



Committee: ECON

Committee Review: At a future date

Staff: Christine Wellons, Senior Legislative Attorney

Purpose: To introduce agenda item – no vote expected

AGENDA ITEM #2C

February 28, 2023

Introduction

SUBJECT

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

Lead Sponsor: Council Vice-President Friedson

EXPECTED ATTENDEES

None

COUNCIL DECISION POINTS & COMMITTEE RECOMMENDATION

- N/A

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

- N/A

This report contains:

Staff Report	Pages 1-2
Expedited Bill 13-23	© 1
Friendship Alliance Info Sheet	© 13
Friendship Alliance FAQ	© 15

Alternative format requests for people with disabilities. If you need assistance accessing this report you may [submit alternative format requests](#) to the ADA Compliance Manager. The ADA Compliance Manager can also be reached at 240-777-6197 (TTY 240-777-6196) or at adacompliance@montgomerycountymd.gov

M E M O R A N D U M

February 23, 2023

TO: County Council

FROM: Christine Wellons, Senior Legislative Attorney

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

PURPOSE: Introduction – no Council votes required

Bill 13-23, Montgomery County Urban Districts – Friendship Heights Urban District, sponsored by Lead Sponsor Council Vice-President Friedson, is scheduled for introduction on February 28, 2023. A public hearing is tentatively scheduled for March 14, and an Economic Development (ECON) Committee worksession will be scheduled for a future date.

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 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.

This packet contains:

Bill 13-23

Friendship Alliance Info Sheet

Friendship Alliance FAQ

Circle

1

13

15

Expedited Bill No. 13-23
Concerning: Montgomery County
Urban Districts – Friendship Heights
Urban District
Revised: 2/17/2023 Draft No. 3
Introduced: February 28, 2023
Expires: December 7, 2026
Enacted: _____
Executive: _____
Effective: _____
Sunset Date: _____
Ch. _____, Laws of Mont. Co. _____

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-3, 68A-4, 68A-5, and 68A-8

Boldface	<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:

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

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

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

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

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

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

- (B) any property that is used by the general public;

- (2) promoting and programming public interest activities that benefit both residential and commercial interests of an urban district (and which may incidentally benefit neighboring communities, or neighboring jurisdictions if the neighboring jurisdictions share a common economic interest with the subject urban district);

* * *

68A-4. Funding.

- (a) *General.* Each urban district is funded through:

- (1) Urban District Tax.

- (A) Except as provided in paragraph (7). [Each] each tax year the County Council may levy against all the assessable real and personal property in an urban district a sum not greater than 30 cents on each \$100 of assessable property.

- (B) The urban district tax is levied and collected as other

county taxes are levied and collected by law.

(C) The urban district tax has the same priority, bears the same interest and penalties, and in every respect must be treated the same as other county taxes.

(D) The urban district tax rate may differ from one urban district to another.

(2) Parking Lot District fees.

(A) The County Council may transfer revenue from parking fees to the fund of the urban district in which the fees are collected.

(B) The amount of revenue from parking fees transferred to an urban district must not exceed the amount calculated by 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

51 under this section in the same way that the County collects
52 taxes.

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

56 (4) Commercial district charge.

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

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

64 (ii) for hotels or motels, the amount of \$120 per hotel
65 or motel room; and

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

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

73 (C) Residential units restricted by law to households earning
74 100 percent of the area median income or less are exempt
75 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
- (iii) any other information the Director requires to assure that the proper charge will be remitted to the County.

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

~~[(5)]~~ (6) Miscellaneous Revenue. All other revenues collected by an urban district, including charges for services and private

contributions, must remain in the respective urban district fund, and, subject to appropriation, may be used to fund the urban district budget.

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

* * *

68A-5. Advisory committees.

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

* * *

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

(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.

[(4)] (5) The County Executive may reject a person nominated to

serve on an advisory committee and request additional nominations from the same source.

* * *

68A-8. Urban district boundaries

* * *

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

- (1) Beginning at the centerline intersection of Belmont Avenue and Oliver Street;
- (2) Then in a southeasterly direction along the centerline of Belmont Avenue until the centerline intersection of Belmont Avenue and Park Street;
- (3) Then in a southeasterly direction continuing along the right of way for Belmont Avenue Trail;
- (4) Then in a northeasterly direction continuing along the right of way for Belmont Avenue Trail;
- (5) Then in a southeasterly direction to the westernmost corner of Lot 20, Block 5 on Plat 349, recorded among the land records of Montgomery County, Maryland;
- (6) Then in a southeasterly direction to the southernmost corner of Lot 8, Block 5 on Plat 349, recorded among the land records of Montgomery County, Maryland;
- (7) Then in a southeasterly direction to the centerline of Western Avenue;
- (8) Then in a southwesterly direction along the centerline of Western

Avenue;

(9) Then in a northwesterly direction to the southernmost corner of Parcel A on Plat 5074, recorded among the land records of Montgomery County, Maryland;

(10) Then in a southwesterly direction along the western boundary of Parcel A on Plat 7074, recorded among the land records of Montgomery County Maryland;

(11) Then in a northwesterly direction along the western boundary of Parcel A on Plat 5074, recorded among the land records of Montgomery County, Maryland;

(12) Then in a northwesterly direction along the western boundary of Parcel A on Plat 5074, recorded among the land records of Montgomery County, Maryland;

(13) Then in a northeasterly direction along the western boundary of Parcel A on Plat 5074, recorded among the land records of Montgomery County, Maryland;

(14) Then in a northwesterly direction along the western boundary of Parcel A on Plat 5074, recorded among the land records of Montgomery County, Maryland;

(15) Then in a southwesterly direction along the western boundary of Parcel A on Plat 5074, recorded among the land records of Montgomery County, Maryland;

(16) Then in a northwesterly direction along the western boundary of Parcel A on Plat 5074, recorded among the land records of Montgomery County, Maryland;

- (17) Then in a northeasterly direction along the western boundary of
Parcel A on Plat 5074, recorded among the land records of
Montgomery County, Maryland;
- (18) Then in a northwesterly direction along the western boundary of
Parcel A on Plat 5074, recorded among the land records of
Montgomery County, Maryland;
- (19) Then in a northwesterly direction along the western boundary of
Parcel A on Plat 5074, recorded among the land records of
Montgomery County, Maryland;
- (20) Then in a northwesterly direction along the western boundary of
Parcel A on Plat 5074, recorded among the land records of
Montgomery County, Maryland;
- (21) Then in a northwesterly direction along the western boundary of
Parcel A on Plat 5074, recorded among the land records of
Montgomery County, Maryland;
- (22) Then in a northwesterly direction along the western boundary of
Parcel A on Plat 5074, recorded among the land records of
Montgomery County, Maryland;
- (23) Then in a northwesterly direction along the western boundary of
Parcel A on Plat 5074, recorded among the land records of
Montgomery County, Maryland;
- (24) Then in a northeasterly direction along the western boundary of
Parcel A on Plat 5074, recorded among the land records of
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;

- (34) Then in a northeasterly direction along the centerline of the Willard Avenue right of way to the intersection of North Park Avenue;
- (35) Then in a southeasterly direction along the centerline of the Willard Avenue right of way to the intersection of Friendship Boulevard;
- (36) Then in a northeasterly direction along the centerline of Friendship Boulevard;
- (37) Then in a northwesterly direction along the centerline of Friendship Boulevard to the intersection of South Park Avenue;
- (38) Then in a northeasterly direction along the centerline of South Park Avenue to the intersection of The Hills Plaza;
- (39) Then in a northwesterly direction along the centerline of The Hills Plaza;
- (40) Then in a northeasterly direction to the northernmost corner of Lot 20, Block 1 of Plat 8963;
- (41) Then in a northeasterly direction to the centerline of Wisconsin Avenue;
- (42) Then in a northwesterly direction along the centerline of Wisconsin Avenue to the centerline intersection of Oliver Street;
- (43) Then in a northeasterly direction along the centerline of Oliver Street to the point of beginning; and
- (44) Any lot that is partially within and partially outside of the areas under paragraphs (1) through (44).

Sec. 2. Expedited Effective Date.

251 The Council declares that this legislation is necessary for the immediate
252 protection of the public interest. This Act takes effect on the date on which it
253 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.