



THE PRINCE GEORGE'S COUNTY GOVERNMENT

Office of Audits and Investigations


September 13, 2022

FISCAL AND POLICY NOTE

TO: Robert J. Williams, Jr.
Council Administrator

William M. Hunt
Deputy Council Administrator

THRU: Josh Hamlin 
Director of Budget and Policy Analysis

FROM: Lavinia A. Baxter 
Senior Budget and Policy Analyst

RE: Policy Analysis and Fiscal Impact Statement
CB-074-2022 Northern Gateway Business Improvement District

CB-74-2022 (sponsored by: Councilmember Taveras, Dernoga, Franklin and Hawkins)

Assigned to the Government, Operations and Fiscal Policy

AN ACT CONCERNING Northern Gateway Business Improvement District for the purpose of establishing a business improvement district in the Northern Gateway; establishing guidelines for the District and authorize a district corporation to manage the district; authorizing a tax on nonexempt property located in the District to finance the operations of the district corporation.

Fiscal Summary

Direct Impact:

Expenditures: Neutral: County costs for administration of a new tax will be reimbursed under the Bill.

Revenues: No impact.

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Indirect Impact:

Potentially favorable.

Bill Summary:

CB-074-2022, sponsored by Council Members Taveras, Dernoga, Hawkins, and Franklin, was presented on July 12, 2022 and referred to the Government, Operations and Fiscal Policy (GOFP). If enacted, the Bill would create a business improvement district, called the Northern Gateway Business Improvement District (BID) as is statutorily authorized under Sections 12-601 to 12-612 of the Economic Development Article of the Annotated Code of Maryland. Section 10-336 in the proposed Bill describes the area the boundaries cover:

- Northwest corner of Prince George’s County;
- Municipal boundaries of the City of Hyattsville and City of Mount Rainier;
- County line with the District of Columbia and the City of Takoma Park in Montgomery County to the west; and
- Adelphi Road to the east; including new Buck Lodge area in District 2.

The proposed District is roughly illustrated below:

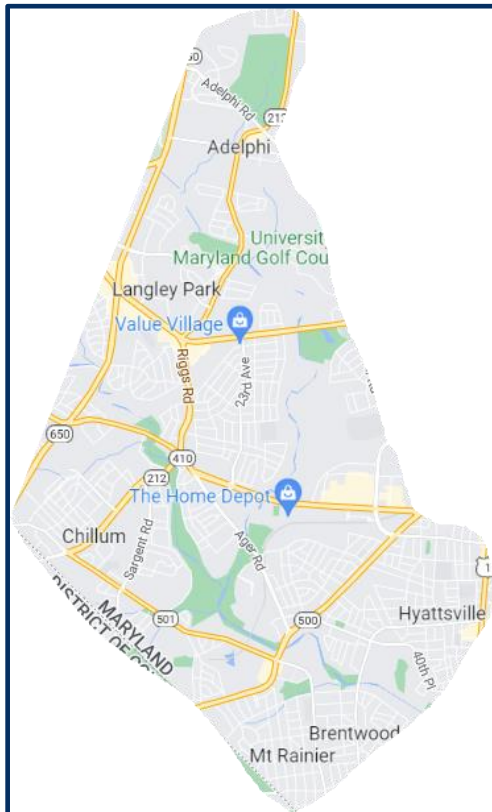


Figure 1: Map Boundaries

With submission of a three-year business plan that includes the districts operations and formula for determining each members tax, the BID composition would include:

- Members: Owners of nonexempt property within the boundaries of the district:
 - Owners of at least 51% interested in the assessed value of the nonexempt property
- Board of Directors: Comprising nine elected directors. The election of the directors must be held within 120 days after this law takes effect.
 - 3 representatives of a resident property in the District;
 - 2 representatives of a business located in the District;
 - 2 representatives from the industry with expertise on green energy, finance or law and
 - 2 representatives with expertise in housing;

Activities

The goals of the BID are to provide public services and facilities that benefit the those doing business and residing within the District. These services should promote the District and provide earnings for the District by:

- charging fees for its services; and
- receiving money from the County, the State and other government or non-profits.

The County would be responsible for collecting a property tax of those residing and doing business in the BID, of which the cost of collection is reimbursable to the County.

Review and Reporting

The board must file an annual report with the Executive and County Council each year. Additionally, the Executive branch must conduct a review of the health and viability of the district every 3 years. Any recommendations must be sent to the County Council for review.

Current Law/Background:

Section §12-608 and 12-609 of the Economic Development Article of the Annotated Code of Maryland provides the legal framework for the establishment of a business improvement district to promote the general welfare of the residents, employers, employees, property owners, commercial tenants, consumers and the general public within the County.

This bill would institute the first business improvement district to be established by the County. According to the lead sponsor, this bill would provide a much-needed attention and focus on a unique community in one of the most densely populated and cosmopolitan areas in the region. It is likely that this being the first BID in the County will set the tone for subsequent arrangements. This bill will establish guidelines for the BID and authorize its structure.

Resource Personnel:

- Jobina Brown, Policy Aid, District 2 Council Office

Discussion/Policy Analysis:

A BID is a self-assessment district that is initiated and governed by property or business owners and authorized by governments to operate in designated urban and suburban geographic areas. With the push to revitalize downtown areas, BIDs have become popular over the last forty years. Disinvestment and suburban sprawl have helped to bring greater attention and deliberate policy to focus more revenues in these areas. According to the International Downtown Association there are three types of BIDs:

1. **Public District:** A BID is publicly authorized by a government that has passed enabling statutes permitting the formation of the Bid and mandatory fees levied by the government on behalf of the BID.
2. **Administered by a Nonprofit:** Revenues are collected by the government and transferred to a nonprofit organization, which has a substantial authority over the level of funding, how the funds will be used, and the level and nature of services it provides. The authority is limited by federal, state, and local law.
3. **Performs Designated Functions.** BIDs perform services in the areas of cleaning, security and marketing.

In the context of this bill, the Northern Gateway BID would fall under the definition of a Public District, since it will be authorized by the County and run by an independent board of directors. BIDs are voluntary institutions as enjoined by the members in the district. Establishment of this BID would require that *owners/members* would submit to an extra tax, to be collected by the County to be paid to the BID. The County would receive none of the tax revenues, but rather as described in the Bill, would incur reimbursable costs for collection.

Neighboring Jurisdictions

Currently, there are 15 BIDs in the District of Columbia and Northern Virginia. Silver Spring was created as a BID last year after being converted from an Urban Center status. Over the years, the impacts of these BIDs have been varied, but have mostly brought about economic resurgence and cohesiveness in each of these urban centers. Proponents have found BIDs to be efficient in the delivery of services within their domains of local governments.¹ BIDs have also been criticized for giving undue influence to property owners, lacking accountability to elected governments, and causing inequities.²

Issues for Committee Consideration:

- Do the boundaries as described in the Bill have the specificity to effectively describe the desired boundaries?
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¹ Dan Ziebarth, “Business Improvement Districts and Contemporary Local Governance,” State and Local Government Review, October 2020; and Morcal, et al, Business Improvement Districts”

² Ibid.

Fiscal Impact:

Direct Impact

Enactment of CB-074-2022 will likely have a neutral direct fiscal impact on the County. Section 10-340 of the bill, describes the funding for the District will come from the district tax roll as imposed by the County Council at a rate specificized by the BIDs board of directors. While the County's responsibility is to collect the tax, the fiscal impact will be neutral. Reimbursement for the collection expenses is reimbursable from the BID to the County. What is unknown is how much collection expenses will be.

Indirect Impact

Enactment of CB-074-2022 will likely result in a favorable indirect fiscal impact to the County. The formation of the BID will allow for the imposition of a Business Improvement District tax with revenue going to the District. Through this new tax assessment on property and/or business owners within the District, and with the goal of the District to provide enhanced public services, activities and facilities that will improve the property, persons and business climate of those in the District, a favorable environment economic climate may result in:

- Increased property values;
- Increased safety and security and decreased crime;
- Increased employment;
- Increased retail sales; and
- Increased commercial and property tax receipts.

A study conducted on BIDs in New York City showed that the impact of small and mid-sized BIDs on retail sales and employment for independently owned businesses in the City between 2000 and 2008 were varied depending on the size of the BID. Larger BIDs, are able to devote more resources to marketing and promotion and offer more services, while smaller BIDs may use more revenue for administration of the BID. Here is how the study defined BID by size:

- Small -retail district which collects less than \$263,000 in assessments each year.
- Mid-size - has an annual assessment between \$263,000 and \$1.2 million. The commercial area is predominately retail, while the other half is commercial predominately used for offices
- Large Office – annual assessment revenues greater than \$1.2 million dominated by office space.³

One example of a large BID is Downtown DC. In 2013, this BID recorded 25% of the city's gross tax revenues and used 8% of the city's local expenditures. The net fiscal impact was equivalent to 91% of D.C.'s Public Safety and Justice budget.⁴

Created in 2021, the Silver Spring BID, is an example of a medium size BID, as it is a mix of both office and retail. While it has not yet generated a performance report, the BID will measure success

³ [FurmanCenterBIDsBrief.pdf](#)

⁴ [DowntownDC | The Net Fiscal Impact of Downtown D.C. | DowntownDC](#)

based on increased retail sales, attendance at events and activities, pedestrian county, crime statistics and growth in occupancy rates and new investment.⁵

As mentioned in the Montgomery County Office of Legislative Oversight (OLO) Silver Spring BID analysis, there are other determining factors that affect a BID's impact. They include:

- Property tax rate;
- Financial stability of the BID;
- Management oversight, accountability and collaborative mechanisms; and
- Degree to which the costs and benefits of the BID are borne by local, as opposed to non-local property owners and business tenants.

Stakeholders of a BID may be both direct and indirect stakeholders/beneficiaries. Within the BID direct stakeholders typically include businesses, non-profits, residents and other private organizations. The same may be true outside of the BID. Indirect stakeholders and beneficiaries outside of the BID, may also experience spill over economic impacts which is likely to occur due to the increase of goods and services being provided to direct stakeholders within the BID. Moreover, communities adjacent to the BID may indirectly experience benefits from increased activities that provide a positive and/or negative impact economic impact. The overall impact for both direct and indirect stakeholders may be positive and/or negative depending in the degree of activity, economic climate, BID management and resulting revenues generated by the BID.

Appropriated in the Current Fiscal Year Budget

No.

Effective Date of Proposed Legislation

The proposed Act shall take effect forty-five (45) calendar days after it becomes law.

If you require additional information, or have any questions about this fiscal impact statement, please call me.

⁵ [SilverSpringBID_BusinessPlan_2021_sm.pdf \(squarespace.com\)](#)