



Legislation Text

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City of Alexandria, Virginia

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MEMORANDUM

**DATE:** JUNE 24, 2017

**TO:** THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

**FROM:** MARK B. JINKS, CITY MANAGER /s/

**DOCKET TITLE:**

Consideration of an Ordinance to Create an Old Town Business Improvement District. [ROLL-CALL VOTE]  
(Public Hearing For This Item is Closed.)

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**ISSUE:** Creation of the Old Town Business Improvement District (BID) Service District in Old Town.

**RECOMMENDATION:** That City Council:

- (1) Hold a second reading and public hearing on June 24, 2017 and adopt the proposed Ordinance;
- (2) Engage the BID District businesses, property owners, and residents in a robust discussion during the development of the BID's work plan, budget and any proposed BID District tax rate; and
- (3) Request that the permanent BID Board of Directors (when established) prepare and submit to City Council by the end of 2017 a proposed work plan, budget and any proposed BID District tax rate.

**BACKGROUND:** The economic environment in the region has become increasingly competitive in recent years. Over the last decade several City sponsored groups and reports have recommended the exploration of a Business Improvement District (BID) as a tool to enhance the business environment in Old Town and ensure the long-term sustainability of the properties and businesses located there. Examples include the [2009 King Street Retail Analysis](https://www.alexandriava.gov/uploadedFiles/planning/info/kingstreet/20090619FINALGibbsKingStreetRetailAnalysis.pdf) [<https://www.alexandriava.gov/uploadedFiles/planning/info/kingstreet/20090619FINALGibbsKingStreetRetailAnalysis.pdf>](https://www.alexandriava.gov/uploadedFiles/planning/info/kingstreet/20090619FINALGibbsKingStreetRetailAnalysis.pdf), the findings of the [Waterfront Commission Governance Subcommittee](https://www.alexandriava.gov/uploadedFiles/recreation/info/WaterfrontGovernance5May2016.pdf) [<https://www.alexandriava.gov/uploadedFiles/recreation/info/WaterfrontGovernance5May2016.pdf>](https://www.alexandriava.gov/uploadedFiles/recreation/info/WaterfrontGovernance5May2016.pdf), and the [2016 MGM Readiness Task Force recommendations](#).

In May of 2016 a number of members of the business community came together in an effort to take those recommendations to the next step which is to put together the plan and process for the City to officially consider the creation of an Old Town Business Improvement District (BID). City Council allocated \$25,000 in funding to the Alexandria Economic Development Partnership (AEDP) to work with business owners to develop a proposal for the BID.

This business community group worked through the fall to develop a proposal for the Old Town BID and began presenting it to other business stakeholders for feedback. The proposed BID boundaries are reflected in Attachment 4. Over the next six months, two large public information sessions were held, briefings to City Boards and Commissions, multiple focus groups of businesses, a website with information on the BID proposal was created, and hundreds of hours of outreach from AEDP staff, the exploratory committee, and others was conducted. There was also a mailing to businesses and property owners within the proposed BID boundaries. Based on the feedback received during this process the proposal was modified significantly. The ordinance being presented to City Council is the result of that extensive feedback process. On June 6, a well-attended City Council work session on the BID proposal was held and eight panelists who were for, as well as against, the proposal made presentations to City Council. On June 13, City Council held the first reading, set the ordinance for public hearing on June 24, and removed the recommendation to adopt the ordinance on June 27. This means that Council could (1) on June 24 adopt or turn down the ordinance, (2) on June 27 adopt or turn down the ordinance, or (3) on either date decide to defer voting on the ordinance until the fall of this year or later.

The Code of Virginia § 15.2-2400 gives localities the power to create service districts to provide additional, more complete, or more timely governmental services within certain geographic areas. This is the mechanism through which BIDs are created in Virginia. Business Improvement Districts are a proven model to deliver supplemental and additional services to urban areas in addition to what is currently provided by the local government. Under Virginia law, since the BID would likely receive more than half of its budget from public funds, the BID would be subject, as is the City government, to Virginia open meeting laws, as well as Freedom of Information Act (FOIA) document requests.

**DISCUSSION:** Based on significant feedback received, the Exploratory Committee has presented a structure that allows for continued public input over multiple phases to provide the most engagement and decision-making by affected parties. The adoption of the Old Town BID Service District Ordinance is the first of three proposed steps in order to create a publicly funded business improvement district in Old Town. While the Old Town BID Exploratory Committee did create a full proposal for a BID, the business community at large has indicated the desire for a representative and elected BID Board of Directors to revisit the Committee's proposal. Having a defined legal district enables the second step of this process to occur, which is the election of that representative board of directors, to formally lead the BID creation process forward. This elected board will have the responsibility to:

- a) negotiate a memorandum of understanding with the City,
- b) review the current business climate in the service district,
- c) determine additional and/or supplemental services that bring value to businesses in the service district, and
- d) develop a work plan, budget, and funding structure that serves the stakeholders and is amenable to the affected parties.

The proposed BID ordinance sets the boundaries of the BID, sets a not-to-exceed, upper tax limit of 10-cents per \$100 of valuation (Council could adopt any rate up to but not in excess of 10 cents), applies the tax to commercial property only (excludes residential property including multi-family rental properties), and reflects a

5-year automatic sunset on December 31, 2022 (unless the BID was renewed by an affirmative vote of City Council before then). Under State law, a BID ordinance would have to be approved by City Council by the end of calendar year 2017, in order for any BID tax levies to be assessed in calendar year 2018.

Step three of this process envisions the BID Board of Directors presenting this work plan and budget to City Council, who then has the power to levy a BID Service District real estate tax on commercial non-residential property in the district, based on the enabling ordinance, to fund the proposed services.

There have been some concerns that this BID would tax residential properties. Although State law allows this, the Old Town BID tax (if any was enacted) would only apply to commercial non-residential property. It also does not apply to already tax exempt property such as churches.

This step, requiring a work plan, budget and taxation decision would be provided to, and need approval by City Council each and every year the BID exists. A proposed BID budget and tax rate (if any) would be considered by City Council as part of the annual budget and tax rate setting process and would be re-reviewed annually. If implemented for FY 2019, Council would adopt the BID budget and determine the tax rate (in any) in May 2018. A full overview of the entire three step process is attached. (Attachment 1)

The three-phase approach creates multiple opportunities to conclude the process and not implement a tax, even once the district is created. Having an elected board of directors set the priorities and budget of the organization, as well as explore other methods of funding, allows for those skeptical to date of the BID to participate in the process and ultimately shape the organization and its goals and programs. Further, implementation of this district and the election of this board creates a representative business organization for Old Town that at the very least, will be able to provide City staff with organized feedback from the business point of view on current services, desired services that currently do not exist or are deficient, and the state of business in Old Town.

### **Next Steps**

Once the ordinance is approved, the interim board will work with a contractor to conduct an election of the permanent board within 120 days, who at that point will proceed with the creation of a formal work plan, budget and proposed tax rate (if any) for the BID.

**FISCAL IMPACT:** The elected board of directors will need to hire a consultant for their analysis of services in Old Town, the creation of a work plan and budget, and the exploration of appropriate funding methods. The staff estimate for this cost is \$50,000 over 5 months.

For illustrative purposes, at a 5-cent rate, the Old Town BID would raise an estimated \$1.1 million per year. At the maximum 10-cent rate, the Old Town BID would raise an estimated \$2.2 million per year.

### **ATTACHMENTS:**

Attachment 1: Ordinance Cover

Attachment 2: Ordinance

Attachment 3: Process Timeline

Attachment 4: Proposed BID District Boundaries

### **STAFF:**

Stephanie Landrum, President and CEO AEDP

David Remington, Director of Business Attraction AEDP

Christina Zechman Brown, Assistant City Attorney

