



THE PRINCE GEORGE'S COUNTY GOVERNMENT


Office of Audits and Investigations


March 22, 2023

FISCAL AND POLICY NOTE

TO: Jennifer A. Jenkins
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-041-2023 Revocation of the Northern Gateway Business Improvement District

CB-41-2023 (sponsored by: Councilmember Fisher)

Assigned to the Government, Operations and Fiscal Policy (GOFP) Committee

AN ACT CONCERNING Revocation of the Northern Gateway Business Improvement District for the purpose of revoking the establishment of a business improvement district in the Northern Gateway; establishing guidelines for the District and authorize a district corporation to manage the district.

Fiscal Summary

Direct Impact:

Expenditures: No impact.

Revenues: No impact.

Indirect Impact:

None.

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Bill Summary:

CB-041-2023, sponsored by Council Member Fisher, was presented on March 14, 2023 and referred to the Government, Operations and Fiscal Policy (GOFP) Committee. If enacted, the Bill will revoke or do away with the business improvement district, called the Northern Gateway Business Improvement District (BID) as is statutorily authorized under the Economic Development Article of the Annotated Code of Maryland and County Code, Subtitle 10. Division 32, as enacted by CB-074-2022. CB-041-2023 would accomplish this by simply repealing all of Subtitle 10, Division 32.

CB-074-2022 which instituted the BID, became effective December 27, 2022. County Code Section 10-336, added by CB-074-2022, describes the area the boundaries covered District as follows:

- 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 District created by CB-074-2022 is roughly illustrated below:

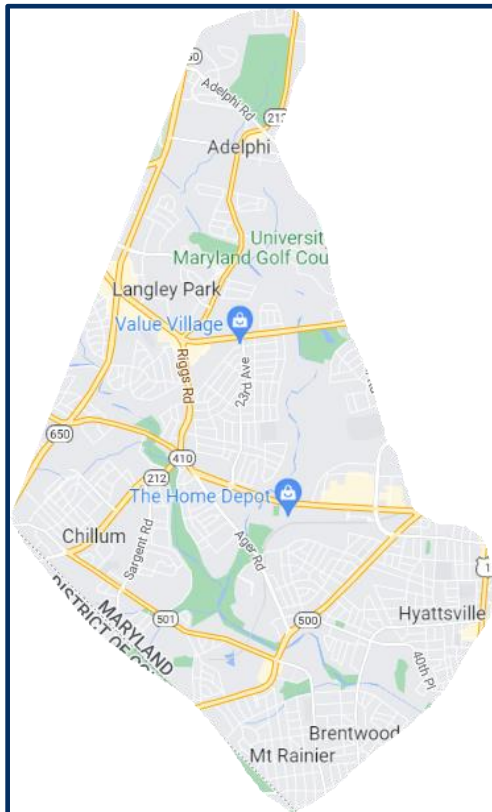


Figure 1: Map Boundaries

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 were to provide public services and facilities that benefit those doing business and residing within the District. These services would 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 would be responsible for filing 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:

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.

CB-074-2022 instituted the first business improvement district to be established by the County. According to the lead sponsor former Council Member Deni Taveras, the BID would provide 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 with this being the first BID in the County, it would set the tone for subsequent arrangements.

Resource Personnel:

- William C. Corcelius, Chief of Staff, 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 been 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 Downton Association there are three types of BIDs:

1. **Public District:** A BID is publicly authorized by a government that has passed enabling statues 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.** BID perform services in the areas of cleaning, security and marketing.

In the context of this CB-074-2022, the Northern Gateway BID would fall under the definition of a Public District, since it would have been authorized by the County and run by a 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* submit to an extra tax, to be collected by the County to be paid by the BID. The County would receive none of the tax revenues, but rather as described in the CB-074-2022, would incur reimbursable costs for collection.

The sponsor of CB-041-2023 finds that establishing the BID at this time is unfunded and would require an additional tax on business and residents. With the coming Purple Line and the spin off economic development benefits, it may be prudent to wait for that project to be completed and fully operational before assessing the value of the BID as previously proposed.

Neighboring Jurisdictions

Currently, there are 15 BIDs in the District of Columbia and Northern Virginia. Silver Spring was created as 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

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-041-2023 will no impact on the County. CB-074- 2022 was found to likely have a neutral direct fiscal impact on the County. County Code Section 10-340, added by CB-074-2022, describes the funding for the District would 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 would 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

CB-041-2023 will have no indirect fiscal impact on the County. However, enactment of CB-074-2022 would have likely resulted 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.

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.