

# City of Alexandria, Virginia

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## MEMORANDUM

DATE: APRIL 20, 2004

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: PHILIP SUNDERLAND, CITY MANAGER <sup>PS</sup>

SUBJECT: BUDGET MEMO # 67: BUSINESS IMPROVEMENT DISTRICT FOR WATERFRONT RESTORATION AND IMPROVEMENT

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In response to Councilman Macdonald's request for information concerning business improvement districts related to waterfront restoration and improvement, the following information is provided.

The Virginia Code largely governs the City's authority in this area. State law authorizes special service districts, tax increment finance districts (TIFs), and community development districts (CDDs). TIFs and CDDs are usually associated with new development. TIFs use the tax revenue growth as the basis for financing, and CDDs use an add-on tax rate to finance development related infrastructure needs. Both CDDs and TIFs are usually associated with new development or redevelopment projects.

Special service districts are authorized by the Virginia Code to accomplish a various list of services which are "additional, more complete or more timely services of government than are desired in the locality as a whole." The City Attorney has provided legal details which are included as Attachment I to this memo.

Special service districts are used to accomplish many types of tasks. In Virginia they have long been used to fund professional fire services in a portion of a county that has professional fire service in one part of a county and only volunteer fire services in another (Prince William County). Sewer services not funded by a regular water sewer rate also have been funded in this manner (Arlington County). Leaf collection districts have also used this financing method (Fairfax County). Special service districts usually impose an add-on or supplemental real estate tax (i.e., a higher real estate tax rate within the district) to finance services or to pay for debt service. A special service district cannot issue bonds, but it can pay for debt service on a locality's general obligation bonds issued to finance capital projects in a service district, which are "additional" to that capital investment normally provided by a locality. Montgomery County, Maryland has used such districts to fund public parking garages in business areas of the County.

Alexandria is considering the creation of two special service districts. The first is to fund transit (such as possibly to partially fund a Potomac Yard Metrorail station) in Potomac Yard. This

tentative plan for a special tax district was included by City Council in the Coordinated Development District approval of the Potomac Yard Development. The second special services district would also be for transit and other transportation capital costs in the Eisenhower East area, and it was included in the Small Area Plan adopted by City Council for that area. The purpose of this Eisenhower East district would include a platform extension of the Metrorail station, as well as improved roadways in the Eisenhower East area.

The King Street retail study now underway is examining the feasibility and benefits of a special service tax district in the form of a BID for some or all of the King Street study area (Potomac waterfront to the King Street Metrorail station). Some examples of the purposes of such a district would be to provide an improved streetscape, to provide marketing funds for coordinated marketing, and to pay for extra cleaning services or special events.

Such special service districts (often named business improvement districts) have become more prevalent in the United States over the last decade (the actual first special service/tax district was in London, England over 300 years ago). New York City (Grand Central Station, Park Avenue), Philadelphia (Center City), Washington DC (Georgetown, Golden Triangle), Richmond, Baltimore, Montgomery County (Bethesda) and most recently Arlington (Rosslyn - see Attachment II) are some of the areas where business improvement districts (BIDs) have been created. BIDS have had varied degree of successes and failures, but increasingly the BID model implemented in the major cities cited above has worked and improved the quality of life in those cities (as well as business activity and the tax base within the BID tax district).

Virginia law would allow the creation of a special service district to help fund waterfront restoration and maintenance. Any capital investment or operating expense would have to meet the test of the State Code in regard to being an "additional" capital investment or operating effort not otherwise provided to the general community. Issues related to creating a district also include: defining the district boundaries, creating the program and budget for capital investments and operating services in the district, creating a dual rate tax system whereby property owners in a district pay a higher real estate tax rate than property owners outside of the district, determining how high the supplemental tax rate would need to be, governance of the district (many districts have independent or quasi-independent governing bodies), and the impact of any bonds issued to benefit the district on the City's debt capacity (they would count against the City's debt ratios).

For waterfront improvements to be properly funded through the special service district mechanism, such improvements would need to accrue clearly and primarily to those properties that are paying add-on, supplemental real estate taxes to the City. Since most improvements along the waterfront, we believe, would largely be for the benefit of the public, rather than the private properties near or along the river, use of the special service district mechanism to pay for the improvements may be problematic.

Generally, a BID or special service district is a sound model to use to raise tax funds to achieve localized benefits. The creation of such a district would require careful study, as well as consensus building about district objectives and investments among those in the district who would be asked to pay the additional special services or BID tax.

Attachments

Ignacio Pessoa  
03/12/2004 11:48 AM

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Subject: Re: Business Improvement District

Councilman Andrew Macdonald has asked, as part of a budget memo request, whether the City has the authority to establish one or more "business improvement" or "special service" districts within the City, to provide special services within the district, not generally provided throughout the City. I conclude that the City does have such authority, and does have the authority to fund the district with a supplemental tax rate applicable to all real property and personal property subject to local taxation and located in the district.

Va. Code Sec. 15.2-2400, et seq., gives localities in Virginia the authority to establish business improvement or special service districts to provide "additional, more complete or more timely services of government than are desired in the locality as a whole." Va. Code Sec. 15.2-2403(1) provides that such services include, but are not limited to:

water supply, sewerage, garbage removal and disposal, heat, light, fire- fighting equipment and power and gas systems and sidewalks; economic development services; promotion of business and retail development services; beautification and landscaping; beach and shoreline management and restoration; control of infestations of insects that may carry a disease that is dangerous to humans, gypsy moths, cankerworms or other pests identified by the Commissioner of the Department of Agriculture and Consumer Services in accordance with the Virginia Pest Law (Sec. 3.1-188.20 et seq.); public parking; extra security, street cleaning, snow removal and refuse collection services; sponsorship and promotion of recreational and cultural activities; upon petition of over 50 percent of the property owners who own not less than 50 percent of the property to be served, construction, maintenance and general upkeep of streets and roads that are not under the operation and jurisdiction of the Virginia Department of Transportation; and other services, events, or activities which will enhance the public use and enjoyment of and the public safety, public convenience, and public well-being within a service district.

Under Sec. 15.2-24-3(2), the City can also provide with the district special:

transportation and transportation services within a service district, including, but not limited to: public transportation systems serving the district; transportation management services; rehabilitation and replacement of existing transportation facilities or systems; and sound walls or sound barriers.

In addition, the City is authorized to purchase open space within the district. Sec. 15.2-2403(11).

The foregoing special services and open space acquisition may be funded, in whole or in part, by the levy and collection of an annual tax on all property, real and personal, in

the district, but such incremental tax revenue cannot be used to fund "schools, police or other general governmental services" not tied to the geographic boundaries of the district. Sec. 15.2-2403(6). General revenue funds, grants and other sources may also be used to fund the district. Apart from the construction, maintenance and general upkeep of streets by the district, the consent of all or a proportion of affected property owners is not required by law for the establishment or funding of the district.

The district may be directed and administered by a board, established by the council, or by the council itself, and may employ and direct its own staff, apart from the City's, or contract with another entity for such functions.

Arlington County has recently, with support from many of the affected property owners, established the "Rosslyn Business Improvement Service District (Rosslyn BID)," to provide enhanced services within the Rosslyn area core. This BID is funded by a supplemental tax rate of \$.048 per hundred on real property within the district. Information on the Arlington program is attached.

Please let me know if you have any additional questions concerning this matter.



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**Arlington County, VA Government  
For Immediate Release**

**Saturday, April 26, 2003**

**Contact:** Kelly Rindfus (703) 228-0838 (voice), (703) 228-4611 (TTY)

**Arlington County Board Green Lights Northern Virginia's First Business  
Improvement District**

The Arlington County Board today took steps to transform Rosslyn into a world-class commercial center with the approval of the proposed budget and assessment for the creation of the Rosslyn Business Improvement District (BID) -- the first in Arlington and all of Northern Virginia.

Arlington County Board Chairman Paul Ferguson said, "The approval of the Rosslyn BID will bring important benefits to Rosslyn and allow it to enhance its place as a major business district in the region. The Rosslyn business community is to be commended for its leadership in shepherding the initiative from vision to reality."

The initiative calls for a special tax assessment to fund expanded and supplemental services for beautification, cleaning and maintenance; community activities and events; transportation, parking, pedestrian and safety programs; marketing and promotion; and social programs.

BID programs, used as tool to revitalize downtown areas, have garnered much support in the last 20 years. They have been successful in other areas such as Times Square in New York City, Center City in Philadelphia, Pa. and locally in Georgetown and Baltimore. BIDs are typically used to finance services that improve the economic vitality of downtown areas, main streets and commercial districts.

The Rosslyn BID covers a 17 block area bounded by Route 66, the Key Bridge, Pierce Street and 16th Street in Rosslyn. The approved BID assessment will generate nearly \$1 million in revenue. The funds will be managed by the Rosslyn Business Improvement Corporation (RBIC), which will act as an Arlington County contractor for program implementation and oversight. Ultimate control of the BID will remain with the County Board as prescribed by state law.

The Rosslyn BID has received community support from residents and businesses within Rosslyn and the Rosslyn Renaissance. In fact, the BID executive committee submitted 66 signed petitions, indicating broad support for the BID, and exceeding the County's suggested showing of support of property owners who own or control individually identified tax parcels equivalent to at least at least 51 percent of the aggregate assessed value of all tax parcels within the proposed district boundaries.

***Rosslyn Business Improvement District (BID) Fact Sheet***

**What Is A Business Improvement District (BID)?**

- A Business Improvement District or BID is a tool used for economic development.
- Typically, BIDs are instituted to finance services that improve the economic vitality of downtowns, main streets and commercial strips.

- BID programs have been implemented successfully locally in Georgetown and downtown's 'Golden Triangle'.
- BID programs typically have the support of citizens and businesses within the areas they are tasked to improve.
- Other BID regions across the U.S. include:
  - Hampton Roads, Va.
  - Norfolk, Va.
  - Georgetown, Washington, D.C.
  - Baltimore, Md.
  - Times Square, NYC, NY.
  - Hollywood, Ca.
  - Grand Central Station, NYC, NY.
  - Center City, Philadelphia, Pa.
  - Boulder, Colo.

**Scope And Management Of The Rosslyn BID:**

- BID area falls within a 17 block area bounded by Route 66, the Key Bridge, Pierce Street and 16th Street.
- BID assessment is \$.049 for every \$100 in assessed value for a total of nearly \$1 million.
- Service plan would be managed and overseen through the establishment of a 501(c) 6 corporation, known as the Rosslyn Business Improvement Corporation, which would act as a County contractor for program implementation and oversight.
- Ultimate control of the BID would remain with the County Board as prescribed by state law.

**Rosslyn BID Services Include:**

- Intensified beautification, cleaning and maintenance: The program will include additional landscaping, hardscape improvements, public art maintenance, increased trash and litter pickup, improved tree maintenance and development of new landscape areas.
- Expanded cultural amenities: The program will include the continuation of the Rosslyn Jazz Festival, the organization of a lunchtime concert series, an outdoor evening film festival, annual holiday lighting, and support of the Rosslyn Farmers and Artists Market.
- The development of a unified marketing program to emphasize the quality and diversity of the Rosslyn BID area, the development of a Rosslyn Web site, the creation of an e-newsletter and other printed materials, and the publication of a Rosslyn retail guide.
- Development of a unified parking management program, and the financial support of a Georgetown-Rosslyn shuttle service.
- Intensified outreach services for the homeless who frequent the Rosslyn BID area: This program will include the funding of an

outreach worker to address issues of homeless people, and will attempt to connect homeless people with emergency services.

*Arlington, Virginia is a world-class residential, business, and tourist location that was originally part of the ten-mile square parcel of land surveyed in 1791 to be the Nation's Capital. Arlington is the geographically smallest self-governing county in the United States, occupying slightly less than 26 square miles. Arlington maintains a rich variety of stable neighborhoods, quality schools and enlightened land use, and was granted an award for its practices of "Smart Growth" by the Environmental Protection Agency in 2002. Home to some of the most influential organizations in the world – including the Pentagon -- Arlington stands out as one of America's preeminent places for living, visiting and doing business.*

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## ARLINGTON COUNTY, VIRGINIA

**County Board Agenda Item  
Meeting of February 21, 2004**

**DATE:** February 11, 2004

**SUBJECT:** Advertisement of Rosslyn Business Improvement Service District ("Rosslyn BID") Tax Rate as part of the Overall Real Estate Tax Rate.

**C. M. RECOMMENDATION:**

Advertise a public hearing on March 25, 2004 for a proposed Calendar Year (CY) 2004 tax rate for the Rosslyn Business Improvement Service District ("Rosslyn BID") of \$0.048 that is in addition to the current real estate rate, using the attached resolution (Attachment I).

**ISSUE:** What Rosslyn BID tax rate above the current real estate tax rate should be adopted?

**SUMMARY:** The proposed tax rate of \$0.048 per \$100 of assessed value in the Rosslyn Business Improvement District would fully fund the proposed budget and work plan submitted by the Rosslyn Business Improvement Corporation to provide additional levels of service to properties in the district.

**BACKGROUND:** A group of Rosslyn commercial property owners, acting as a steering committee for the establishment of a business improvement district (BID), proposed that the County Board establish such a district in the Rosslyn "core" area to further promote development of Rosslyn as a "world class commercial center". At its December 7, 2002 meeting, the County Board adopted an ordinance creating the Rosslyn Business Improvement District for the purpose of providing additional levels of services to the properties in the district, above those funded from the Countywide general fund activities.

**DISCUSSION:** The business improvement district comprises 112 properties in the Rosslyn "core" and the service area is comprised of approximately 20 blocks. Enhanced services provided in the service district will be in the areas of; 1) Beautification, Cleaning, and Maintenance; 2) Community Activities and Events; 3) Transportation, Parking, Pedestrian and Safety Programs; 4) Marketing and Promotion; and, 5) Social Programs. The BID would contract for the services and the cost would be paid from the additional tax levy to the district.

County Manager: \_\_\_\_\_

County Attorney: \_\_\_\_\_

Staff: Rod Irwin, Arlington Economic Development  
Richard Stephenson, Department of Management and Finance



The Rosslyn Business Improvement Corporation (RBIC), successor to the original Rosslyn property owner steering committee, has proposed a Work Program and Budget for the second year of operation of the BID. If the Work Program and Budget is accepted by the County Board as part of the FY 2005 Proposed Budget process, it would require an additional real estate tax levy on properties within the Business Improvement District in the amount of \$0.048 per one hundred dollars of assessed value for CY 2004 which would generate approximately \$1,001,239 for additional services in the BID for FY 2005. This CY 2004 Rosslyn BID tax rate represents a \$.001 reduction from the CY 2003 rate.

If adopted as advertised, the attached resolution would establish the 2004 Rosslyn Business Improvement Service District supplemental tax rate at \$0.048, and fully fund the proposed budget and work program submitted by the Rosslyn Business Improvement Corporation (RBIC).

**FISCAL IMPACT:** The primary fiscal impacts arising from the establishment of the Rosslyn Business Improvement Service District ("Rosslyn BID") would be the administration of the service district and management of the contract with the BID Corporation. However, the proposed RBIC budget includes an administrative fee to be paid to the County by the BID Corporation, in an amount of 1% of the operating budget, which will reduce the fiscal impact.

ATTACHMENT I

**RESOLUTION ESTABLISHING A 2004 TAX LEVY RATE FOR THE ROSSLYN  
BUSINESS IMPROVEMENT DISTRICT ("ROSSLYN BID")**

RESOLVED, that the County Board of Arlington County, acting as the governing body of the Rosslyn Business Improvement Service District ("Rosslyn BID"), does hereby establish a calendar year 2004 tax levy for the District in the amount of \$0.048 per one hundred dollars of assessed value of all taxable real estate located within the boundaries of the Rosslyn Business Improvement Service District ("Rosslyn BID"), and;

BE IT FURTHER RESOLVED, that such taxes, when and if appropriated by the County Board, acting as the governing body of the Rosslyn Business Improvement Service District ("Rosslyn BID"), shall be used solely to fund the Budget and Work Program of the District as adopted by the County Board for the purposes of the District.