



**Committee:** Directly to Council  
**Committee Review:** N/A  
**Staff:** Marlene Michaelson, Executive Director  
**Purpose:** To make preliminary decisions – straw vote expected  
**Keywords:** FY24 Operating Budget

AGENDA ITEM # 41  
May 10, 2023  
**Worksession**

## SUBJECT

Amendment to the FY24 Operating Budget to add funding for the Friendship Heights Urban District

## EXPECTED ATTENDEES

Ken Hartman-Espada, Director of Strategic Partnerships  
Pete Fosselman, Bethesda Regional Services Center Director

## COUNCIL DECISION POINTS

Whether to amend the FY24 Operating Budget to add funding for the Friendship Heights Urban District.

## DESCRIPTION/ISSUE

The Council approved the creation of the Friendship Heights Urban District after the Executive submitted his FY24 budget. This amendment is necessary to appropriate funds collected by the District. The amendment does not require funding from the General Fund.

## RECOMMENDATION

Due to timing, the amendment was not reviewed in Committee. **Staff recommends approval.**

### **This report contains:**

Staff Report	Pages 1-2
CE Proposed Amendments to FY24 Operating Budget	© 1-4
Bill 13-23 Creating the Friendship Heights Urban District	© 5-18

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**MEMORANDUM**

May 5, 2022

TO: County Council

FROM: Marlene Michaelson, Executive Director

SUBJECT: FY24 Operating Budget: **Friendship Heights Urban District**

**Those expected for this worksession:**

Ken Hartman-Espada, Director of Strategic Partnerships  
Pete Fosselman, Bethesda Regional Services Center Director

On April 21, 2023, the ECON reviewed the budget for the Urban Districts. On April 25, the Council received a proposed amendment to the FY24 budget to including funding for the newly created Friendship Height Urban District (see © 1-4). The District is projected to generate revenue of \$617,518, which will be used to support the Friendship Height Alliance. No General Fund contribution has been requested for this Urban District. Due to the timing, this amendment is going directly to full Council without review by the ECON Committee.

**Background**

In accordance with Bill 13-23 enacted by Council on April 11, 2023, this amendment would provide funds to establish the Friendship Heights Urban District (FHUD). The bill is attached at © 5 to 18. The Friendship Heights Urban District will be fully funded by a commercial district charge within the Urban District with the amount specified in law: \$120 per residential rental unit (excluding MPDUs) or hotel room and \$0.165 per square foot of the rentable commercial property. There are 230 hotel rooms, 1,079 residential units (excluding MPDUs), 649,627 square feet of retail space, and 2,140,906 square feet of office space within the Urban District. This will generate annual revenue of \$617,518, which will be fully expended to support the Friendship Heights Alliance. All the expenditures for FHUD Amendments to the Recommended FY24 Operating Budget April 25, 2023 will be for operating expenses for the contract with Friendship Heights Alliance. The contract management will be absorbed by existing County staff that currently manages the Bethesda Urban District.

**Staff recommends approval of this proposed amendment to the FY24 budget.**

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OFFICE OF THE COUNTY EXECUTIVE

Marc Elrich  
County Executive

MEMORANDUM

April 25, 2023

TO: Evan Glass, President  
Montgomery County Council

FROM: Marc Elrich, County Executive *Marc Elrich*

SUBJECT: Amendments to the Recommended FY24 Operating Budget

Since I submitted my FY24 Recommended Operating Budget on March 15, there have been a number of developments that necessitate sending over amendments to the recommended budget. These amendments center around the creating the new Friendship Heights Urban District, funding for the Youth Harm Initiative, and funding an increase to election judge stipends mandated by HB1200. The amendments are described in detail below (including the source of funds), and the attached report contains the necessary information for the Council analysts to account for them. The amendments submitted are consistent with the County's policy to maintain 10 percent of adjusted governmental revenues in reserve.

**CHANGES IN RESOURCES / EXPENDITURES**

**Friendship Heights Urban District**

In accordance with Bill 13-23 enacted by Council on April 11, 2023, this amendment would provide funds to establish the Friendship Heights Urban District (FHUD). The Friendship Heights Urban District will be fully funded by a commercial district charge within the Urban District of \$120 per residential rental unit (excluding MPDUs) or hotel room and \$0.165 per square foot of the rentable commercial property. There are 230 hotel rooms, 1,079 residential units (excluding MPDUs), 649,627 square feet of retail space, and 2,140,906 square feet of office space within the Urban District. This will generate annual revenue of \$617,518, which will be fully expended to support the Friendship Heights Alliance. All the expenditures for FHUD

will be for operating expenses for the contract with Friendship Heights Alliance. The contract management will be absorbed by existing County staff that currently manages the Bethesda Urban District.

## **CHANGES IN EXPENDITURES**

### **Department of Health and Human Services**

Recently, Montgomery County has seen an increase in gun violence and aggravated assaults. Simultaneously, the County has experienced an increase in youth victimization and the number of youths under seventeen in possession of weapons. Strategic engagement, prevention, and awareness is needed to progress the County toward consistent violence prevention. In FY23, the Youth Harm Initiative was created by a special appropriation (Resolution 19-1451) to launch and expand a series of offerings to bolster youth engagement and programming to divert youth from engaging in violent activities. The initiative included funding for employment opportunities for youth, mentorship, peer-to-peer community engagement, positive youth development and skills building, and mental health awareness. Funding for this program was inadvertently left out of the FY24 Recommended Operating Budget. This amendment for \$853,699 will continue funding this initiative and its portfolio of programming to continue to promote and empower adolescents and families in Montgomery County, with a particular focus on most at-risk populations residing in the Germantown, Montgomery Village, and Gaithersburg communities. Funding for this initiative will come from General Fund: Undesignated Reserves.

### **Board of Elections**

During the 2023 legislative session, the General Assembly passed, and the Governor signed HB1200, which established a floor for election judge stipends of \$250 per day for the first-time serving election judges (an increase of \$70 per day), an additional \$100 per day for those who have served previously (an increase of \$170 per day), and \$50 for training (an increase of \$20 per election judge). The State Board of Elections is required to reimburse each local Board of Elections \$50 of the extra compensation provided to returning election judges. The Board of Elections estimates that it will need 4,111 election judges with 7,083 service days to conduct the 2024 Primary Election, including the assumption that the State reimburses the County for the \$50 of the cost associated with returning election judges and implementing HB1200 results in a cost increase of \$831,580 in FY24. Funding for this initiative will come from General Fund: Undesignated Reserves.

Expenditures for the new Friendship Heights Urban District are completely offset by revenues. Thus, the net impact of the above actions totals \$1,685,279. My FY24 Recommended Operating Budget estimates that the County will end FY24 with reserves totaling \$715.4 million, which represents 11.4 percent of Adjusted Governmental Revenues (AGR), or approximately \$86 million more than required to meet the County's fund balance policy of maintaining a reserve level of 10

percent of AGR. The effect of these actions would be to decrease the amount of excess reserves to approximately \$84.3 million.

The Departments and Office of Management and Budget staff are available to answer any questions you may have about these amendments as we work together to finalize the FY24 Operating Budget.

CE:jw

Enclosure: Details on Recommended FY24 CE Amendments Report

cc: Marlene Michaelson, Executive Director, Montgomery County Council  
Valeria Carranza, Chief of Staff to the Council President  
Richard S. Madaleno, Chief Administrative Officer, Office of the County Executive  
Fariba Kassiri, Deputy Chief Administrative Officer, Office of the County Executive  
Boris Brajkovic, Director, Board of Elections  
James Bridgers, Acting Director, Department of Health and Human Services  
Jennifer Bryant, Director, Office of Management and Budget  
Michael Coveyou, Director, Department of Finance

# Detail on Recommended FY24 CE Amendments

## Tax Supported

### EXPENDITURE AMENDMENTS

#### Urban Districts

Add: Friendship Heights Urban District 617,518

#### Board of Elections

Increase Cost: Election Judge Stipend Required Increase - HB1200 Impact 831,580

#### Health and Human Services

Add: Youth Harm Initiative 853,699

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**Total Tax Supported Expenditures 2,302,797**

### RESOURCE AMENDMENTS

#### Urban Districts

Friendship Heights Urban District 617,518

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**Total Tax Supported Resources 617,518**

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  
Enacted: April 11, 2023  
Executive: April 20, 2023  
Effective: April 20, 2023  
Sunset Date: None  
Ch. 14, Laws of Mont. Co. 2023

## COUNTY COUNCIL FOR MONTGOMERY COUNTY, MARYLAND

Lead Sponsor: Council Vice-President Friedson

### 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>
[Single boldface brackets]	<i>Deleted from existing law by original bill.</i>
<u>Double underlining</u>	<i>Added by amendment.</i>
[[Double boldface brackets]]	<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)]~~ (i) *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

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multiplying:

- (i) The number of parking spaces in the urban district by
- (ii) The number of enforcement hours per year by
- (iii) 20 cents.

(C) The amount of revenue from parking fees may differ from one urban district to another.

(3) Maintenance charge on optional method developments.

(A) The County Executive may charge each optional method development for the cost of maintaining off-site amenities for that development, including the County's cost of liability insurance.

(B) The County Executive may collect a maintenance charge under this section in the same way that the County collects taxes.

(C) A maintenance charge under this section has the same priority and bears the same interest and penalties as county taxes.

(4) Commercial district charge.

(A) Except as provided in paragraph (7), each tax year the County Council may levy a commercial district charge on each owner of real property within the district used by commercial or residential tenants, computed as:

(i) for Class 2 Properties, excluding hotels and motels, the amount of \$0.165 per square foot for each net rentable square foot;

(ii) for hotels or motels, the amount of \$120 per hotel

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or motel room; and

(iii) for Class 1 Properties that contain 5 or more residential units, available for rental for non-transient residential dwelling purposes, \$120 per unit.

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

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

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

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

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

(ii) the amount of charge required by this Section to be 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

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- Montgomery County, Maryland;
- (25) Then in a northwesterly direction along the western boundary of Parcel A on Plat 5074, recorded among the land records of Montgomery County, Maryland;
- (26) Then in a southwesterly direction along the western boundary of Parcel A on Plat 5074, recorded among the land records of Montgomery County, Maryland;
- (27) Then in a northwesterly direction along the western boundary of Parcel A on Plat 5074, recorded among the land records of Montgomery County, Maryland;
- (28) Then in a northeasterly direction along the western boundary of Parcel A on Plat 5074, recorded among the land records of Montgomery County, Maryland;
- (29) Then in a northwesterly direction along the western boundary of Parcel A on Plat 5074, recorded among the land records of Montgomery County, Maryland;
- (30) Then in a southwesterly direction along the western boundary of Parcel A on Plat 5074, recorded among the land records of Montgomery County, Maryland;
- (31) Then in a northwesterly direction to the westernmost corner at the Willard Avenue right of way of Parcel A on Plat 5074, recorded among the land records of Montgomery County, Maryland;
- (32) Then in a northwesterly direction to the centerline of the Willard Avenue right of way;
- (33) Then in a northeasterly direction along the centerline of the 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.

