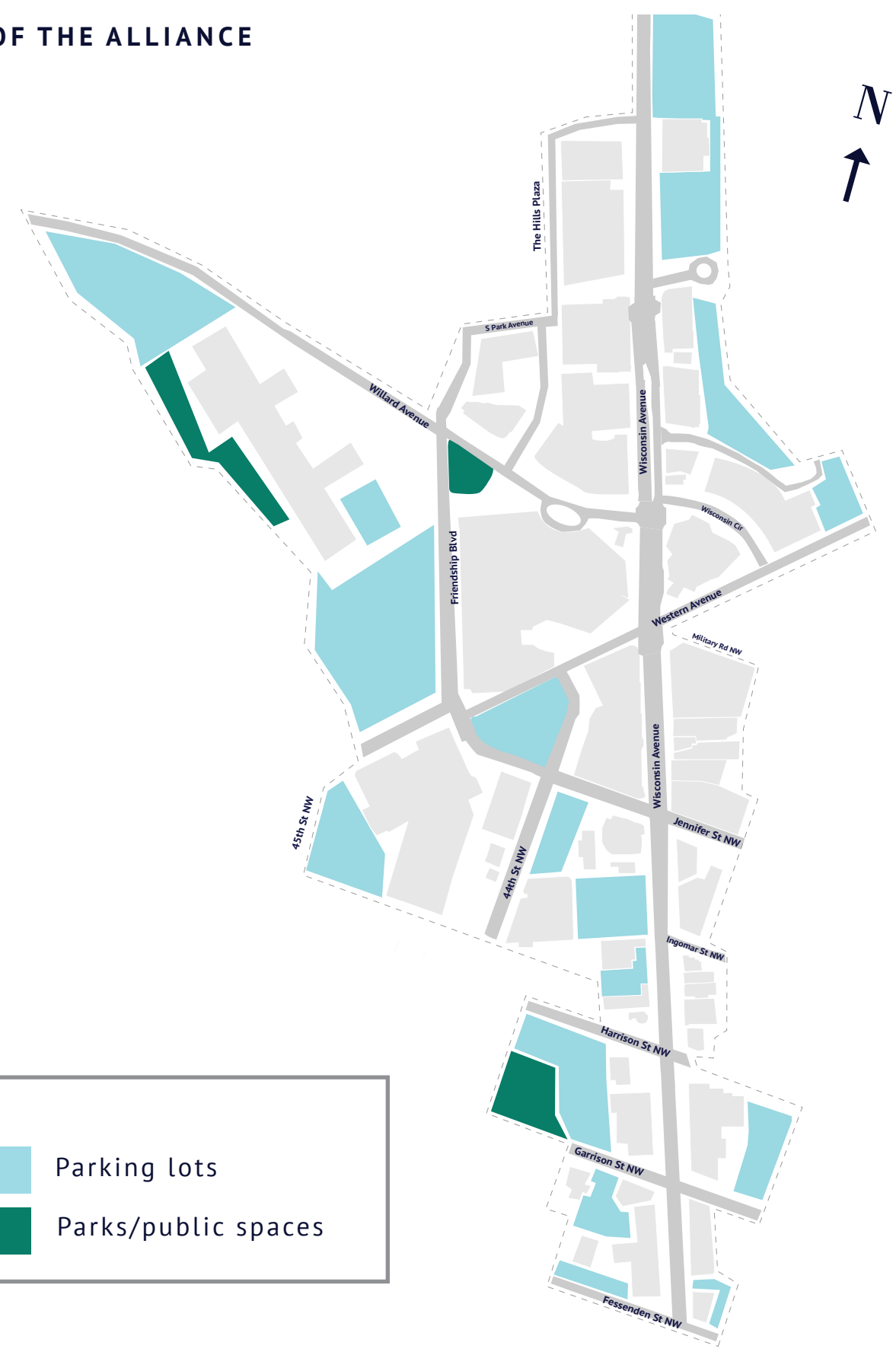
Proposed Friendship Heights Alliance Budget FY24-FY26			
<b>Revenues</b>			
	FY2024	FY2025	FY2026
District of Columbia Assessment Revenue	\$304,357	\$304,357	\$304,357
Montgomery County Assessment Revenue	\$598,130	\$598,130	\$598,130
<b>Total Revenue</b>	<b>\$902,487</b>	<b>\$902,487</b>	<b>\$902,487</b>
<b>Expenses</b>			
Administrative and Financial Management	\$90,250	\$91,444	\$92,667
Marketing and Community Engagement	\$178,000	\$181,838	\$185,771
Economic Development and Planning	\$56,000	\$56,900	\$50,000
Events and Community Building	\$154,750	\$156,244	\$180,150
Placemaking and Place Management	\$410,000	\$410,900	\$412,823
<b>Total Expenses</b>	<b>\$889,000</b>	<b>\$897,325</b>	<b>\$901,411</b>
<b>Expenses Minus Revenue</b>	<b>\$13,487</b>	<b>\$5,162</b>	<b>\$1,076</b>





# Exhibit A

## MAP OF THE ALLIANCE



**KEY**

- Parking lots
- Parks/public spaces



# Frequently Asked Questions

## What is the Friendship Heights Alliance?

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Since its inception, the Alliance has received grant funding from DSLBD and Montgomery County, as well as proportional private contributions from property owners on both sides of the DC and Maryland border. To create a sustainable and long-term funding stream, the Alliance is beginning a business improvement district formation process on the DC side, and an urban district formation process on the Maryland side.

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## What are the benefits of the Alliance for the small business community?

Place management organizations like the Alliance have proven to be remarkably successful in supporting small businesses through collective marketing, networking opportunities, and public space improvements. In addition to supporting small businesses through joint marketing campaigns, economic development research, and placemaking services, these organizations have the nimbleness and flexibility to respond quickly to business

concerns, to provide information and support as they navigate municipal issues, and to create opportunities for small businesses to make their voices heard around key decisions impacting a place.

## What are the benefits of the Alliance for residential property owners?

The Friendship Heights Alliance will take a robust role in cultivating Friendship Heights' many overlapping ecosystems. It will help support a unique and thriving small business community and attract the office and retail tenants that are so necessary for creating daytime and nighttime vibrancy. In addition, the Alliance will focus on creating gathering places, creative cultural events, and community building programs to bring people together.

## Is there public-sector oversight of the Alliance's activities?

Yes. In DC, the BID funding mechanism must be renewed every five years by a vote of property owners and review of the mayor. In Montgomery County, the Urban District funding model with the Friendship Heights Alliance will undergo annual appropriations reviews and a five-year renewal of the Memorandum of Understanding.

## What types of properties will be included in the Friendship Heights Alliance and thereby subject to a special assessment?

In DC: All real property that is not exempt from paying property taxes will be included except: residential condos and coops that exist on or before the establishment of a BID; residential properties with fewer than 4 dwelling units. Government and nonprofit buildings are exempt. In Maryland: all non-exempt commercial properties will be subject to the Urban District assessment.

## How many place management organizations are there across the U.S.?

Currently, there are more than 2,500 place management organizations in North America, including more than 70 in New York City, 11 in Washington, D.C., three in Northern Virginia, and several in Baltimore.



## WHAT PEOPLE ARE SAYING

The Friendship Heights Alliance's events and placemaking activities over the past year have helped create much-needed energy around our properties. For our company, being part of a place management organization makes business sense. It helps ensure the environment around our buildings is top-notch and amplifies our own marketing and tenant attraction efforts. For us, it's a win-win.

— JOHN ZIEGENHEIN, CHEVY CHASE LAND COMPANY

I see joining the Alliance as an investment in the future of Friendship Heights as one of the region's great places. The Alliance creates a framework for collaboration and information-sharing. As Friendship Heights continues to transform, coordination is more important than ever.

— NOLAN RODMAN, RODMAN'S FOOD & DRUG STORE

Decisions about where to shop, live, or lease an office are not just shaped by the quality of individual buildings or even businesses. It's all about the dynamism of the place, the sense of community, and the vibrancy of the public realm.

By supporting the Friendship Heights Alliance, my company is investing in the future of the neighborhood.

— JAD DONOHOE, THE DONOHOE COMPANIES



# Friendship Heights

## **Contact**

Friendship Heights Alliance  
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*Photography courtesy of Albert Ting, Boston Properties, & Chevy Chase Land Co.*

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# Racial Equity and Social Justice (RESJ) Impact Statement

Office of Legislative Oversight

## EXPEDITED MONTGOMERY COUNTY URBAN DISTRICTS – FRIENDSHIP BILL 13-23: HEIGHTS URBAN DISTRICT

### SUMMARY

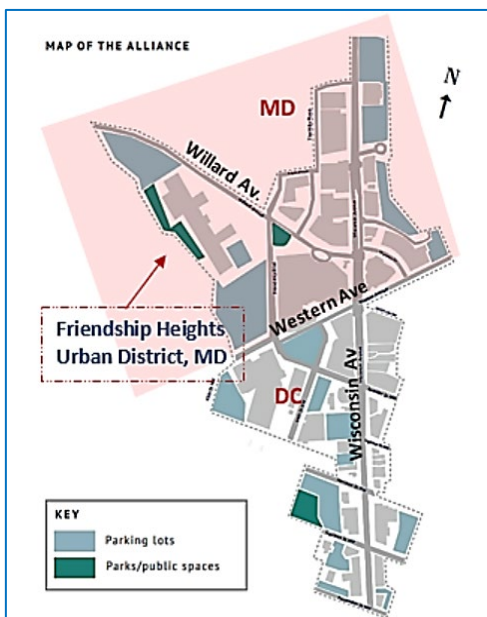
Since both the costs and benefits of this bill disproportionately accrue to White and affluent constituents, the Office of Legislative Oversight (OLO) anticipates Bill 13-23 will not impact RESJ in the County. However, if future business improvement districts in the County are only pursued in affluent and predominantly White communities, racial and social disparities in entrepreneurship and other economic outcomes could widen.

### PURPOSE OF RESJ IMPACT STATEMENTS

The purpose of RESJ impact statements (RESJIS) is to evaluate the anticipated impact of legislation on racial equity and social justice in the County. Racial equity and social justice refer to a **process** that focuses on centering the needs, leadership, and power of communities of color and low-income communities with a **goal** of eliminating racial and social inequities.<sup>1</sup> Achieving racial equity and social justice usually requires seeing, thinking, and working differently to address the racial and social harms that have caused racial and social inequities.<sup>2</sup>

### PURPOSE OF EXPEDITED BILL 13-23

On February 28, 2023, the Council introduced Bill 13-23 in response to a request from the Friendship Heights Alliance<sup>3</sup> to establish a Business Improvement District (BID) to support the work of the Alliance on behalf of businesses and residents in Friendship Heights. Business improvement districts generally have three key features:<sup>4</sup>



- They create public districts that rely on public funding that can include fees levied by government on businesses and/or patrons on behalf of the BID.
- They are managed by non-profits which often has substantial authority to decide the level of funding, expenditures, and services provided. A non-profit's authority may be limited by federal, state, and local law.
- They perform three designated functions - cleaning, security, and marketing.

Expedited Bill 13-23 would create the County's fourth urban district: the Friendship Heights Urban District (FHUD). Currently, there are three other urban districts in the County for Bethesda, Silver Spring, and Wheaton.

Source: Friendship Heights Alliance FY 2023-2024

Business Plan  
Office of Legislative Oversight

March 15, 2023

(33)

# RESJ Impact Statement

## Expedited Bill 13-23

State law provides that the County must consider a BID application from a group of private property owners in the proposed district. The Council must find the application meets the needs of the district for a BID to be established.<sup>5</sup> The boundaries of the new BID include the area extending along the Wisconsin Avenue commercial corridor from Fessenden Street on the south to Oliver Street on the north<sup>6</sup> and would be articulated under Section 68A-9 of the County Code. Bill 13-23 states that each property owner within the BID that leases property to commercial or residential tenants would be charged – subject to an annual levy by the Council – a commercial district charge. The amount of the annual charge would be calculated as follows:

- For Class 2 Properties, excluding hotels and motels, the amount of \$0.165 per square foot for each net rentable square-foot;
- For hotels or motels, the amount of \$120 per hotel or motel room; and
- For Class 1 Properties that contain 5 or more residential units, available for rent for no transient residential dwelling purposes, \$120 per unit.

The Bill also specifies that residential units limited to households earning 100 percent or less of the Area Median Income would be exempt from the commercial district charge.

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## RACIAL INEQUITIES IN ENTREPRENEURSHIP AND HOMEOWNERSHIP

Current inequities in policies and practices adversely impact Black, Indigenous, and other People of Color (BIPOC) as they consider starting and growing businesses. These include disparities by race and ethnicity in educational attainment, personal wealth, access to capital, and exposure to entrepreneurship in family and social networks.<sup>7</sup> They also include disparities in access to credit with Black and Latinx-owned businesses more likely to have been denied credit, to receive only a portion of the funding requested, or to refrain from applying for needed funding.<sup>8</sup>

Racial inequities in entrepreneurship and access to credit have fostered racial disparities in Montgomery County. For example, while Black, Latinx, and Asian-owned firms collectively accounted for 44 percent of local firms in 2012, they accounted for less than 8 percent of local business revenue.<sup>9</sup>

Historical inequities in homeownership have also adversely impacted BIPOC constituents. These include restrictive housing covenants and redlining that prevented generations of Black families from gaining equity in homeownership and building wealth.<sup>10</sup> In turn, White and Asian households demonstrated the highest homeownership rates in the County, at 77 and 69 percent in 2021, compared to 54 percent of Latinx and 43 percent of Black households.<sup>11</sup>

The inequitable practices of realtors and lending institutions, aided by Federal Housing Administration (FHA) enabling policies, have also historically fostered segregation in the Metropolitan Washington Region. As such, White households in Montgomery County are concentrated in the most affluent areas of the County. For example, compared to accounting for 43 percent of County residents, White constituents accounted for 69 percent of District 1 residents where median household income in Year 2020 was \$265,145 compared to \$152,779 for the County.<sup>12</sup> White constituents also accounted for 67 percent of households in Friendship Heights which is located in District 1.<sup>13</sup>



# RESJ Impact Statement

## Expedited Bill 13-23

### ANTICIPATED RESJ IMPACTS

To consider the anticipated impact of Expedited Bill 13-23 on RESJ in the County, OLO considers two related questions:

- Who are the primary beneficiaries of this bill?
- What racial and social inequities could passage of this bill weaken or strengthen?

**For the first question**, OLO considered the racial and ethnic demographics of property owners and their business and residential constituents in Friendship Heights. Available data suggests that each of these stakeholder groups are disproportionately White. In turn, White constituents, as property owners and business and residential tenants, will disproportionately bear the costs of funding FHUD and receive the benefits from it. Should the benefits of FHUD exceed their public costs, White constituents will be the primary beneficiaries of Bill 13-23.

**For the second question**, OLO considered how Expedited Bill 13-23 could impact racial and ethnic disparities in business and property ownership. While the Bill is intended to spur economic development and growth in Friendship Heights, OLO anticipates the net benefit of FHUD to White constituents will be marginal and not large enough to significantly impact racial and ethnic disparities in business and property ownership in the County. As such, OLO finds Bill 13-23 will not significantly impact RESJ in Montgomery County.

Taken together, OLO finds Expedited Bill 13-23 is unlikely to impact RESJ in the County because while White constituents will disproportionately benefit from FHUD, they will also disproportionately bear its costs. Moreover, to the extent that the benefits of FHUD outweigh their costs, OLO anticipates the net benefit to predominantly White constituents will not be significant enough to impact current racial and social inequities in the County. However, if future business improvement districts in the County are only pursued in affluent and predominantly White communities, racial and social disparities in entrepreneurship and other economic outcomes could widen.

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### RECOMMENDED AMENDMENTS

The Racial Equity and Social Justice Act requires OLO to consider whether recommended amendments to bills aimed at narrowing racial and social inequities are warranted in developing RESJ impact statements.<sup>14</sup> OLO anticipates that Expedited Bill 13-23 will have a minimal impact on RESJ in the County. Thus, OLO does not offer recommended amendments for this Bill.

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### CAVEATS

Two caveats to this racial equity and social justice impact statement should be noted. First, predicting the impact of legislation on racial equity and social justice is a challenging analytical endeavor due to data limitations, uncertainty, and other factors. Second, this RESJ impact statement is intended to inform the legislative process rather than 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.

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### CONTRIBUTIONS

OLO staffer Elsabett Tesfaye, Performance Management and Data Analyst drafted this RESJ Impact Statement.

# RESJ Impact Statement

## Expedited Bill 13-23

<sup>1</sup> Definition of racial equity and social justice adopted from “Applying a Racial Equity Lens into Federal Nutrition Programs” by Marlysa Gamblin, et.al. Bread for the World, and from Racial Equity Tools. <https://www.racialequitytools.org/glossary>

<sup>2</sup> Ibid

<sup>3</sup> The Friendship Heights Alliance is a 501(c)6 nonprofit formed in 2021 to coordinate the place management efforts and programs in the Friendship Heights neighborhood on both sides of Western Avenue. The coverage area extends along the Wisconsin Avenue commercial corridor from Fessenden Street on the south to Oliver Street on the north – in other words, from Rodman’s to Saks Fifth Avenue. Friendship Heights Alliance: FY 2023-2024 Business Plan, December 2022 <https://ctycms.com/dc-friendship-heights/docs/fha-businessplan-2022-finalmed.pdf>

<sup>4</sup> Craig Howard and Stephanie Bryant. 2015. Case Studies of Local Business and Community Districts, OLO Report 2015-7, February 24 as cited by Elaine Bonner-Tompkins and Theo Holt in OLO RESJ Impact Statement for Bill 3-21 Special Taxing Area Laws- Silver Spring Business Improvement District- Establish

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

[https://www.montgomerycountymd.gov/OLO/Resources/Files/2015\\_Reports/OLO\\_Report\\_2015-7.pdf](https://www.montgomerycountymd.gov/OLO/Resources/Files/2015_Reports/OLO_Report_2015-7.pdf)

<sup>5</sup> Memorandum to Council President Tom Hucker from Marc Elrich, County Executive. August 9, 2021

[https://apps.montgomerycountymd.gov/ccllms/DownloadFilePage?FileName=2694\\_1\\_16719\\_Bill\\_3-21\\_Signed\\_20210928.pdf](https://apps.montgomerycountymd.gov/ccllms/DownloadFilePage?FileName=2694_1_16719_Bill_3-21_Signed_20210928.pdf)

<sup>6</sup> Friendship Heights Alliance FY 2023-2024 Business Plan, December 2022

<sup>7</sup> Stephen Roblin. 2020. COVID-19 Recovery Outlook: Minority-Owned Businesses, Office of Legislative Oversight, September 21.

<https://www.montgomerycountymd.gov/OLO/Resources/Files/2020%20Reports/COVID-19RecoveryOutlook-MinorityOwnedBusinesses.pdf>

<sup>8</sup> Alicia Robb, "Minority-Owned Employer Businesses and their Credit Market Experiences in 2017," Office of Advocacy U.S. Small Business Administration, July 22, 2020, cited by Stephen Roblin, COVID-19 Recovery Outlook: Minority-Owned Businesses.

<https://cdn.advocacy.sba.gov/wp-content/uploads/2020/07/22172533/Minority-Owned-Employer-Businesses-and-their-Credit-Market-Experiences-in-2017.pdf>

<sup>9</sup> Jupiter Independent Research Group, Racial Equity Profile Montgomery County, OLO Report 2019-7, Office of Legislative Oversight, June 20, 2019

[https://montgomerycountymd.gov/ore/Resources/Files/OLO2019-7-6\\_20\\_19.pdf](https://montgomerycountymd.gov/ore/Resources/Files/OLO2019-7-6_20_19.pdf)

<sup>10</sup> Brookings. 2019. Report: America’s formerly redlined neighborhoods have changed, and so must solutions to rectify them. October 14, 2019

<https://www.brookings.edu/research/americas-formerly-redlines-areas-changed-so-must-solutions/>

<sup>11</sup> Janmarie Peña. 2023 –Bill 6-23 Housing-Sharing Economy Rental, RESJ Impact statement, Office of Legislative Oversight, Appendix. Table 1: Homeownership Rate by Race and Ethnicity, Montgomery County. March 1

<https://www.montgomerycountymd.gov/OLO/Resources/Files/resjis/2023/Bill6-23.pdf>

<sup>12</sup> Montgomery County Planning Department. 2022. Montgomery County Demographic Trends – Presentation to the Montgomery County Council. Updated January 26, 2023

<https://montgomeryplanning.org/tools/research/demographics/>

<sup>13</sup> DATAUSA: 2020. Friendship Heights Village, Maryland

<https://datausa.io/profile/geo/friendship-heights-village-md>

<sup>14</sup> Bill 27-19 Administration – Human Rights – Office of Racial Equity and Social Justice – Racial Equity and Social Justice Advisory Committee – Established, Montgomery County Council. December 2, 2019

<https://apps.montgomerycountymd.gov/ccllms/BillDetailsPage?RecordId=2623&fullTextSearch=Bill%20AND%2027-19>

# Climate Assessment

Office of Legislative Oversight

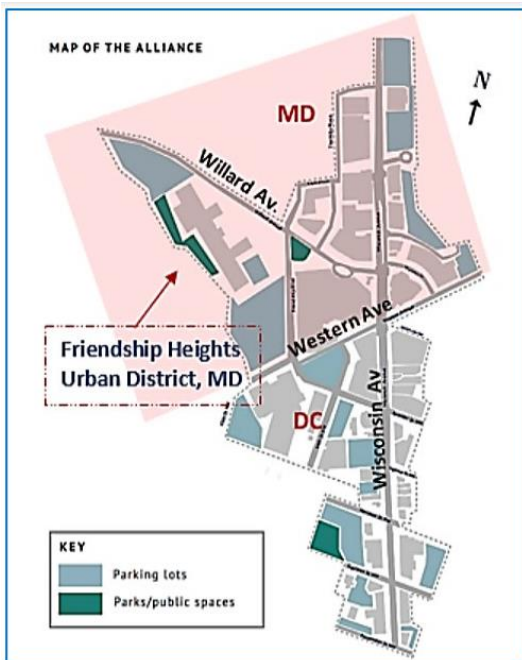
## Expedited Montgomery County Urban Districts – Friendship Bill 13-23: Heights Urban District

### SUMMARY

The Office of Legislative Oversight (OLO) anticipates Expedited Bill 13-23 will have little to no impact on the County's contribution to addressing climate change as the creation of an urban district in the Friendship Heights area will likely not impact greenhouse gas emissions or community resilience in a meaningful way.

### BACKGROUND AND PURPOSE OF BILL 13-23E

On February 28, 2023, the Council introduced Expedited Bill 13-23 in response to a request from the Friendship Heights Alliance to establish a Business Improvement District (BID) to support the work of the Alliance on behalf of businesses and residents in Friendship Heights. Business improvement districts generally have three key features:<sup>1</sup>



- They create public districts that rely on public funding that can include fees levied by government on businesses and/or patrons on behalf of the BID.
- They are managed by non-profits which often has substantial authority to decide the level of funding, expenditures, and services provided. A non-profit's authority may be limited by federal, state, and local law.
- They perform three designated functions - cleaning, security, and marketing.

Expedited Bill 13-23 would create the County's fourth urban district: the Friendship Heights Urban District (FHUD). Currently, there are three other urban districts in the County for Bethesda, Silver Spring, and Wheaton.

Source: Friendship Heights Alliance FY 2023-24 Business Plan

State law provides that the County must consider a BID application from a group of private property owners in the proposed district. The Council must find the application meets the needs of the district for a BID to be established.<sup>2</sup> The boundaries of the new BID include the area extending along the Wisconsin Avenue

commercial corridor from Fessenden Street on the south to Oliver Street on the north<sup>3</sup> and would be articulated under Section 68A-9 of the County Code.

Bill 13-23 states that each property owner within the BID that leases property to commercial or residential tenants would be charged – subject to an annual levy by the Council – a commercial district charge. The amount of the annual charge would be calculated as follows:

- For Class 2 Properties, excluding hotels and motels, the amount of \$0.165 per square foot for each net rentable square-foot;
- For hotels or motels, the amount of \$120 per hotel or motel room; and
- For Class 1 Properties that contain 5 or more residential units, available for rent for no transient residential dwelling purposes, \$120 per unit.

The Bill also specifies that residential units limited to households earning 100 percent or less of the Area Median Income would be exempt from the commercial district charge.

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## ANTICIPATED IMPACTS

In Montgomery County, urban districts support and enhance the County’s unincorporated downtowns by maintaining streetscapes, providing additional public amenities such as planters and shelters, promoting the commercial and residential interests of these areas, and programming cultural and community activities.<sup>4</sup>

Some urban districts in the County have worked with the Department of Environmental Protection (DEP) to implement programs that could lead to small, positive impacts on the County’s contribution to addressing climate change, such as:

- The Wheaton Urban District has provided additional recycling cans to increase recycling capacity.
- The Silver Spring Urban District developed a program to kill weeds through the controlled application of heat and fire (known as “flame weeding”) to limit the risk of harmful pesticide runoff into the local ecosystem.<sup>5</sup>

However, as there are no specific projects mentioned in Bill 13-23, OLO cannot determine whether the creation of the Friendship Heights Urban District will have an impact on the County’s contribution to addressing climate change, including the reduction and/or sequestration of greenhouse gas emissions, community resilience, and adaptative capacity. Therefore, OLO anticipates Bill 13-23 will have little to no impact.



## RECOMMENDED AMENDMENTS

The Climate Assessment Act requires OLO to offer recommendations, such as amendments or other measures to mitigate any anticipated negative climate impacts.<sup>6</sup> OLO does not offer recommendations or amendments as Bill 13-23 is likely to have little to no impact on the County's contribution to addressing climate change, including the reduction and/or sequestration of greenhouse gas emissions, community resilience, and adaptative capacity.

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## CAVEATS

OLO notes two caveats to this climate assessment. First, predicting the impacts of legislation upon climate change is a challenging analytical endeavor due to data limitations, uncertainty, and the broad, global nature of climate change. 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.

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## PURPOSE OF CLIMATE ASSESSMENTS

The purpose of the Climate Assessments is to evaluate the anticipated impact of legislation on the County's contribution to addressing climate change. These climate assessments will provide the Council with a more thorough understanding of the potential climate impacts and implications of proposed legislation, at the County level. The scope of the Climate Assessments is limited to the County's contribution to addressing climate change, specifically upon the County's contribution to greenhouse gas emissions and how actions suggested by legislation could help improve the County's adaptative capacity to climate change, and therefore, increase community resilience.

While co-benefits such as health and cost savings may be discussed, the focus is on how proposed County bills may impact GHG emissions and community resilience.

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## CONTRIBUTIONS

OLO staffer Kaitlyn Simmons drafted this assessment.

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<sup>1</sup> Craig Howard and Stephanie Bryant. 2015. Case Studies of Local Business and Community Districts, OLO Report 2015-7, February 24 as cited by Elaine Bonner-Tompkins and Theo Holt in OLO RESJ Impact Statement for Bill 3-21 Special Taxing Area Laws- Silver Spring Business Improvement District- Establish

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

[https://www.montgomerycountymd.gov/OLO/Resources/Files/2015\\_Reports/OLO\\_Report\\_2015-7.pdf](https://www.montgomerycountymd.gov/OLO/Resources/Files/2015_Reports/OLO_Report_2015-7.pdf)

<sup>2</sup> Memorandum to Council President Tom Hucker from Marc Elrich, County Executive. August 9, 2021

[https://apps.montgomerycountymd.gov/ccllims/DownloadFilePage?FileName=2694\\_1\\_16719\\_Bill\\_3-21\\_Signed\\_20210928.pdf](https://apps.montgomerycountymd.gov/ccllims/DownloadFilePage?FileName=2694_1_16719_Bill_3-21_Signed_20210928.pdf)

<sup>3</sup> Friendship Heights Alliance FY 2023-2024 Business Plan, December 2022

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<sup>4</sup> Montgomery County Operating Budget, Urban Districts

<https://apps.montgomerycountymd.gov/basisoperating/Common/Department.aspx?ID=16V10>

<sup>5</sup> Ibid.

<sup>6</sup> Bill 3-22, Legislative Branch – Climate Assessments – Required, Montgomery County Council, Effective date October 24, 2022

# Fiscal Impact Statement

Office of Management and Budget

## Bill 13-23

## Montgomery County Urban Districts - Friendship Heights Urban District

### Bill Summary

The bill would establish an Urban District in Friendship Heights to represent the County in the Friendship Heights Alliance. The Friendship Heights Alliance is a cross-jurisdictional nonprofit entity providing services similar to an Urban District in both Montgomery County and DC. The bill also creates a commercial district charge as an alternative funding mechanism for Urban Districts that would not be subject to the charter limit.

### Fiscal Impact Summary

As drafted, the new Urban District is intended to be fully funded by charges levied on property owners within the Urban District. At this time, the Friendship Heights Alliance intends to focus primarily on placemaking, marketing and promotion, with some resources devoted to cleaning and streetscape maintenance. This is reflected in their proposed budget.

Fiscal Year	0	0	0	0	0	0	Total
Personnel Costs	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Operating Expenses	\$623,642	\$623,642	\$623,642	\$623,642	\$623,642	\$623,642	\$3,741,852
Total Expenditures	\$623,642	\$623,642	\$623,642	\$623,642	\$623,642	\$623,642	\$3,741,852
Revenues	\$623,642	\$623,642	\$623,642	\$623,642	\$623,642	\$623,642	\$3,741,852
Total Impact	\$0	\$0	\$0	\$0	\$0	\$0	\$0
FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00

As long as the Friendship Heights Alliance continues to operate under the understanding that all services will be fully paid for by fees levied on local property owners, this bill will not have any net cost to the County. The services envisioned for this new Urban District are focused on administrative and financial management (\$90,250), marketing and community engagement (\$178,000), economic development and planning (\$56,000), events and community building (\$154,750), placemaking and place management (\$410,000). Additionally, there are \$39,139 in unspecified funds that have not been directed to any expense. This may be used as reserve funds in anticipation of revenue shortfalls from redevelopment.

### Fiscal Impact Analysis

Revenue is generated by a Commercial District Charge that does not count towards the Charter Limit and is mirrored by identical charges in the DC portion of Friendship Heights. The Commercial District Charge is funded by a \$0.165 fee per square foot of rentable commercial space (\$474,956), \$120 per hotel room (276 rooms, \$33,120), and \$120 per residential rental unit excluding units affordable to those making up to 100% AMI (\$135,960 for all units in the Urban District, OMB assumes that 15% are affordable bringing the total down to \$115,566). The DC contribution is expected to come to \$304,497 per year.

Additionally, unlike the existing Urban District Tax, the Commercial District Charge is based on features that are unlikely to change to reflect inflationary pressures. Unless



there is additional development or a legislative increase in fees, revenue is projected to remain flat.

**Staff Impact**

The new contract with the Friendship Heights Alliance will require staff time to administer, but it is believed that the workload can be absorbed with existing staff through the Regional Services Center.

**Actuarial Analysis**

The bill is not expected to impact retiree pension or group insurance costs.

**Information Technology Impact**

The bill is not expected to impact the County Information Technology (IT) or Enterprise Resource Planning (ERP) systems.

**Other Information**

*Later actions that may impact revenue or expenditures if future spending is projected*

Redevelopment of properties will temporarily reduce revenue but will lead to an eventual increase of revenue after the redevelopment is complete.

*Ranges of revenue or expenditures that are uncertain or difficult to project*

**Contributors**

Seamus McNamara, OMB  
Peter Fosselman, Regional Services Director  
Natalie Avery, Friendship Heights Alliance



# Economic Impact Statement

Montgomery County, Maryland

## Expedited Bill 13-23

## Montgomery County Urban Districts – Friendship Heights Urban District

### SUMMARY

The Office of Legislative Oversight (OLO) anticipates that enacting Expedited Bill 13-23 would have a moderate positive impact on economic conditions in the County in terms of the Council’s priority indicators. The Bill would establish the Friendship Heights Urban District (FHUD) and fund it through a commercial district charge imposed on property owners within the urban district that leases property to commercial or residential tenants. FHUD would support the placemaking activities of the Friendship Heights Alliance. While establishing a commercial district charge would increase costs for property owners and business tenants within the urban district, FHUD likely would have an overall positive economic impact on business stakeholders by likely increasing commercial property values and retail sales. Also, the Bill likely would increase employment and decrease economic costs associated with crime for certain residents.

### BACKGROUND AND PURPOSE OF EXPEDITED BILL 13-23

On February 28, 2023, the Council introduced Expedited Bill 13-23 in response to a request from the Friendship Heights Alliance (hereinafter “the Alliance”) to establish an urban district in Montgomery County. The Alliance is also seeking to establish a Business Improvement District (BID) on the DC side of Friendship Heights. Both the urban district and BID would provide funding for and support the work of the Alliance on behalf of businesses and residents in Friendship Heights.

Bill 13-23 would create the County’s fourth urban district: the Friendship Heights Urban District (FHUD). Currently, there are three other urban districts in the County for Bethesda, Silver Spring, and Wheaton. The boundaries of FHUD would include the area extending along the Wisconsin Avenue commercial corridor from Fessenden Street on the south to Oliver Street on the north and would be articulated under Section 68A-9 of the County Code.

Bill 13-23 states that each property owner within the urban district that leases property to commercial or residential tenants would be charged – subject to an annual levy by the Council – a commercial district charge. The amount of the annual charge would be calculated as follows:

- For Class 2 Properties, excluding hotels and motels, the amount of \$0.165 per square foot for each net rentable square-foot;
- For hotels or motels, the amount of \$120 per hotel or motel room; and
- For Class 1 Properties that contain 5 or more residential units, available for rent for no transient residential dwelling purposes, \$120 per unit.

The Bill also specifies that residential units limited to households earning 100 percent or less of the Area Median Income would be exempt from the commercial district charge.

Finally, the Bill would establish a five-member Advisory Committee for FHUD that would be appointed by the County Executive and confirmed by the Council.<sup>1</sup>

## 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 Expedited Bill 13-23 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.<sup>2</sup>

To assess Bill 13-23’s impacts on the Council’s priority economic indicators, OLO draws on the economics literature on BIDs. While the Bill would establish an urban district, OLO believes the literature on BIDs is applicable for the following reasons. First, FHUD would function similarly to a BID. BIDs are public districts administered by nonprofits that perform “placemaking” services in the areas of cleaning, security, and marketing.<sup>3</sup> Similar to BIDs, FHUD would use funds collected through the commercial district charge “for public services and facilities related to, among other things, streetscapes, promoting the district, and enhancing safety.”<sup>4</sup> Second, FHUD would work in conjunction with the Alliance, which would “leverage funds ... from both sides of the MD and DC border without having to form two separate organizations, guided by two separate boards, with a more complicated operational and organizational system.”<sup>5</sup>

This analysis performs a qualitative assessment of Bill 13-23’s economic impacts based on the following peer-reviewed empirical studies:

- **Retail Sales and Employment:** Stacey Sutton, “Are BIDs Good for Business? The Impact of BIDs on Neighborhood Retailers in New York City,” *Journal of Planning Education and Research* 34, no. 3 (2014): 309-324.
- **Commercial and Residential Property Values:** Ingrid Gould Ellen, Amy Ellen Schwartz, Ioan Voicu, Leah Brooks, and Lorlene Hoyt, “The Impact of Business Improvement Districts on Property Values: Evidence from New York City [with Comments],” *Brookings-Wharton Papers on Urban Affairs* (2007): 1-39.<sup>6</sup>
- **Crime:** Leah Brooks, “Volunteering to be taxed: Business improvement districts and the extra-governmental provision of public safety,” *Journal of Public Economics* 92, no. 1-2 (2008): 388-406.

These studies were chosen due to their rigorous methodologies, which provide OLO with confidence in the validity of their causal findings.<sup>7</sup>

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<sup>1</sup> The description of the Bill’s background and purpose is based on materials included in the [Introduction Staff Report for Bill 13-23](#).

<sup>2</sup> Montgomery County Code, [Sec. 2-81B](#).

<sup>3</sup> Howard and Bryant, [Case Studies of Local Business and Community Districts](#).

<sup>4</sup> [Wellons to County Council](#), February 23, 2023.

<sup>5</sup> [Friendship Heights Info Sheet](#).

<sup>6</sup> For an overview of the study written for a lay audience, see Ingrid Gould Ellen, Amy Ellen Schwartz, and Ioan Voicu, “The Benefits of Business Improvement Districts: Evidence from New York City,” Furman Center for Real Estate & Urban Policy, July 2007, <https://furmancenter.org/files/publications/FurmanCenterBIDsBrief.pdf>.

<sup>7</sup> These studies use statistical matching and other quasi-experimental methodologies to simulate randomization to account for selection bias in the formation of BIDs. To put it simply, these studies compare the outcomes of interest—retail sales, employment, crime, and property values—in areas with BIDs (“treatment” groups) against areas that had a high probability of forming BIDs due to

## VARIABLES

Some of the variables that would affect the economic impacts of enacting Bill 13-23's are the following:

- size of FHUD; and
- quality of FHUD services.

## IMPACTS

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

### Economic Impacts of BIDs

Sutton's study investigated the impact of small and mid-sized BIDs on **retail sales and employment for independently owned businesses** in New York City between 2000 and 2008. She found that the impact of BIDs on these outcomes was conditioned on BID size. Unlike small BIDs, mid-sized BIDs had a positive effect on sales and employment of independent retailers, with respective increases in these variables of 15 and 9 percent.<sup>8</sup> Sutton's findings are consistent with previous studies found BID size moderates its organizational effectiveness and impacts. The conditional effect of BID size is understandable, given that larger BIDs tend to devote a larger portion of revenues to programs (and less to administration), offer a broader array of services, focus more on marketing and promoting, and have other characteristics that likely result in greater economic returns.<sup>9</sup>

Ellen et al's study investigated the impact of BIDs on **commercial and residential property values** in New York City from 1984 to 2002. BIDs were found to have a large and significant impact on commercial property values—approximately a 15 percent increase over comparable properties outside BID areas. Like Sutton's findings, this effect was driven mostly by larger BIDs, again suggesting that large BIDs achieve sufficient economies of scale for meaningful interventions within their areas of operation. Moreover, BIDs had little impact on residential property values.

Brooks' study investigated the impact of BIDs on **crime** in Los Angeles between 1990 and 2002. She found that BIDs were associated with reductions in crime of 6 to 10 percent, with the bulk of reductions in serious crime. Brooks found the BIDs did not push crime into other neighborhoods.

### Businesses, Non-Profits, Other Private Organizations

OLO anticipates that Bill 13-23 would have overall positive impacts on private organizations located in FHUD's area, with the potential spillover effects for private entities in areas outside its boundaries, in terms of the Council's priority economic indicators. The private organizations most directly impacted would be the property owners and businesses.

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their characteristics but had not done so during the timeframe of the study ("control" groups). Office of Legislation Oversight, [Economic Impact Statement: Bill 3-21](#).

<sup>8</sup> Though the magnitudes of the effects are both large, the result for sales growth was modestly significant and was insignificant for employment.

<sup>9</sup> Gross, "Business Improvement Districts in New York City's Low-Income and High-Income Neighborhoods."

Dear Council Members,

I am writing this letter in support of **Expedited Bill 13-23, Montgomery County Urban Districts - Friendship Heights Urban District**. There is a definite need to better coordinate the planning activities for development along the Wisconsin Ave. corridor in Chevy Chase / Friendship Heights MD / Friendship Heights DC.

Below I outline several reasons.

- There is development along Wisconsin Ave in MD which consists of a Food Hall, plan to develop 5500 Wisconsin Ave, and the emergence of new restaurants and pubs. All have been either successful or have sought out community involvement. Many of the developers and vendors have set their plans based on expected development. Much of this was in place prior to the necessary Covid shutdowns, however, that caused diminished traffic and resulted in shuttered businesses as they could not support their staff salaries and rents (e.g., Little Beat Table).
- The work on the DC side of Wisconsin Ave has started, a plan to have considered flow across the general corridor is important. Most people will not care if they are on the Maryland or the DC side of the Friendship Heights area. All businesses will thrive – and will provide benefit to the number of parking establishments in the area too.
- The plans integrate well with properties in the area – especially The Collection on Wisconsin Ave. There is no impact to residents as the “tax” is supported by the businesses with the intention to support each other and bring services, programs, and other things necessary to support identity to the area.
- I think it is safe to say that the development of City Ridge has been well done – and some of the developers / businesses are the same in this initiative as well as downtown Bethesda. It is necessary that the planning be done in such a way that the broader Friendship Heights operate based on its merits and cannot be another Bethesda or Tenlytown. Too close to one another with similar services the areas will cannibalize one another – only the businesses can work to ensure they all thrive.
- Through several public sessions I have expressed my concern that there needs to be a coordinated flow across both sides of Western Ave. for the whole area to thrive. DC appears to be further ahead in this regard – the Alliance program offers the opportunity to achieve this goal.

I am writing this as a private citizen and owner of a unit at 4601 N Park Ave. I am currently President of the Board at that address (The Elizabeth) and serve as the Chair of the Village of Friendship Heights Community Advisory Committee, where we recently completed a report and recommendations on reinforcing Identity for the Village. When I purchased several years ago it was on the promise of development and expanded retail and entertainment venues – lets continue the progress which I believe will increase the area’s vitality, attract new residents, and raise the values of owners.

Sincerely,

Joseph V Bucherer





March 13, 2023

To Whom It May Concern,

My name is Noe Landini and I am a small business owner in Friendship Heights. I am submitting this written statement to voice my support for Bill 13-23 to form a Friendship Heights Urban District.

This Urban District initiative will benefit my business and others like mine for a multitude of reasons, namely marketing, coordination and placemaking. I believe the business community will greatly benefit from the communications network & addd visibility this initiative would provide, and neighborhood members and community visitors alike would also feel the positive effects of this effort.

The Friendship Heights Alliance makes both business and community sense and I stand in support.

Sincerely,

Noe T. Landini

**Statement Regarding Proposed Friendship Heights urban District**  
**Montgomery County Council Meeting March 14, 2023**

I am a resident of Friendship Heights, Maryland and have been privileged to have lived in (and raised two children in) Chevy Chase within walking distance of Friendship Heights for over 30 years. In addition, I have been a real estate investor in this area (and others) for over two decades.

The proposal to create a Friendship Heights Urban District as a companion to a proposed District of Columbia Business Improvement District (BID) deserves favorable consideration; but requires very significant vetting and modification in conjunction with the Village of Friendship Heights.

Unlike most business districts, which are predominantly occupied by businesses, the area along Wisconsin Avenue that is the subject of this proposal is overwhelmingly residential. And of the roughly 9,000 people who live along this corridor, around 6,000 live in the Village of Friendship Heights. Consequently, nearly every aspect of this proposal is of interest to large numbers of residents and voters who could wind up living in a new governmental Urban or Business District.

For example, the precise boundaries of the proposed district make an enormous difference (50 feet north of Sak's is 100% residential, 200 feet west or east of Wisconsin Avenue is 100% residential and a large chunk of the proposed Urban District falls inside Friendship Heights Village.)

Also, although the proposed district is nominally intended to be a promotional entity, it is essential that any new business district organization not ever come into conflict in any way with local residents or their elected representatives in the Friendship Heights Village. The exact scope and extent of the possible activities of the new district organization need to be carefully and fully vetted and defined. (This process is entirely separate from the substance of the current proposed district's "business plan", which could obviously change at any time...and probably will.) For example, in my view, the new Urban District organization that would be created and funded by taxpayers should focus exclusively on promotional activities and have no ability to address planning, zoning, licensing, permitting or other regulatory activities at the Federal, State, or local levels: that is the sole responsibility of the elected officials of the various Villages, towns and cities along this corridor.

Precise boundaries and authorities are just two of the matters that need to be thoroughly vetted and defined with local residents and with their elected representatives, primarily (but not exclusively) in the Village of Friendship Heights.

Roger Cochetti  
5500 Friendship Boulevard  
#2322N  
Friendship Heights, MD 20815

By establishing a commercial district charge, Bill 13-23 would increase costs for each property owner within the urban district that leases property to commercial or residential tenants. Property owners likely would pass some portion of the cost onto business tenants in the form of higher rents, thereby increasing their net operating costs.

Based on the studies summarized above, OLO believes FHUD likely would generate a rate of return sufficient to outweigh the costs to stakeholders from the commercial district charge. The studies reviewed above found that BIDs in New York City increased both commercial property values and independent retail sales by approximately 15 percent and BIDs in Los Angeles decreased crime by 6 to 10 percent. If FHUD services affect these outcomes, property owners would likely be able to charge higher rents, thereby increasing their business incomes.

Regarding business tenants in the retail sector, increased retail sales would result in income gains for some independent businesses.<sup>10</sup> However, these gains would be unevenly distributed to some extent. For this reason, the portion of current businesses that would experience income gains large enough to outweigh the costs from potential rent increases is unclear. Ultimately, OLO anticipates there may be variation, with certain businesses experiencing net gains and others experiencing net losses.

The findings from the studies also suggest that FHUD has the potential to contribute to economic development gains in the Friendship Heights area, as employment and independent retail sales (and the tax revenues they generate) are common indicators of local economic development.

## Residents

OLO anticipates that Bill 13-23 would have overall positive impacts on certain residents in the County in terms of the Council's priority economic indicators. Based on the studies summarized above, OLO anticipates the following impacts on certain residents: First, individuals in the local workforce would benefit from the potential for employment gains. Because most residents work within the County, certain residents likely would benefit from the employment gains. Second, if FHUD reduces crime, certain residents may not experience the various economic costs associated with crime.<sup>11</sup>

## Net Impact

OLO anticipates that Bill 13-23 would have a net positive impact on economic conditions in the County. While establishing a commercial district charge would increase costs for property owners and business tenants within the urban district, FHUD likely would have an overall positive economic impact on business stakeholders by potentially increasing commercial property values and retail sales. Also, the Bill likely would increase employment and decrease economic costs associated with crime for certain residents.

As discussed above, the magnitude of FHUD's economic impact likely would depend on its size. Given that it would work in conjunction with the Alliance, which expects to leverage County and DC funds, OLO expects FHUD to have a meaningful economic impact in the Friendship Heights area, with the potential for positive spillover effects beyond its boundaries.

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<sup>10</sup> While Sutton's study does not address chain stores, it is plausible they would also see sales gains.

<sup>11</sup> Cohen, [The Cost of Crimes and Justice](#).

## DISCUSSION ITEMS

Not applicable

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## 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.