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City of Alexandria, Virginia

MEMORANDUM

DATE: SEPTEMBER 7, 2005

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: JAMES K. HARTMANN, CITY MANAGER 

SUBJECT: STATUS REPORT ON THE OLD TOWN BUSINESS IMPROVEMENT DISTRICT PLANNING EFFORTS

ISSUE: Creation of an Old Town special services district and planning for a Business Improvement District organization.

RECOMMENDATION: That Council receive this report

BACKGROUND: One of the implementation strategies approved this past June by Council in adopting the King Street Retail Strategy was the creation of a Business Improvement District (BID) in the Old Town area along King Street from the waterfront to the Metrorail station, King Street's adjacent north and south intersecting streets (the 100 blocks on Union, Lee, Fairfax, etc), as well as a portion of the 100 to 300 blocks of North and South Washington Street. The portions of the Retail Strategy report approved by Council are included as Attachment I of this docket item.

As envisioned by the approved Retail Strategy, and by those currently working on creating a special services district as well as a BID, this would entail the establishment by Council of a special services district with boundaries exactly following (or similar) to those detailed in the Retail Strategy Report. The special services district would be designed to enhance the King Street and adjacent areas in the district through enhanced and cleaner sidewalk areas, additional marketing of the area, coordinated parking management, improved landscaping and street furniture, as well as other services above and beyond what the City currently provides. These efforts would be financed by a dedicated service fee in the form of a small add-on to the real estate tax rate. All service fee funds collected via this tax method would be held and used to provide the services within the special services district.

It was the collective judgment of the business owners, citizens and commercial property owners who worked on the King Street Retail Strategy that a special services district and a BID were necessary to enhance the core retail and business area of Old Town. With increased competition (sometimes from new town centers whose designs can be traced back to the Market Square area

of Alexandria's Old Town) from downtown Washington D.C. (Georgetown, MCI Arena Area, etc.), Bethesda, Reston Town Center, Crystal City, Pentagon Row, Clarendon Market, Shirlington, new or planned town centers in Prince William, Fairfax City, and in Fairfax County, as well as the new planned massive National Harbor development just across the Wilson Bridge in Prince George's County, increasing the vibrancy and attractiveness of Alexandria's retail core along the King Street area will be vital in insuring the long-term health of the City. As the City has seen many times in its long history, economics, the competitive marketplace, and consumer demand can change a downtown area from healthy to anemic. With a special services district and a BID in place, the City will be better able to deal with the new regional competition (which either have established BIDs, or have a single common ownership in place that has a funding mechanism (i.e., common area maintenance charges or CAM) and better create a place that attracts and retains its customers. The King Street area in Old Town (which has about 850 distinct properties with 1,600 individual businesses) does not have this type of funding and coordinating mechanism to achieve a higher level of attractiveness.

The BID, which would be a new non-profit, as contemplated would be the primary service delivery organization for the special services district. BIDs and the services districts that fund their activities have been created in the Washington metropolitan area in the District of Columbia (such as the Georgetown BID), Montgomery County (Bethesda Urban Partnership) and in Arlington County (Rosslyn BID). BIDs have also been created and have been very successful in many cities in the United States in rejuvenating older downtown areas and in making those areas more competitive with newer commercial areas such as suburban shopping malls. Philadelphia and New York City are examples of urban areas that have established successful BIDs. The lessons learned from the successful establishment of BIDs around the country are that (1) the creation of a BID has to be both a grass roots effort, which has the wide support of the business community that the BID would serve, as well as (2) the establishment effort needs the local government as its partner and facilitator. BIDs and special services districts have been established in Virginia in the cities of Richmond, Roanoke, Norfolk and Staunton. Special service districts have also been established in Fairfax, Loudoun, Arlington and Prince William Counties to fund leaf collection, fire services or sanitary sewer services.

Since the approval of the Retail Strategy in June by Council a working group of business and property owners have come together as the "Old Town BID Steering Committee" to begin to develop a proposal to create a BID, as well as to develop community support for the creation of the BID. This group has had weekly open working meetings and has invited property owners, retail and restaurant establishment owners, as well as interested citizens to join in the planning efforts to create the BID, as well as to create a special services district proposal for Council to consider. City staff have participated in these weekly meetings, and have provided logistical support for this effort. On July 15 the Steering Committee provided a memo to Council explaining this effort (Attachment II). The Steering Committee has also produced a brochure explaining their vision of the Old Town Bid (Attachment III), as well as have created a website (www.oldtownBID.org).

In the course of the community discussion there have been many questions raised concerning the special services district and the BID, as these two mechanisms are new to many in Alexandria. The following outlines the key points of these two concepts, as well as describes the differences between the special services district and the BID:

Special Services District:

1. Authorized under Virginia law.
2. Established by the local governing body.
3. Establishment required before January 1 in the year in which the additional real estate tax is to start.
4. District boundaries set by Council and can be amended prior to January 1 of any year.
5. Special service district fees would take the form of an add-on to the real estate tax rate (i.e., building real estate assessment times the add on tax rate equals the additional tax).
6. Although all properties within a District can be taxed under state law, the current planning is that only commercial properties would be subject to any add-on real estate tax
7. Add-on tax billed and due with regular real property taxes (due in June and November of each year).
8. Tax rate and budget for special services district set annually by Council as part of the regular City budget process.
9. Council has total discretion as to the add-on tax rate set annually.
10. All special services district tax funds assessed and collected by the City must be spent on new or enhanced services in the special services district.
11. City must maintain services in the district at no less than the current level.
12. The City would retain responsibility for capital infrastructure (capital funding and maintenance).
13. The City would determine which of the normal public operating functions it would have the BID responsible for, and which the City would remain responsible for (i.e., the City would decide what to delegate to the BID and what to retain as a City function).
14. Public policies (land use planning, special use permits, regulatory responsibilities, infrastructure and streetscape design and furniture standards, etc.) would remain in the purview of the City, although the implementation of the streetscape design and furniture standards could be delegated to the BID.
15. The City could decide to contract out current City-provided services (sidewalk cleaning, tree bed mulching, landscaping in the Washington Street median) to the BID or to keep those programs as City provided. If contracted out to the BID, dollars to fund would be transferred to the BID.
16. The City could also provide some of the special services district functions.
17. The relationship between the City and the BID would be governed by an annual contract where duties, responsibilities and delineation of functions of both parties would be clearly detailed.

Business Improvement District (BID) Organization (as envisioned by the work to date of the Old Town Bid Steering Committee):

1. The BID would be a private non-profit organization.
2. The BID would be a public-private partnership with the City.
3. The BID would have an elected board of directors.
4. The BID would have property owner, business owner/manager, and representatives from civic associations on its board of directors.
5. The BID, as a primarily publically-funded organization, would be subject to Virginia open meeting laws, FOIA (correspondence, records, minutes, etc), as well as generally accepted accounting and independent audit standards.
6. The BID would be both a City contractor and an advocate for Old Town BID area issues
7. The BID's responsibilities are currently envisioned as:
 - a. Streetscape maintenance (cleaning and beautification).
 - b. Marketing and promotion.
 - c. Parking management and coordination.
 - d. Coordination of merchants (such as in seeking common evening hours for store closing).
 - e. Installation and maintenance of street furniture (flower containers, benches, etc).
 - f. Certain special events.
8. The BID would annually propose a budget and special services district add-on real estate tax rate to Council.

It is contemplated by the BID Steering Committee that it will have developed plans and obtained sufficient community support in October so that City Council can hold a public hearing and consider the creation of a special services district this November (or December at the latest). Under Virginia law, a special services district is required to be in place by January 1 of the year in which a special services district real estate add-on tax rate is levied. So if any special levy is to be collected in 2006, the special services district needs to be in place by the end of 2005. At this point the BID Steering Committee is working on its plans, discussing the BID and special services district option with the King Street area business community, holding community meetings, meeting with civic and other groups, as well as gathering support of individual businesses. The governance structure is also under discussion. The BID in cooperation with City staff is also planning on upgrading the appearance (cleaning, benches, flowers and landscaping) of the 700 block of King Street as a visual example of how the whole King Street areas of Old Town could be improved. This upgrading is planned for October, and is being jointly funded by the City and the Old Town Business Improvement District (BID) Steering Committee.

Representatives from the Old Town BID Steering Committee will be present at Council's September 13 meeting to respond to questions from Council.

FISCAL IMPACT: There would be no material direct fiscal impact of a special services district on the City's General Fund, as the District would be funded by a new fee levied in the form of a

small add-on real estate tax. The indirect impact on the City's General Fund would be positive as the activities of the BID (as funded by the special services district) would result in net new real estate, personal property, sales, meals and other local taxes due to the positive economic impact of the activities of a BID.

ATTACHMENTS:

- Attachment I. Excerpts from the King Street Retail Strategy Report (p. 9-2 to 9-8)
- Attachment II. July 15 Memo to City Council from the Old Town BID Steering Committee
- Attachment III. Old Town BID Steering Committee Brochure

STAFF:

- Mark Jinks, Assistant City Manager
- Tom Fairchild, Business Facilitator
- Kimberley Fogle, Neighborhood Planning and Community Development Division Chief
- Eric Forman, Urban Planner III

STRATEGY IMPLEMENTATION

Three steps were identified as key to the implementation of the recommendations outlined in King Street Retail Strategy. The first is the establishment of a public/private organization that will work closely with the City to provide leadership, management and financial support to maintain and enhance King Street's competitive position in the region. The second is the modification of existing ordinances and regulations to bring them into line with the current vision for King Street. Lastly, is the creation of marketing strategies to assist King Street in achieving its potential.

THE KING STREET PARTNERSHIP CONCEPT

Background

It was clear from the initial identification of issues derived from the stakeholder interviews, discussions with the City staff and input received at the Advisory Committee workshops that there is a need for a form of new governance and management to implement the vision for King Street. Successful implementation of the Strategy over time requires a close working relationship between the property owners, the business proprietors, the community and the City. Each of these groups has expressed the desire to have "ownership" in King Street and Old Town and each should have a proactive role in the planning and management of King Street. Indeed, King Street, in both image and substance, is important for all of the residents of Alexandria, and therefore, all elements of the City have a stake in the continued success of the street.

For King Street to maintain a prominent position in the region's increasingly competitive environment, full-time paid leadership, oversight and management are required. No longer will part-time assistance from the City and volunteer-based organizations suffice. While those have made a difference on King Street and in Old Town their limited resources have limited their potential impact. King Street is now competing with privately-funded

(through common area maintenance charges) professionally managed retail/entertainment malls and "town center" type complexes that have the ability to manage the retail/entertainment/restaurant operations and provide coordinated hours of operations, comprehensive marketing and promotions. To assure a leadership position in the future, the Strategy proposes a management and funding entity whereby the private sectors will drive the leadership and management while the public sector facilitates the funding for the capital improvements and operations of King Street.

It is not the intent of the Strategy to lay out a specific roadmap for the new management entity; rather, this Strategy provides an outline for one example of an organization and offers strategic approaches for a process that will lead to the formation of an appropriate entity based upon input from all of the parties. A King Street leadership organization needs to be derived from local businesses and any new effort needs to be grassroots-based. During the course of the planning, a number of Advisory Committee members suggested that the City consider the formation of a Business Service or Improvement District (BID) to fund the creation and operation of a management organization established as a joint venture between the King Street community and the City. This approach is important to the Strategy's recommendations.

Issues and Opportunities

The following is a summary of issues and opportunities that were identified by the Advisory Committee during the planning process relating to the development of a new leadership/management entity:

- A form of governance is required that will provide the desired resources for leadership and nurturing necessary for implementation of the vision outlined in the Strategy;

STRATEGY IMPLEMENTATION

- The City staff resources are limited;
- The King Street business community desires more direct involvement, leadership and management of King Street;
- The multiple business and non-profit organizations relating to King Street do not have crisply-defined and well-coordinated goals and responsibilities;
- Volunteer leadership which run their own businesses can only go so far in leading and managing the key elements of King Street;
- Shared governance provides a more energized and cohesive King Street business community. Most importantly, shared governance provides "ownership" of the problems, concerns and solutions; and
- The community wants to be more empowered so that it does not have to approach the City as a benefactor each time it wants to implement a program.

Experience of Other Communities in Virginia

Other communities within Virginia, as well as Maryland and Washington, DC have undertaken a similar public/private approach to lead, manage and fund their commercial cores. Typically, these organizations in Virginia utilize the provisions of the Service District enabling statutes, which permit the formation of a special taxing district to provide a series of improvements or services for the district. These statutes require that all funds generated through the district must be spent in or for the benefit of the properties in the district.

While no particular management structure is mandated by State legislation, the most typical format in Virginia for the management of such districts is through a 501(c) (6) corporation. In general, revenues are derived from an add-on to the localities' general real estate tax rate paid by the properties

within the given service district. The following is a list of select Virginia localities that have utilized the state legislation for the purpose of creating a business service (or improvement) district, as well as an estimate of each district's annual tax revenue/budget.

Arlington (Rosslyn)	\$ 1,000,000 in tax revenue
Fairfax City	\$ 600,000
Roanoke	\$ 200,000
Richmond	\$ 700,000
Norfolk	\$ 1,000,000
Staunton	\$ 65,000

LEADERSHIP/MANAGEMENT/FUNDING/ ORGANIZATION RECOMMENDATIONS

The Strategy recommends the formation of a new public/private organization, which for the purposes of the Strategy is called the King Street Partnership (KSP). This KSP should evolve from the current King Street Metro Enterprise Team (KSMET), incorporating the Old Town Business Association organization.

A key issue in establishing the KSP is delineating the division of leadership, management, funding and implementation responsibility between the City; City-funded agencies, such as the Alexandria Economic Development Partnership (AEDP) and the Alexandria Convention and Visitors Association (ACVA); and the KSP. The intent is to create a new organization to ensure that the programs and recommendations from the King Street Retail Strategy are implemented. The following are some thoughts on how the KSP could allocate responsibilities. The responsibilities of all parties would be negotiated during the formation of the KSP and documented in the bylaws or charter. It is not the intent to devolve from the Planning Commission, the Board of Architectural Review for the Old and Historic Alexandria District, or the City Council any of the responsibility that now rests with those bodies for the adoption of public policy.

STRATEGY IMPLEMENTATION

ESTABLISHING THE KING STREET PARTNERSHIP

The establishment of a public/private entity such as the King Street Partnership is considered key to implementing and sustaining the vision and strategies for King Street. The initiative for the KSP must come from the community, and there should be a broad buy-in as to its mission and taxation plans. A successful BID is community-based and grassroots-driven. To that end, it is recommended that as a part of the King Street Retail Strategy, a working group primarily comprised of KSOMET with City staff support, should survey the business and property owners to determine if support for the KSP is as broad as that expressed within the Advisory Committee and the public meetings. Before a King Street Partnership is created, there must be a “buy-in” as to its mission, boundaries and taxation plans.

The establishment of an entity such as the proposed KSP requires expertise, organization and support. Once the community determines that it supports the concept of the KSP, it is recommended that the City assist the community by providing staff and funding to create the organization. Start-up costs would be required to incorporate the new organization, undertake the process to identify the responsibilities of the City and KSP, establish the boundaries of the District, identify the makeup of the Board, hire staff and identify the business leadership. These start-up efforts could be reimbursed by KSP once it is operational.

The make-up of the new organization is important. The vision for the KSP is that it will engage full-time staff supported by an active and engaged volunteer board. There are a number of ways that the makeup of the board could be determined. The most appropriate would be determined by the community working with the City. The desired representation and experience of the board members could be determined and a nominating committee established from the various existing constituencies established to nominate candidates for the Board.

ROLES AND RESPONSIBILITIES OF THE KING STREET PARTNERSHIP

The following are thoughts for consideration on the roles and responsibilities of the KSP:

- Planning, implementing and managing the business and marketing elements of the King Street Retail Strategy, such as business promotion, marketing and operational activities, in coordination with the activities of ACVA;
- Supporting and enhancing the King Street mission and goals/objectives as outlined in the King Street Retail Strategy;
- Working with the City to provide a coordinated overview of all issues and proposed actions relating to King Street, including prioritization of all proposed actions and funding allocations;
- Coordinating the private parking resources with the public resources;
- Coordinating with DASH to provide enhanced transit services;
- Establishing and monitoring retail/entertainment operational standards/guidelines, such as show window lighting, consistent retail hours of operation, private sidewalk cleaning, snow removal, etc.;
- Working with the ACVA's local marketing efforts in developing and implementing a King Street marketing plan, including: general and special promotions, retail and merchandising expertise;
- Working with the City to clarify public and private maintenance responsibilities and managing the implementation of the private sector responsibilities;
- Working with AEDP and others to identify and recruit complementary regional and local businesses, and developing information resources and programs to recruit and retain desired businesses; and
- Advising the City on issues that arise relating to King Street and Old Town.



ROLES AND RESPONSIBILITIES OF THE CITY

Within the context of the KSP, the roles and responsibilities of the City could include:

- Continuing the responsibility for the policy development and implementation. The Strategy provides the public policy guidance for the Strategy's implementation by the various parties;
- Continuing the use of city-wide tax dollars for existing public services on King Street;
- Assisting in the process of initiating the leadership/management entity (KSP);
- Negotiating a common understanding of the public and the private responsibilities;
- Assisting in establishing bylaws, charter or other documents that reflect the agreement on responsibilities;
- Establishing a legal Business Improvement or Service District (starting as early as 2006) if determined appropriate and there is the necessary support;
- Advancing initial start-up costs, if necessary;
- Assisting the KSP in the implementation of its charge by providing advisory support;
- Establishing and maintaining the policy for land use and public/private physical improvements through City policy (based upon the adopted strategy), zoning and other appropriate regulations as implemented by the Department of Planning and Zoning, including facilitating the processing of permits through the Department of Planning and Zoning;
- Establishing public/private streetscape standards to implement the Strategy;

- Implementing and maintaining a city-wide funded "base" level of capital improvements through the City's Capital Improvement Program process;
- Providing transit services consistent with the strategy to reduce the adverse impact of the automobile;
- Providing coordination between all City departments as they relate to King Street; and
- Working with the KSP to establish an overall parking strategy; this includes ensuring the close coordination of the public parking resources with the overall Old Town parking management plan.

THE KSP BOARD OF DIRECTORS

Typically, the boards of other similar districts are comprised of 20 to 30 members. For King Street it appears that a board on the lower end of this range may have the potential to be more effective than a larger board, in conjunction with an active executive committee. Terms of the board members should be established to provide overlap and continuity. The Board should have broad representation including participation by property owners, merchants, civic and business associations, the City and residents. The business and property owner members could either be elected by the board or by the membership at large.

STRATEGY IMPLEMENTATION

BUDGET/FUNDING OF THE KSP

The overall success of the KSP will be predicated on its ability to generate funds to implement the Vision for King Street. To that end it is expected that the City will maintain its historical financial support for King Street/Old Town; however, it is incumbent on the private sector to provide its share of resources that will assure the enhancements to create the vibrant mix of retail, restaurant and entertainment that is described in the mission and vision for King Street. The establishment of a Business Improvement or Service District (BID) would have the greatest and most equitable potential to contribute significantly to the KSP's budget.

The community must determine the level at which it is willing to support the KSP, and the level of potential revenue from the special district depends upon the following factors:

- A determination of the individual parcels within a defined contiguous boundary that would be subject to the BID assessments;

- The assessed property values; and
 - The tax rate proposals for the district.
- A number of alternative district boundaries were reviewed to determine the potential tax revenues. For discussion purposes Figure 9.1 depicts one potential example for a King Street Business Improvement District boundary. The properties proposed to be included within the BID are graphically highlighted as well as the tax exempt properties located within the boundary. It is clear that there are a number of ways the boundary could be drawn.

Figure 9.1 (BID boundary) indicates the commercial and tax exempt properties within the draft BID boundary. The properties (those included in the district tax base) include only those that are zoned CD (Commercial Downtown), CL (Commercial Low), OCH (Office Commercial High), OCM (Office Commercial Medium), WPR (Waterfront Park and

FIGURE 9.1 – King Street Business Improvement District - Possible BID boundary.



STRATEGY IMPLEMENTATION

Recreation), or RC (High Density Apartment)—these properties are zoned for some manner of commercial use. Apartment buildings may be considered commercial enterprises for the purposes of BID District definitions and are included in the proposed BID district boundary.

Assessed Property Values

To estimate potential revenues associated with the draft BID service area, the assessed values were analyzed for all properties within the draft area's boundaries. Values used in this analysis were valid as of March 2004 (changes in assessed value after March 2004 are not reflected).

FIGURE 9.2 - Estimate of Additional BID Property Tax Payments

	BID Tax Rate (Per \$100 of Assessed Value) with BID Budget of:		Annual BID Assessment with a BID Budget of:	
	\$250,000	\$500,000	\$250,000	\$500,000
Property with \$500,000 Assessed Value	2.59¢	5.19¢	\$130	\$259
Property with \$1,000,000 Assessed Value	2.59¢	5.19¢	\$259	\$519

Calculations based upon City of Alexandria property tax assessments, March 2004

Potential Revenues

Based upon the draft service district boundaries outlined in Figure 9.1 and the assessed values of the taxable properties contained within the boundaries, the increase in tax rate and BID assessment were calculated to fund hypothetical annual BID budgets of \$250,000 and \$500,000. Figure 9.2 summarizes the tax impact for theoretical properties that are assessed at \$250,000 and \$500,000. The additional tax assessment for each property is dependent upon the value of the property, the annual budget of the BID and the physical area that is serviced by the BID. For instance, a property located in the BID and

assessed at \$500,000 would pay \$259 (or 5.19¢/\$100 of assessed value) in additional annual real property taxes to support a BID with a \$500,000 budget. The BID assessment would rise or fall depending upon the BID's projected budget and/or the BID's boundary, as well as changes in annual assessments within the BID boundaries.

BID revenue is clearly a significant source of funding for the King Street Partnership. However, other sources could contribute as well. Another source of revenue could include membership dues from business owners and operators. A membership component would give businesspeople a stake in the organization that they would not otherwise have if revenue were limited to Business Improvement District taxes that are paid exclusively by property owners.

It is not envisioned that the BID would become a large operational entity with a large staff. Rather, the BID could be a lean "virtual service delivery" organization that would contract with the City or use existing City contracts, (or that of other organizations in the City) to provide the desired higher level of services within the BID boundaries. This organizational structure will help keep the BID staff focused on helping lead the organization to achieving its goals, rather than on day-to-day administration. An example of this contracting method would be additional flower plantings beyond those the City already provides. In those cases the BID can reimburse the City for increasing its contract with the City's private sector contractor to provide the additional services.

STRATEGY IMPLEMENTATION

SUMMARY

The establishment of a new public/private leadership/management entity is critical to the success of the King Street Retail Strategy. KSMET and other community representation with assistance from the City should initiate a dialogue to determine if there is wide support for the King Street Partnership approach with funding through the establishment of a Business Improvement District.

Modifying the Small Area Plan Zoning Ordinance

The Department of Planning and Zoning intends to prepare the necessary changes in the Small Area Plan, the Zoning Ordinance and other documents that are required to have these existing plans and ordinances conform to the King Street Retail Strategy. The intent is for formal public hearings on the Small Area Plan and the Zoning Ordinance to be held concurrently with the review and approval of the King Street Retail Strategy.

Implementing the Marketing Strategies

Following the approval of the King Street Retail Strategy and the implementation of the King Street Partnership, the following strategic marketing approaches are recommended for implementation. The marketing strategies propose concepts and specific recommendations for strengthening the market for King Street and building upon the findings from the market analysis, consumer surveys, business interviews, client/Advisory Committee discussions and consultant experience.

INTEGRATED MARKETING THEMES

Several marketing themes or concepts have been developed as an outgrowth of the findings from the market analysis. These themes provide a baseline for the gradual development of ongoing management and revitalization programs. In essence, these programs are proposed as elements of a vision for marketing the King Street corridor.

All of the marketing concepts emphasize the strengths of Old Town as a “charming, walkable, historic small town.” There is the need to focus on enhancing street life, promoting local/independent stores, creating an active waterfront, and enhancing the opportunities for King Street to be a place to live, work, shop and play. The marketing concepts and their respective elements are described below. These concepts are not mutually exclusive, but should be integrated in a way that emphasizes King Street’s real strengths. The following are thoughts on marketing themes:

Cafes & Street Life

This concept emphasizes outdoor cafe dining, evening activity, later and more consistent business hours and regular outdoor programming (street festivals, events, shows, holidays, farmers markets, live music) in order to enhance the street activity that draws local and destination shoppers to the area.


Arts & Music

This theme builds on King Street’s and Alexandria’s strengths as a center for art and music. Marketing should focus on the Torpedo Factory Art Center (perhaps as a sponsor of art competitions and art-on-the-street), recruiting a regional art supply center, art shows, music festivals, public art and related activities.



MEMORANDUM

TO: Mayor and City Council

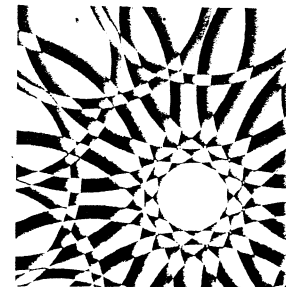
FROM: Old Town BID Steering Committee 

DATE: July 15, 2005

RE: Additional facts related to the Old Town BID, Inc. (not included in the brochure)

We are pleased to include the additional facts related to the Old Town BID, Inc. Should the Mayor or Members of Council require additional information, we would be happy to meet with you or your staff.

- The Old Town BID, Inc. will be contacting, via mail or in person, some 850 commercial property owners within the proposed BID boundaries.
- The Old Town BID, Inc. will be visiting with or mailing the brochure to some 1,600 commercial tenants within the proposed BID boundaries.
- The Old Town BID, Inc. will be hosting, at a minimum, four community meetings (and will meet with groups upon request).
- City staff has been active—and we encourage them to continue to be active—in the Old Town BID, Inc. Steering Committee process.
- The Old Town BID, Inc. Steering Committee has drafted by-laws and articles of incorporation that we are reviewing for presentation to the City Manager and City Council. The BID attorney is also discussing details with the City Attorney.
- The Old Town BID, Inc. will be sending invitations/letters to the following organizations asking for their participation in the planning process:
 - King Street Retail Strategy Advisory Committee
 - Alexandria Chamber of Commerce
 - Upper King Street Neighborhood Association
 - Alexandria Federation of Civic Associations
 - Old Town Civic Association
 - KSMET
 - AEDP
 - ACVA
- All expenses related to the BID have been incurred by the private sector.

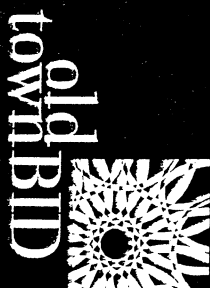


old town BID

business improvement district



**A Vibrant
Community
Solution**



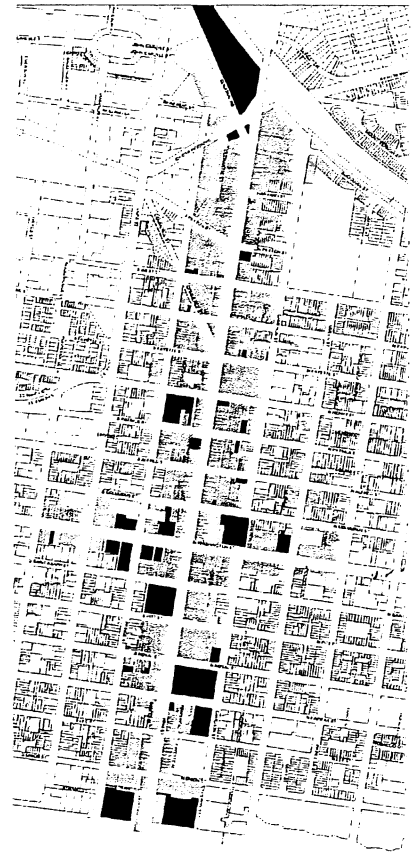
Competition is heating up!

With planned renewal
and added retail in
Crystal City, Shirlington
and National Harbor,
Old Town's business
competition is
growing stronger.

Old Town BID, Inc.
1307 King Street, Alexandria, VA 22314



Proposed BID boundaries



Did you know Alexandria's ... ?

Sales Tax Revenue is Off

Alexandria's sales tax revenue increased only 7.1%:

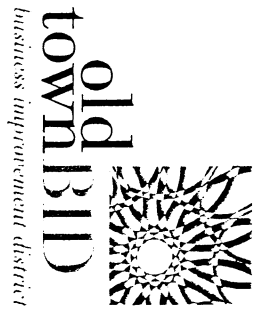
- less than Arlington (12.1%)
- less than Fairfax (10.4%)
- less than the region (10.2%), and
- less than the Commonwealth (8.9%).

Source: City of Alexandria Budget memorandum, April 7, 2005

Vacancy Rate is Up

The commercial real estate vacancy rate in the first quarter was 12.1%. More than 4 million square feet is available for rent while another 1.2 million square feet is under construction. Asking rent is \$31 a square foot, second highest in Northern Virginia next to the Rosslyn-Ballston Corridor.

Source: The Washington Post, p. E9, May 9, 2005



www.OldTownBID.org

Old Town BID, Inc.
1307 King Street
Alexandria, VA 22314

Place
stamp
here

Will the BID replace city services?

BID services will augment—not replace—services currently provided by the City of Alexandria.

What will the BID do for commercial property owners and tenants?

The Old Town BID will provide services such as marketing and promotion, parking, transportation, cleaning and maintenance, beautification, activities and special events. These enhanced services will increase economic competitiveness, stimulate the public environment and assure the area's economic viability in the future.

How is a BID established?

If there is sufficient interest among commercial property owners and the public, City Council will be asked to establish the Old Town BID.

Who are the people involved with planning the Old Town BID?

The Old Town BID Steering Committee includes Rob Kaufman, Don Simpson Jr., Lois Walker, Boyd Walker, Lonnie Rich, John Irvine, David Martin and John Renner. Other property owners and tenants are also involved. If you'd like to play a role in the planning process, call the Old Town BID at (703) 299-8323 or info@OldTownBID.org.

Yes! I Support the Old Town BID

I believe the BID will help in renewing and beautifying Old Town, making it a better place to live, shop, work and dine!

.....
Name (please print)

.....
Signature

.....
Date

.....
Company Name (please print)

[] Property owner [] Resident
[] Retail merchant [] Tenant

.....
Address

.....
City

.....
State

.....
Zip

.....
Work phone

.....
Home phone

.....
Work e-mail

.....
Home e-mail

[] Please send me a Yes! Old Town BID sign for my window.

[] I'd like to get more involved. Please contact me with details.

Return to:
Old Town BID, Inc.
1307 King Street
Alexandria, VA 22314
www.OldTownBID.org





The Old Town BID will energize Alexandria's historic downtown to enhance the desirability for living, working, shopping and dining by providing services such as:

- Street/sidewalk cleaning
- Increased public safety
- Addressing parking challenges for shoppers, employees and residents
- Planting more trees and flowers
- Marketing Old Town with banners, brochures and visitor information



www.OldTownBID.org

What is a BID?

A BID or Business Improvement District is a legal mechanism to enhance the management of a particular commercial place. It is based on a "benefit district" concept which allows for a small incremental tax assessment on commercial property within a defined geographic boundary.

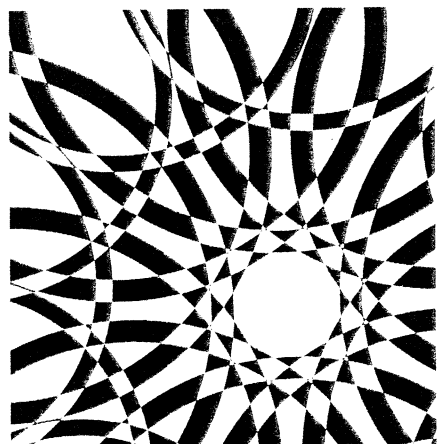
Five characteristics of a BID include:

- 1) private sector representatives lead in planning;
- 2) sustainable funding system;
- 3) authorized by government through legislation;
- 4) authorized to provide business and property-related services within its boundaries; and
- 5) will be managed as a private/public partnership.

Does Old Town need a BID?

The King Street Retail Strategy developed by citizens and passed by City Council recommended a public/private entity to assure that King Street will remain a vital, thriving, commercial area and the preeminent historical "Main Street" in the country.

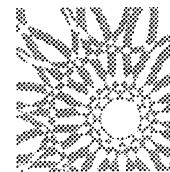
Georgetown, Bethesda and Rosslyn have created successful BIDs, as have many other thriving retail areas across the U.S.A.



**old
town** **BID**
business improvement district

**City Council
Submission**

September 30, 2005



old
town **BID**
business improvement district

September 30, 2005

The Honorable William D. Euille
Mayor, City of Alexandria
301 King Street
Alexandria VA 22314

RE: Old Town Business Improvement District

Dear Mr. Mayor:

We are very pleased to submit for your consideration a proposal for the creation of a Business Improvement District (BID) in Old Town, Alexandria. This proposal fulfills one of the recommendations of the King Street Retail Strategy which Council adopted in June, 2005. The strategy called for the formation of a partnership such as a Business Improvement District which could — as a non-governmental agency — begin to enhance King Street, our main street.

A steering committee was formed early in 2005 to study the feasibility of an Old Town Business Improvement District. The steering committee is made up of property owners, commercial tenants and residents. Its mission is to determine whether there is sufficient interest in forming a BID and then educating the broader Old Town community. We are now proposing that a business improvement district be formed as a separate corporation. We further propose that the Old Town Business Improvement District will contract with the City of Alexandria to provide the services above and beyond those already performed in the BID service area for a fee from the City of Alexandria equal to the assessment imposed upon the properties located within the BID. The service district statute requires that the City of Alexandria maintain a level of services equal to that provided to similar parts of the City outside the Old Town BID area. The Old Town BID and the City of Alexandria will sign a contract outlining service responsibility. Nothing in the creation of the BID supersedes any existing or future City regulatory authority over this area.

The steering committee has been working under the legislation created as Virginia's Service District statute. We are very conscious that an Old Town BID will be the first of its kind in Alexandria, and want to ensure it can serve as a useful model for other areas in the City that might be appropriate for a BID.

Alexandria's commercial main street has been successful as a model for community commerce. It was copied around American and cited in planning text books. The business plan protects the historic character of King Street and Old Town, while creating a renewed Main Street.



Thank you for your consideration of this proposal. We believe that this package will bring lasting benefits to the City of Alexandria. We look forward to working through this proposal with you and the City staff.

Sincerely,

Old Town Business Improvement District Steering Committee

Linda Couture, Resident
Lani Gering, Old Town Crier
Larry Grossman, Resident
Linda Hafer, The Art League
Patricia Hord, Patricia Hord.Graphik Design
Poul Hertel, Resident
Valerie Ianieri, Resident
John Irvine, Tugboat Public Relations
Rob Kaufman, PMA Properties
Peggy Kleysteuber, Cash Grocer
Franco Landini, Landini Brothers Restaurant
Jody Manor, Bittersweet
David Martin, Goldworks
Perry Reith, Grosvenor
John Renner, Renner CPA
Lonnie Rich, Rich Greenberg Rosenthal & Costle, LLP
Donald Simpson, Jr., Simpson Properties
Boyd Walker, Letterpress Properties
Lois Walker, King Street Metro Enterprise Team
Kelly Woodward, Old Town Printing

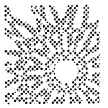


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PROPOSAL SUMMARY

The Goal

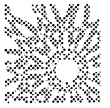
Old Town Alexandria's King Street is Alexandria's Main Street. Alexandria's health is directly linked to Old Town, the historic heart of our City. The goal is to make King Street and its neighboring streets regain regional prominence. King Street should be a major pedestrian avenue from the King Street Metrorail Station to the Potomac River. No other street in the Washington Metropolitan Region has the advantage of being a major connector between rail and the river. The view west should always be the majesty of the Masonic Temple Hill and the view east should always be the activity of the Potomac River. It should have gorgeous landscaping to match its location and its views, exciting activities day and night, and convenient and safe transportation and parking. The creation of a Business Improvement District for Old Town Alexandria helps achieve this goal and fulfills the need for funding outlined in the King Street Retail Strategy adopted by City Council in April, 2005.

Over the past six months a broad range of commercial property owners and business residents (BID steering committee) have been working to craft and shape a proposal for the creation of a Business Improvement District for Old Town Alexandria. The process has been an intensive one of community meetings, committee and subcommittee evaluations of potential BID programs, meetings with City staff and consultation with representatives of other business improvement districts within Virginia and across the country. The BID steering committee believes it has created a proposal for the formation of a business improvement district for Old Town Alexandria that addresses the community-generated goals identified through the process.

Simply put, the proposal is that (A) the City Council, after due consideration, adopt a business improvement/service district (Old Town Business Improvement District) for King Street from the river to the rails, (B) after the creation of the Old Town BID, the City initially assess owners of non-exempt property within the Old Town BID Area an additional charge of 10 cents per \$100 of assessed value of real property to be paid to the City of Alexandria with real property taxes, and (C) the City contract with the Old Town Business Improvement District, Inc. (Old Town BID), a separate corporation, to operate and administer the Old Town BID Area for a fee from the City of Alexandria equal to the assessment imposed upon the properties located within the BID service area.

Business Plan

The bulk of the BID Steering Committee's proposal can be found in the Business Plan for the Old Town BID. This business plan protects the historic character of King Street and Old Town, while creating a renewed Main Street. The business plan describes the needed services and improvements, the budget, the cost-sharing arrangements, the service area and the method for managing the service area. It contains various attachments including (1) a suggested map of the boundary of the Old Town BID Area and Service Area, (2) a list of non-exempt properties that would be subject to assessment, (3) a three-year budget, (4) a description of the community outreach undertaken by the BID Steering Committee, (5) a proposed service agreement between the City of Alexandria and the Old Town BID, and (6) associated support materials.



Programs

1. Beautification, Cleaning and Maintenance: Supplement City cleaning and maintenance in service area, coordinate and supplement landscaping programs, and promote public art.
2. Transportation, Parking, Pedestrian and Safety Programs: Enhance parking availability (and accessibility for retail), pedestrian safety, traffic circulation and public transportation systems (including local shuttle services such as the PTO shuttle and the free DASHABOUT).
3. Community Activities and Events: Enliven Old Town for employees, residents and visitors by expanding and coordinating entertainment, retail, and cultural amenities.
4. Marketing and Promotion: Promote Old Town's image as an historic main street with welcome centers, benches, flowers and courteous hosts.

The Committee has also prepared a chart identifying a division of service responsibilities between the Old Town BID, KSMET, and the City of Alexandria as it relates to the Old Town BID Area. It is understood that both KSMET and the City of Alexandria have broader responsibilities outside the Old Town Bid Area.

Operation and Management

The Old Town BID Steering Committee is recommending that the Old Town Business Improvement District be formed as a separate corporation. It will have a staff and facility. It will have a Board of Directors taking into account its roles and duties. The Board of Directors would have designated representatives of Old Town Civic Association (OTCA), Upper King Street Neighborhood Association (UKSNA) and King Street Metro Enterprise Team (KSMET).

The Board of Directors of the Old Town BID is proposed to consist of representatives of eight (8) commercial property owners, seven (7) businesses, one representative of KSMET, one representative of the Old Town Civic Association, one representative of Upper King Street Neighborhood Association, and one representative of Virginia Tech University, one representative of the historical community, and one representative of the non-profit exempt properties. Non-voting Ex officio representatives shall be chosen as needed by the Board of Directors. The operations of the Old Town BID shall be governed by a set of by-laws, a copy of which can be found on page 27.

The Board of Directors of the Old Town BID will develop annually a business plan for the Old Town BID, within the guidelines approved periodically and reviewed annually by the City Council at the time that the levy of the Old Town BID activities is fixed for the coming fiscal year.

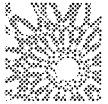
A list of the proposed initial board of directors can be found on page 46.

Cost

The benefits can be achieved and effectively managed with a commercial property assessment of 10 cents per \$100 of assessed valuation. This translates to approximately \$1000 per \$1million of assessed valuation.

Summary

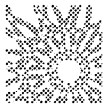
The BID Steering Committee proudly submits this proposal to the Alexandria City Council for creation of



the first business improvement district in the City of Alexandria. The Committee is of the opinion that a business improvement district is a critical tool to full implementation of the King Street Retail Strategy, a tool which the drafters of the Retail Strategy had the wisdom to commend as one of the implementing strategies. The Committee has sought the views of many in this endeavor, formulated a reasonable set of achievable goals for the Old Town BID and proposed a mechanism to orchestrate the achievement of those goals.

The BID Steering Committee recognizes that there are areas of this proposal that will require due consideration and discussion by the City Council, and that change may be necessary. But the Committee also believes that this proposal can serve as the basis for the City of Alexandria to create an effective model that can be replicated in other areas of the City.

The BID Steering Committee wholeheartedly commends this proposal to the City Council and respectfully requests due consideration and adoption.



B U S I N E S S P L A N

EXECUTIVE SUMMARY

Alexandria was created as a commercial port for the trade of goods and services along the Potomac. Tall ships from around the world brought products to the warehouses and merchants on the waterfront. George and Lawrence Washington helped establish Alexandria and George assisted in surveying the streets. As trade increased, business spread westward along Alexandria's main street – named King Street on drawings as early as the 18th century. From the beginning, King Street was the merchant street. It spread west toward the rail yards, supporting the trains that carried goods from ships along tracks (some still in existence) to other parts of America. 19th century maps show the yards where rail cars were created and repaired and which provided industry to Alexandria. One of these cars carried the body of President Abraham Lincoln home to Illinois.

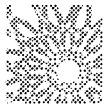
Alexandria's main street was so successful as a model for community commerce that it was copied around America and cited in planning text books.

The 20th century brought decisions that had an enormous impact on historic King Street. Urban renewal — the removal of six blocks of historic buildings in the heart of the community — created streetscape gaps and separated lower King Street from upper King Street. The opening of the King Street Metro Station near Alexandria's Union Station gave Alexandria a transit center. In the 21st century, upper and lower King Street have been united into one business community and one economic market.

Recognizing the need to maintain the commercial heart of Alexandria while facing 21st century pressures, the City of Alexandria in 2003 initiated a planning effort with a business and residential advisory committee. This effort looked carefully at Alexandria's Old Town retail district and recommended a strategy to revitalize it. The King Street Retail Strategy passed City Council in May, 2005. One of the recommendations was for the formation of some sort of public/private entity to enhance King Street, our main street, as a commercial center.

A small group of commercial property owners and merchants studied the feasibility of creating a Business Improvement District (BID) and a steering committee was formed. Additional members were actively recruited from residential and merchant communities. In weekly meetings open to the public the Old Town BID Steering Committee began the process of producing a plan to implement a BID. They have mailed information to all property owners, businesses, and residents in the proposed BID area. They have conducted extensive public outreach with appearances at community meetings with organizations and property owners, staffing tables at the Farmers Markets, and holding early morning coffees on the streets. They have an office at 1307 King Street and a web site www.OldTownBID.org.

This business plan protects the historic character of King Street and Old Town, while creating a renewed main street. Daily cleaning and additional flowers will make King Street a pleasant place to stroll. Improved signage will draw visitors to over 6000 parking spaces. The public plaza near the King Street Metro Station will open up Old Town leading people on a walk toward the Potomac River. New benches, well-pruned trees, more attractive signage, banners and planters will help King Street's historic past and revitalized present come alive.



The steering committee will request in October 2005, that City Council establish the Old Town Business Improvement District as a special service district. If approved, the commercial property owners and tenants will formally incorporate the OTBID, elect a Board of Directors and adopt its first annual plan. To fund the Old Town BID without tax revenue, all commercial property owners within the service district will be assessed a little less than 10 cents per \$100 of their property's valuation. This money will fund the improvements to enhance the image of King Street. Creation of the BID in no way supersedes or lessens the City's existing regulatory responsibilities for the service district. The current level of City services will remain and will always equal the level provided to commercial streets throughout the City.

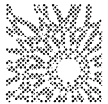
VISION/MISSION

The Old Town Business Improvement District's mission is to re-establish Old Town as a premier commercial center which sets the standard for America's main streets. As a stable, financially-healthy commercial center, King Street will be a source of pride to businesses, residents and employees, admired by them and visitors as a jewel in the crown of historic districts. By providing services which supplement and expand on the services provided by the City of Alexandria, the Old Town Business Improvement District will revitalize Old Town Alexandria's main street as a more beautiful, better-maintained and more prosperous center that models the qualities to which other communities aspire.

GOALS

The Old Town Business Improvement District will restore Old Town's commercial core by:

1. Enhancing the service district's appearance
 - ❖ Create a model urban landscape through a combination of landscaping, decorating, public art and streetscape enhancement.
 - ❖ Supplement the level of cleaning and maintenance services provided by the City of Alexandria to an enhanced level of service
 - ❖ Additional cleaning of sidewalks and curbs particularly in the King Street Metro Station Area including snow removal
 - ❖ Improve general maintenance of public space
 - ❖ Replace street vending and news boxes with receptacles of improved quality and appearance
 - ❖ Increase frequency and quality of tree and tree box maintenance
 - ❖ Improve trash receptacle service
 - ❖ Coordinate landscaping and beautification of private properties to provide a dramatic overall appearance.
 - ❖ Make Old Town a home for exciting and innovative public art
2. Providing parking, transportation, and pedestrian amenities at the core of the Old Town business area
 - ❖ Work with businesses to maximize the use of public transportation and alternatives to cars
 - ❖ Create a parking management plan
 - ❖ Work to facilitate sharing of existing parking facilities
 - ❖ Provide additional parking on available space by producing a plan to consolidate surface parking and propose parking garages
3. Expanding the opportunities for community activities and events
 - ❖ Sponsor or accommodate community events and activities



- ❖ Publicize such events and activities
4. Marketing and promoting Old Town
- ❖ Improve visitor/tourist access and information including uniformed staff with maps and implement a kiosk program
 - ❖ Attract broader range of retail, services and amenities for the business and residential population
 - ❖ Improve signage (especially for parking)

MEASUREMENTS

The Old Town BID will report its accomplishments to City Council annually. BID staff will maintain a wide range of data to track how the BID goals are being implemented. For visual accomplishments, this might include the number of requests for information to which BID employees on the streets responded, how many maps of the BID area they distributed, and how many requests for information the BID web site handled. They might track the number of tons of trash removed from the streets and trash cans, the number of times graffiti is removed and how soon after its discovery that is done. They might record how many times facades are power washed and the number of referrals made to the City for actions for which the City remains responsible.

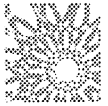
The BID staff may also collect data on visitors to the BID area, basic demographics, where they are coming from (other parts of Alexandria, the region, the State, etc.), the purpose of their visit, and what kind of information they want about what is in the BID area. Staff might have polls conducted to measure workers' and visitors' perceptions about such issues as the area's appearance, availability of information, ease of access (especially to parking), safety, "friendliness" and number, range and variety of activities and services available.

For each block in the proposed service area, the steering committee has already collected information on the base levels of such categories as property assessments, gross receipts tax, sales tax revenue and restaurant tax revenue. This data has been compiled for each year beginning in 2000 through what is currently available and will continue to be compiled until the BID is established. These levels will be measured and compared with the corresponding levels for each year in the period for which the BID is enacted to determine if the BID affects positively these base levels. Are retail sales increasing, are more people dining and attending events in the BID area and how are property values being affected?

Finally, anecdotal information about the impact of the BID will be gathered from commercial property owners, business owners, workers, visitors and residents and studied. This information will be particularly useful in determining if the establishment of the BID is affecting positively the "feel" of the service district.

LEGAL DESCRIPTION

The organization which will oversee and operate the Old Town Business Improvement District is to be known as the "Old Town Business Improvement District Corporation". The corporation is to be organized, and operated as an organization described in Section 501 (c) (6) of the United States Internal Revenue Code.



MANAGEMENT TEAM

The corporation will be governed by a Board of Directors, elected by the membership of the Corporation. The members of the Corporation are the non-exempt real property owners within the Old Town Business Improvement District Service Area. Each assessed building is entitled to one vote. Daily operations will be the responsibility of an Executive Director hired and supervised by the Board of Directors. The Executive Director will supervise full and part-time permanent staff, supplemented as appropriate by temporary employees. Services will be provided by this staff or contracted out as determined by the Corporation.

BOARD OF DIRECTORS

The members of the Old Town Business Improvement District Board of Directors shall be elected by the members of the Corporation. The Board initially will consist of 21 members: eight commercial property owners, seven commercial tenants, a Designated Representatives of the Old Town Civic Association (who shall live or work within the BID area), the Upper King Street Neighborhood Association (who shall live or work within the BID area), KSMET (who shall live or work within the BID area), Virginia Tech, one representative of the historical community, and one representative of the non-profit exempt properties. Non-voting Ex Officio members of the Board of Directors may be added by vote of the Board of Directors. The Corporation, acting through the elected Board of Directors, will oversee all Old Town BID activities.

BID FORMATION

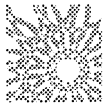
Formation of the Old Town Business Improvement District requires approval by City Council after appropriate public notice and hearings. The term of the Old Town BID will begin following approval by City Council, with start-up expected on or about July 1, 2006. The Steering Committee is requesting that the BID be authorized for three years and that it can be reauthorized thereafter. Designated members of the Steering Committee will call a meeting of the members of the Corporation who will select and elect the Board of Directors, adopt a business plan, budget, set of by-laws and calendar and consider the job descriptions for staff.

LOCATION

The Old Town Business Improvement District is proposed to include the King Street commercial corridor from the King Street Metro Station to the Potomac River. The boundary will extend one block on each side north and south of King Street to the center of Cameron Street and to the center of Prince Street. On Washington Street the additional two blocks north and south (the 200 and 300 blocks) will be part of the service district.

FINANCING

The Old Town BID will be financed privately by an assessment on all non-exempt commercial real properties within the service district. This assessment is not a tax but as a convenience will be collected by the City as part of the tax process in June and November and the monies turned over to the BID as soon as practicable. The estimated budget for the initial full year of operation is \$955,000. The annual BID assessment will be calculated for each non-exempt commercial real property and initially will be less than ten cents per hundred dollars (\$100) of assessed value of the non-exempt real property, as that value is assessed by the City.



CITY SERVICES

The Virginia Code authorizing service districts such as the one proposed for Old Town requires that the City of Alexandria maintain a level of services equal to that provided to similar parts of the City outside the Old Town BID Area. The Old Town BID and the City of Alexandria will sign a contract listing which services are provided by the City of Alexandria (and at what level) and which are provided by the Old Town BID. Nothing in the creation of the BID supersedes any existing or future City regulatory authority over this area.

BUDGET AND FINANCIAL PLAN

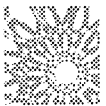
The experience of business improvement districts around the country is that programs are fine tuned, expanded, or even reduced as needs in a service area change. After a BID has successfully addressed some of the issues on which it initially focuses, it will be able to consider a reallocation of resources to reduce certain programs where warranted or to provide new programs and expanded services to its members.

The Corporation will work with the City of Alexandria to ensure that effective economic development programs that benefit members are well integrated with other Old Town BID programs.

FIRST YEAR OPERATING BUDGET

CATEGORY	PROPOSED BUDGET
Enhancing Service District Appearance	
Furniture Streetscape	\$115,748
Landscaping Materials	\$ 27,928
“Ambassadors”/Cleaners/Snow	\$355,720
 Parking Transportation and Pedestrian Amenities	 0
 Expanding Opportunities for Community Activities	 0
 Communication/Marketing and Promoting Old Town	 \$171,000
 Staff/Office	 \$289,750
	<hr/>
Total Program Budget	\$960,146

The total amount of the Operating Budget for the first three years of the Old Town BID is not expected to vary materially from the first full operating year. Within that total, major expenses will change each year at the determination of the Council of Directors. During the first year there will probably be capital expenses for beautification (benches and planters)— expenses that will be unique. During the second year, it is expected that parking and transportation systems will require the majority of expenditures. The operating budget will reflect the Council of Directors annual priorities and the process of developing the



budget will assist the Directors in setting those priorities. Since any increase in the BID assessment rate and the formula for determining a BID assessment is subject to the Members' approval, this Business Plan does not anticipate that the BID's annual Assessments will change, except as a result of changes in Alexandria's real property assessments. A three-year operating budget can be found on page 20.

Budget projects could change materially based on a number of factors, foreseen and unforeseen. The first year budget, and the projected three-year budget, have been prepared by the Old Town Bid Steering Committee, and the Board of Directors duly elected by the Members at its first annual meeting will have the authority of reallocate the budget and may have different priorities for the Old Town BID. Additionally, line item costs will vary depending on the time of implementation of services. As such, the budget information provided in the Business Plan should be viewed as a proposal only. Any proposed BOD Assessment rate change or change in the formula for determining a BID Assessment is subject to approval by the Members, as provided in the Ordinance and the Bylaws of the Corporation, and review by the City Council.

BID ASSESSMENTS

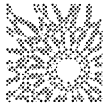
Depending on the types and distribution of services, reliability of assessments and the nature of the taxable base, business improvement districts across the country use a variety of methods to assess property owners within their respective business improvement districts. The Old Town BID planning process analyzed methods and concluded that the most equitable and balanced taxation method of financing the Old Town BID is on an assessed value-basis for non-exempt properties within the Old Town BID Area. In accordance with the Old Town BID ordinance, non-exempt properties include hotels, motels and inns, commercial properties, and vacant land.

RATE AND CALCULATION OF BID ASSESSMENTS

A rate of approximately 10 cents per \$100 of assessed value would fund our proposed budget. BID Assessments will be assessed on all non-exempt properties in the Old Town BID area using the following calculations:

Example of Annual Assessments

NON-EXEMPT PROPERTY	
Property with Assessed Value	\$1,000,000
Old Town BID Assessment Rate	\$.10 per \$100 assessed value
Old Town BID Assessment	\$1,000



TIME AND MANNER OF COLLECTING BID ASSESSMENTS

As will be provided in the Ordinance, the BID Assessment is considered an additional real property tax, and will be collected by the City of Alexandria. BID Assessments on a partial-year tax basis may be mailed to non-exempt property owners immediately after the Ordinance is adopted and the BID is formed. From that point forward, BID Assessments will be due semi-annually, at the same time City of Alexandria property taxes are due. Delinquent BID Assessments are subject to interest and penalties and all applicable collection mechanisms, including City tax sale.

The funds derived from BID Assessments will be deposited by the Treasurer of the City of Alexandria directly into a special Old Town BID account. At no time will BID Assessments be commingled with the City's general funds.

MANAGEMENT OF OLD TOWN BID ACCOUNTS

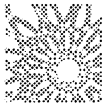
It is anticipated that the Corporation will receive its revenues from the City of Alexandria monthly or quarterly. Old Town BID accounts may be carried over from one fiscal year to the next, and may be placed in special accounts in order to build reserves or save for capital expenditures. Old Town BID accounts shall be maintained in a federally insured institution with assets in excess of \$50 million that is approved by the Treasurer of the City of Alexandria.

BID GOVERNANCE

The Corporation is to be a 501(c) (6) organization, governed initially by a proposed 19 member Board of Directors consisting of 8 commercial property owners or designees, 7 commercial tenants, and 4 designated representations of the Old Town Civic Association, the Upper King Street Neighborhood Association, the King Street Metro Enterprise Team, and Virginia Tech. Every property owner of non-exempt property in the Old Town BID area shall be a member of the Corporation. The Corporation will hold an annual meeting where BID members elect Board Members and review the annual budget and plan.

THE CITY'S ROLE IN GOVERNANCE

The Corporation is an independent nonprofit corporation. The City of Alexandria will contract with the Old Town BID to provide services in the BID area. The City of Alexandria will have no direct role in its governance. However, in addition to annual review of the Corporation's financial statements and funding authorization reviews, any proposed changes to the Old Town BID Area, the Old Town BID Assessment Rate and the formula for determining BID Assessments must be approved by the Board of Directors and then the Members. The Corporation will work closely with the City of Alexandria to ensure that City services are efficiently and effectively delivered to the Old Town BID Service Area and in Old Town generally. To these ends, the Board of Directors may elect to create an advisory committee consisting of City agency representatives and other interested parties.

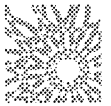


INTERIM BOARD OF DIRECTORS, THE OLD TOWN BUSINESS IMPROVEMENT DISTRICT, INC.

The Steering Committee has proposed an interim Board of Directors (see page 46). The Corporation will hold a membership meeting within 120 days of the adoption of the Ordinance by the City of Alexandria. At that time the property owners within the Old Town BID Area will vote on the permanent Board of Directors. Following is the Interim Board of Directors for the Old Town Business Improvement District Corporation.

Steering Committee:

Linda Couture, Resident
Lani Gering, Old Town Crier
Larry Grossman, Resident
Linda Hafer, The Art League
Patricia Hord, Patricia Hord.Graphik Design
Poul Hertel, Resident
Valerie Ianieri, Resident
John Irvine, Tugboat Public Relations
Rob Kaufman, PMA Properties
Peggy Kleysteuber, Cash Grocer
Franco Landini, Landini Brothers Restaurant
Jody Manor, Bittersweet
David Martin, Goldworks
Perry Reith, Grosvenor
John Renner, Renner & Company CPA
Lonnie Rich, Rich Greenberg Rosenthal & Costle, LLP
Donald Simpson, Jr., Simpson Properties
Boyd Walker, Letterpress Properties
Lois Walker, Vital Public Spaces
Kelly Woodward, Old Town Printing



OUTREACH PROGRAMS

During the planning process, the Steering Committee undertook massive efforts to reach and actively involve in the committee's deliberations the broadest number of owners, tenants and residents of properties in the proposed BID area as well as the general public. They used combinations of various means of communication. All meetings about the BID were open to the public.

For the Public as a whole, the Steering Committee generally met at the same time in the same place each week and invited anyone with any interest in learning about the BID to attend. The Committee held three well-advertised Public Forums, held monthly discussions with KSMET, Upper King Street Neighborhood Association and Old Town Civic Association (including other smaller meetings upon request), sent e-mail and direct mail notices to all interested parties, placed articles in local newsletters and newspapers, and conducted meetings for direct personal contact in individual buildings. For example, the final Public Forum was for all interested parties to present the final business plan before presentation to City Council.

By the end of the first week in August, a web site (www.OldTownBID.org) was on-line for anyone to access. The web site featured information about BIDs generally and about the proposed Old Town BID specifically. It listed supporters, and provided a calendar of meetings. It also contained financial information and a contact number. Communiqués to the web site were responded to within one work day. Members of the Steering Committee began in late August to work with the block captains to canvas and distribute invitations to a morning meet and greet. Flyers were hand-delivered to all properties in a square block area. Free coffee and donuts were distributed with brochures and YES signs. Questions were answered and concerns were addressed in this very visible series of events.

As soon as the web site was on line, every commercial property owner on the City's list was sent a letter about the BID with the BID brochure enclosed. By August 11, coordinated efforts began to contact each commercial property owner (preferably in person) to answer questions, address concerns, and gain support for the proposed BID. Because of the concentration of ownership within the proposed boundary area, the Steering Committee members were able to contact directly all commercial property owners. As a follow up, each commercial property owner has been sent a second letter explaining the process that is happening in the BID creation.

Approximately 1600 retail and service businesses are located in buildings within the proposed boundaries of the Old Town BID. To reach the owners and employees of these businesses, the

Steering Committee appointed block captains who visited each business in their area to provide basic information about the BID, answer any questions and solicit support for the proposal. KSMET, the Business Association which represents businesses in the proposed boundaries, was given regular progress reports on Steering business in their area to provide basic information about the BID, answer any Committee activities. Its president serves as Vice Chair of the Steering Committee and five other current or former KSMET Board members serve on the Steering Committee.

Three Public Forums were held. All Old Town commercial property owners, KSMET members, tenants in the commercial buildings and residents from the two major affected civic associations were invited to attend at least one of the three forums. Two forums were scheduled in the evening — one at Regent University and one at the Torpedo Factory Art Center. The third forum was held on Sunday at the Old Town Movie Theatre. These forums were designed to survey what the various groups saw as the area's



needs and what programs could meet these needs. A program was set up to talk to businesses and residents in the service district to gauge their expectations of and concerns about the proposed BID. Copies of this draft business plan were distributed.

As a result of these extensive efforts, the Steering Committee is confident of a broad base of support for an Old Town Business Improvement District.

GENERAL DESCRIPTION OF SERVICE DISTRICT

The proposed boundaries for the Old Town Business Improvement District include the following commercial property owners: (see Appendix 2 for complete listing)

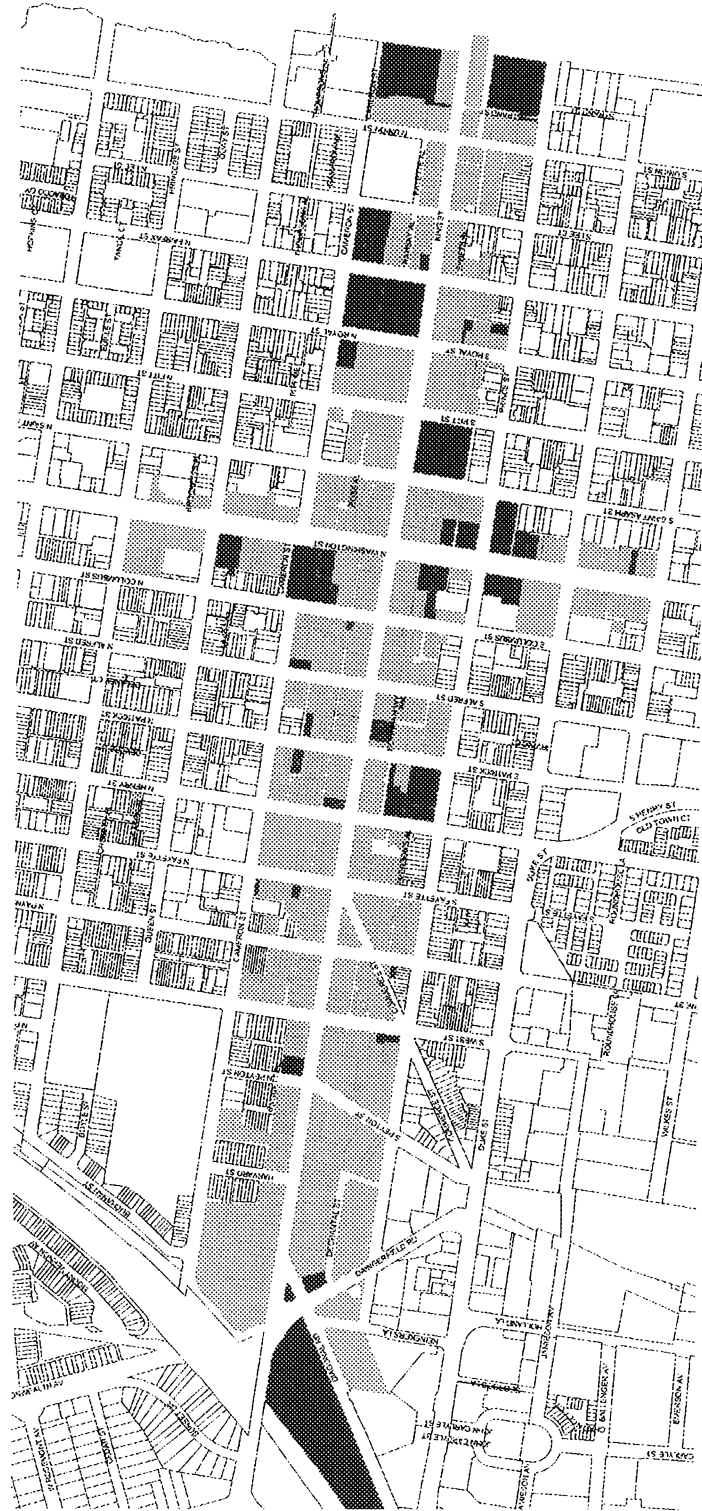
- ❖ forty-one commercial office buildings with total assessed value of \$393,575,000,
- ❖ three hotels: The Old Town Holiday Inn, The Hilton, and the Morrison House with assessed value of \$82,793,100
- ❖ two extended stay hotels: Hampton Inn and Fairfield Community with a total assessed value of \$36,850,800
- ❖ seven church properties: Alleyne AME Zion, Beulah Baptist, Christ Church, Downtown Baptist, Gethsemane Church of God, Christ House, and Washington Street United Methodist
- ❖ forty-nine restaurants with a value of \$93,321,500
- ❖ 180 general commercial properties, 147 junior office buildings, and nine financial institutions with condo offices, retail establishments, and various small categories making up the balance of the commercial property owners.

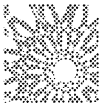
The boundaries also include 46 pieces of vacant land (see Appendix 3). Appendix 4 gives a summary of exempt properties in the service district. Appendix 5 summarizes the residential properties in the service district.



APPENDICES

Appendix 1 Service Area Map





Appendix 2

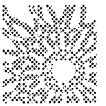
Summary of Commercial Properties in the Proposed BID Area

68	160	Condo Office	\$93,487,600
1	165	Condo Retail	804,600
3	310	Garden Apartment	2,823,500
180	400	General Commercial	225,062,700
1	211	Repair, Garage	452,300
3	470	Hotel	82,793,100
2	472	Extended Stay	36,850,100
49	474	Restaurants	93,321,500
9	481	Financial Institutions	15,497,500
4	486	Warehouse	1,391,200
41	487	Office Building	393,575,000
147	489	Junior Office Building	137,674,100
		TOTAL	\$1,083,733,200

Appendix 3

Summary of Vacant Land in the Proposed BID Area

1	910	Vacant Residential Land	\$4,000
32	941	Vacant Commercial Land	9,840,300
13	942	Vacant Sub parcel	3,692,900
		TOTAL	\$13,537,200



Appendix 4

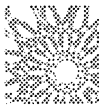
Summary of Exempt Properties in the Proposed BID Area

2	700	General Federal	\$25,066,500
2	712	State Education	9,179,000
3	720	General Regional	9,008,500
5	730	City Government Building	59,827,300
2	731	City Park	9,024,900
4	732	City Recreation Center	5,061,500
7	735	City Parking	3,037,100
2	736	City Leased	14,105,700
2	739	Non-Profit City Board	4,128,400
1	743	ARHA	416,400
1	750	WMATA	43,044,300
16	760	Church Religious	19,274,600
1	762	Religious Residential	441,700
7	770	Charitable Organizations	4,809,400
4	780	Private Educational	12,268,700
		TOTAL	\$218,694,000

Appendix 5

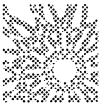
Summary of Residential Properties in the Proposed BID Area

32	100	Residential, Detached	\$23,412,800
41	110	Residential, Semi-detached	28,055,200
25	120	Residential Row House	17,615,100
8	150	Residential Townhouse Condo	3,407,300
		TOTAL	\$72,490,400



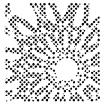
T H R E E Y E A R D R A F T B U D G E T

	YEAR 1	YEAR 2	YEAR 3
Enhancing Service District Appearance			
Furniture Streetscape	\$115,748	\$ 83,068	\$ 25,328
Landscaping Materials	27,928	51,816	25,088
"Ambassadors"/Cleaners/Snow	355,720	355,720	354,720
Parking Transportation and Pedestrian Amenities	0	25,000	110,000
Expanding Opportunities for Community Activities	0	0	10,000
Communication/Marketing and Promoting Old Town	171,000	171,000	156,000
Staff/Office	289,750	274,750	274,750
Total	\$ 960,146	\$ 961,354	\$ 955,886



FIRST YEAR DRAFT BUDGET DETAIL

ENHANCING SERVICE DISTRICT APPEARANCE	COSTS	TOTAL
<i>Furniture Streetscape</i>		
152 Benches at \$500 each (1/2 first year)	\$38,000	
152 Trashcans at \$365 each (1/2 first year)	27,740	
152 Banners at \$22 (including mounting hardware)	3,344	
76 Flowers in Baskets at \$38 x 3 seasons	8,664	
76 Signs (directional/historic) \$500	38,000	\$115,748
<hr/>		
<i>Landscaping Materials</i>		
304 Containers/Planters at \$20 (1/2 first year)	3,040	
2432 Plants at \$4.50 x 4 seasons (1/2 first year)	21,888	
Nutrients, Planting Materials	3,000	27,928
<hr/>		
<i>"Ambassadors (A)"/Cleaners (C)/Snow</i>		
A: 5x362 days x 10 hours at \$13 (\$1 admin)	235,300	
C: 3x362 days x 8 hours at \$11 (\$1 admin)	95,568	
Equipment (shovels, blowers, etc)	15,000	
3 Uniforms x 15 people at \$100	4,500	
Extra for snow 1 hour x 34 blocks x 16 times at \$18	4,352	
Snow supplies	1,000	355,720
<hr/>		
<i>Communication/Marketing and Promoting Old Town</i>		
3 Campaigns at \$37,500	112,500	
12 publications at \$3,000 and maps \$15,000	51,000	
Web Site (Host Design Maintain)	7,500	171,000
<hr/>		
<i>Staff/Office</i>		
Rent, Utilities, Supplies	18,000	
Equipment	15,000	
Executive Director \$78,000 + 25% tax/benefits	97,500	
Executive Assistant \$39,000 + 25% tax/benefits	48,750	
Marketing/Economic Development \$44,200 + 25% tax/benefits	55,250	
Special Projects \$44,200 + 25% tax/benefits	55,250	289,750
<hr/>		
Total First Year Draft Budget		\$ 960,146



**AGREEMENT FOR THE PROVISION OF
SERVICES IN THE OLD TOWN BUSINESS IMPROVEMENT DISTRICT**

THIS AGREEMENT entered into this _____ day of November, 2005, by and between the CITY OF ALEXANDRIA, VIRGINIA (the City) and OLD TOWN BUSINESS IMPROVEMENT DISTRICT, INC. (the OTBID), a non-profit Virginia corporation.

RECITALS

WHEREAS, pursuant to Section _____, as amended, the City of Alexandria has established the Old Town Business Improvement District (the District) by Ordinance No. _____, adopted on _____, and has provided for the levying and collection of special assessments (the Assessments) on real property located in the District for the provision of special services in the District; and

WHEREAS, OTBID is a private, non-profit Virginia Corporation whose Board of Directors and committee membership includes owners and tenants of property located in the District and other interested parties. Because OTBID is representative of the persons and entities affected by the establishment of and taxation within the District, the County has determined that OTBID is qualified to contract with the City to provide the special services as set forth in the State Code and the ordinance; and

WHEREAS, the City and OTBID desire to enter into this Agreement for the provision of such special services in the District, which services are in addition to the existing services which the City is already providing in the District.

NOW, THEREFORE, in consideration of the premises and the mutual covenants set forth below, the parties hereto agree as follows:

1. **ENGAGEMENT OF OTBID.** The City hereby engages the OTBID and OTBID hereby agrees to furnish or perform the services specified in Paragraph 3, subject to the terms set forth in this Agreement.

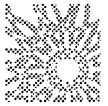
2. **TERM OF AGREEMENT.** This agreement shall commence _____, and shall continue until _____, unless sooner terminated in accordance with Paragraph 12 of this Agreement. The Agreement will automatically renew on a yearly basis unless terminated in accordance with the terms below.

3. **SCOPE OF SERVICES.** The parties agree that funds made available to OTBID by the City pursuant to this Agreement shall be expended by OTBID to provide the following services in the District (the District Services):

1. Enhancing the Service District Appearance
2. Providing Parking, Transportation and Pedestrian Amenities
3. Expanding Opportunities for Community Activities and Events
4. Marketing and Promoting Old Town
5. Any other activities set forth in Sections 15.2-2403 of the Code of Virginia

(1950), as amended, as may be included in a work program and budget approved in accordance with Paragraph 5.

The parties agree that all services shall be provided to the satisfaction of the City Manager or his designee.



4. BUDGET AND WORK PROGRAM. OTBID shall at all times adhere to the work program and budget referenced in paragraph 5 of this Agreement and as attached hereto. OTBID may shift up to Fifty Thousand Dollars (\$50,000.00) in funds from one budget category to another without prior written approval of the City Manager. OTBID will provide the City of Alexandria with a yearly accounting no later than _____ of the fiscal year.

Quarterly distribution from the City to OTBID will also be made no later than the 10th day of each quarter of the fiscal year.

The City will make available to OTBID no later than _____ of each year an estimate of fiscal year-end revenue surplus or shortfall based on tax revenue collected or projected to be collected from the District during the fiscal year. OTBID will reach an agreement with the City Manager's office regarding the settlement of the fiscal year account.

5. DEVELOPMENT OF WORK PROGRAM AND BUDGET. The work program and budget for the period beginning _____ and ending _____, shall be as set forth in the attachment to this Agreement. On or before _____, the City Manager shall prepare and deliver to OTBID as estimate of tax revenues that will likely be generated by the Assessments during the next one-year period or portion thereof beginning on July 1 and ending on June 30 (the Fiscal Year), (the District Funds) as well as a list of property owners and property in the District subject to the Assessments. The estimate of available funds shall identify the portions of the funds attributable to the Assessments in the District. On or before _____ of each year, OTBID shall submit to the City Manager for review a work program and budget setting forth the District services proposed to be provided during the next Fiscal Year.

The City Manager and OTBID agree to work diligently and in good faith to resolve any differences so that the work program and budget may be submitted to the City Council for its review and approval before the beginning of the next Fiscal Year. Upon City Council's approval of the work program and budget, as originally submitted by OTBID or as modified as agreed between OTBID and the City Council, such work program and budget shall become a part of this Agreement. Notwithstanding any other provision of this Agreement, OTBID shall be responsible for providing District Services under this Agreement only to the extent that the County provides funding consistent with this Agreement and the work program and budget then in effect. The City Manager shall, for each Fiscal Year that this agreement is in effect, request from City Council funding consistent with the requirements of this Agreement for the applicable Fiscal Year. The City agrees to maintain those services in existence at the time of the inception of the Business Improvement District and it is understood that unless agreed to in writing, services provided by the Business Improvement District are supplemental to County services.

6. DISBURSEMENT OF FUNDS. The City of Alexandria shall deposit in the Old Town Business Improvement Bank Account all money received during the June tax collection no later than the 15th day of July, and all money received during the November tax collection no later than the 15th day of December.

7. FINANCIAL STATEMENTS AND REPORTS ON OTBID ACTIVITIES. On a yearly basis, OTBID will submit to the City a detailed financial statement for the preceding year that compares actual expenditures during such quarter to the budget for the applicable fiscal year. On or before September 1 of each year during this Agreement, OTBID shall submit to the City Manager a written report on OTBID's activities during the preceding year. Such performance report shall include, in reasonable detail, a description of such activities, a list of all contracts for the provision of services and the cost of any services.



8. BOOKS AND RECORDS, INSPECTIONS, AUDITS. OTBID shall keep accurate books and records, in accordance with generally-accepted accounting principles, on all District Funds received and disbursed by OTBID under this Agreement. OTBID shall retain such books and records until five years after the completion of an audit for any Fiscal Year. The City shall have the right to inspect such books and records during regular business hours and upon reasonable notice. OTBID shall prepare a financial report in accordance with generally-accepted accounting principles, and OTBID agrees to obtain and provide to the City, on or before October 1st each Fiscal Year, an independent financial audit or such prior year's financial report conducted in accordance with generally-accepted auditing standards.

9. SUBCONTRACTING. OTBID may enter into subcontracts for the provision or administration of any of the District Services. OTBID may establish bidding procedures for subcontracting and may award subcontract on a negotiated basis in order to assure the provision or administration of District Services at an advantageous cost.

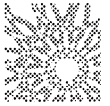
10. INSURANCE. OTBID shall obtain and maintain during the term of this Agreement a policy or policies of comprehensive general liability insurance with a company licensed to do business in Virginia providing coverage with respect to claims arising out of the subject matter of this Agreement including any claims that could arise under the Worker's Compensation Act. Such insurance shall provide coverage of (i) not less than One Million Dollars (\$1,000,000.00) for personal injury, including death, or property in any one occurrence, and Three Million Dollars (\$3,000,000.00) in the aggregate and (ii) not less than Five Thousand Dollars (\$5,000.00) per occurrence for employee theft or dishonesty. The City and its officers, employees and agents shall be named as additional insured on such policies. The policies shall state that the insurance may not be cancelled or terminated without thirty (30) days prior written notice to the City Manager. OTBID shall submit to the City a certificate evidencing the above insurance, which shall be reviewed by the City Attorney for conformance with this Agreement.

11. INDEMNIFICATION. OTBID shall indemnify, defend and hold harmless the City and its officers, employees and agents (the Indemnified Parties) from and against all claims, liabilities or losses, including costs and expenses incident thereto, which an Indemnified Party may hereafter incur, be responsible for or pay out as a result of any act or omissions by OTBID or its officers, employees or agents with respect to the performance of OTBID's obligations under this Agreement.

12. TERMINATION OF AGREEMENT.

- a) *Failure to determine program.* In the event that OTBID and City Council have not agreed upon an annual work program and budget for the next Fiscal Year by June 1 which is thirty (30) days prior to the beginning of the Fiscal Year for which the work program and budget applies, either party may terminate this Agreement by written notice to the other.
- b) *Default of performance.* The City may terminate this Agreement if the City Manager provides written notice to OTBID of a default in the performance of its duties hereunder and such default is not cured to the satisfaction of the City Manager within ninety (90) days of such notice.
- c) Vote by OTBID membership to terminate service district assessment.
- d) Failure to receive funding from City.

13. DISPOSITION OF DISTRICT FUNDS UPON EXPIRATION OR TERMINATION. Upon termination or expiration of this Agreement, OTBID shall proceed expeditiously to conclude its activities funded pursuant to this Agreement, perform or pay all obligations and costs of administration incurred on behalf of the District and return all remaining District Funds to the property owners pro-rata.



14. INDEPENDENT CONTRACTOR STATUS. The parties acknowledge that OTBID is providing services under this Agreement as an independent contractor and will be responsible for any federal, state and local taxes and fees applicable to payments made to OTBID hereunder and will also be responsible for compliance with all applicable federal, state and local laws and regulations. Neither OTBID nor any officer, employee or agent of OTBID shall be, represent, act, purport to act nor be deemed the employee, agent or representative of the City for any purpose whatsoever.

15. NO DISCRIMINATION. The City and OTBID agreed that OTBID shall not discriminate, in carrying out this Agreement, against any employee or applicant because of race, color, religion, sex, sexual orientation, or national origin. Such action shall include, but not limited to, employment, promotion, demotion, termination, rates or pay, other compensation and selection for training.

16. LIMITATIONS ON CITY'S OBLIGATIONS. Notwithstanding anything in this Agreement to the contrary, the City's obligations under this Agreement shall be subject to and dependent upon appropriations being made from time to time by the City Council for such purpose. While recognizing that it is not empowered to make any binding commitment beyond the current Fiscal Year, the City hereby expresses its intention to make annual appropriations during renewal terms of this Agreement, if any, in the full amounts necessary to fund the services as outlined in such renewal Agreement, pursuant to _____.

17. AMENDMENT. Except as otherwise expressly provided in this Agreement, this Agreement may be amended, modified or supplemented only by written agreement of the parties.

18. ASSIGNMENT. This Agreement may not be assigned without the prior written consent of the other party.

19. NOTICES. All notices and other communications required or permitted by this Agreement shall be in writing and shall be deemed sufficiently given for all purposes when delivered by hand, transmitted by telecopy, e-mail or sent by mail, postage prepaid, to the following address (or to such other persons or addresses as any party shall otherwise designate by like notice):

a) *If to the City, to:*
City Manager
City of Alexandria, VA
501 King Street
Alexandria VA 22314

b) *If to OTBID, to:*
Board of Directors
1307 King Street
Alexandria VA 22314

20. ENTIRE AGREEMENT, SEVERABILITY. This Agreement constitutes the entire Agreement and understanding of the parties in respect of the transactions contemplated by this Agreement. If any provision of this Agreement shall be held illegal, unenforceable or in conflict with any laws governing this Agreement, it shall be severed and the remaining portions of this Agreement shall remain in full force and effect.



21. GOVERNING LAW. This Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Virginia.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed as of the date first written above.

CITY OF ALEXANDRIA, VIRGINIA

By: _____

Title: _____

ATTEST:

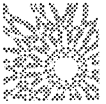
City Clerk

OLD TOWN BUSINESS IMPROVEMENT DISTRICT

By: _____

Title: _____

Contents Approved:

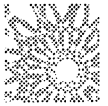


BYLAWS
OF
OLD TOWN BUSINESS IMPROVEMENT
CORPORATION

ARTICLE I
DEFINITIONS

Section 1. Definitions In General. For all purposes of these Bylaws, the following terms have the meanings assigned to them in this Section 1 whenever used in these Bylaws with initial capital letters:

- (i) "BID" means Business Improvement District within the meaning contemplated by the Service District Law.
- (ii) "BID Assessment" means an additional real property assessment levied by the City on behalf of the Corporation on, and payable by the Commercial Property Owners in the BID Assessment Area.
- (iii) "BID Assessment Area" shall have the meaning set forth in Section 2 of this Article 1.
- (iv) "BID Assessment Rate" means the rate at which the BID Assessment for any Real Property is determined, which rate shall be fixed initially at 10 cents per One Hundred Dollars (\$100.00) of real property assessed as determined by the City.
- (v) "BID Plan" means the plan identified in Section 15.2-2402 of the Service District Law, as approved by the City Council at the time of adoption of the Ordinance, as the contents of the BID Plan may be thereafter amended from time to time.
- (vi) "Commercial Tenant" means a Person who is lessee, or other lawful occupant, of Real Property located within the BID Assessment Area who is not an Owner and who conducts a lawful commercial use as defined in the Alexandria City Zoning Ordinance.
- (vii) "Corporation" means Old Town Business Improvement District Corporation.
- (viii) "City" means the governmental body of Alexandria, Virginia, as recognized by Virginia.
- (ix) "City Council" means the City Council of Alexandria, Virginia.
- (x) "Director of Finance" means the Director of Finance for the City of Alexandria, Virginia.
- (xi) "Exempt Owner" means a Person who owns Exempt Real Property which is defined as all residential property owners and all tax exempt property owners.
- (xii) "Exempt Real Property" means real property within the boundaries of the BID Assessment Area that is exempt from paying real property taxes to the City.



(xiii) "Member" means a member of the Corporation who shall be an Commercial Property Owner.

(xiv) "Operating Budget" means the budget of the Corporation prepared in accordance with the provisions of Section 2 of Article IX of the Bylaws.

(xv) "Ordinance" means the Ordinance of the City Council establishing the Old Town Business Improvement District.

(xvi) "Owner" means an owner of Real Property.

(xvii) "Person" means any individual, sole proprietorship, partnership, society, association, joint venture, stock company, corporation, limited liability company, estate, receiver, trustee, assignee, fiduciary, or any combination of any of the foregoing.

(xviii) "Real Property" means real property within the boundaries of the BID Assessment Area, except Exempt Real Property.

(xix) "Service District Law" means the provisions of Chapter 24 of Section 15.2 of the Code of Virginia, as amended from time to time.

(xx) "Service Area" shall have the meaning set forth in Section 3 of this Article 1.

(xxi) "Virginia" means the Commonwealth of Virginia.

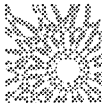
Section 2. BID Assessment Area.

(a) For all purposes of these Bylaws, "BID Assessment Area" shall mean the real properties located within the boundaries described in Section of the Ordinance establishing the Old Town Business Improvement District, and which boundaries are described on Exhibit "A" attached hereto and depicted on Exhibit "A-1" attached hereto. If there is any inconsistency between the description and the depiction of the boundaries of the BID Assessment Area, the description of the BID Assessment Area shall be controlling. This is the same area authorized by the Alexandria City Council as the Service Area.

(b) The Corporation may expand the geographic scope of the BID Assessment Area only with the consent of the City Council and otherwise in accordance with the provisions of these Bylaws.

ARTICLE II OFFICES

The Corporation may have such office(s) at such place(s), within the City of Alexandria, as the Board of Directors from time to time determines or as the activities of the Corporation from time to time require.



ARTICLE III
ACTIVITIES ; RESTRICTIONS

Section 1. Activities.

(a) The Corporation is organized, and shall be operated, exclusively as an organization described in Section 501(c)(6) of the Internal Revenue Code and which is exempt from federal income taxation under Section 501(a) of such Code. The purposes and objectives of the Corporation are as follows:

(i) To operate a business improvement district established pursuant to and in accordance with the Service District Law. Without limiting the generality of the foregoing, the Corporation shall:

(ii) Operate to promote the common business interests of businesses located in the BID Assessment Area.

(iii) Undertake and carryout any business improvement district activity as defined in or contemplated by the Service District Law and the Ordinance, including, without limitation, any special service or activity conducted in the Service Area designed to improve the economic development climate in the BID Assessment Area.

(b) The Corporation is further authorized to have and exercise any and all purposes, powers or privileges now or hereafter conferred by the laws of the Virginia upon corporations formed under the Virginia Nonprofit Corporation Act, as amended from time to time, but only to the extent that the exercise of such purposes, powers and privileges are not precluded by the Service District Law, the Ordinance, or by any contractual arrangements with the City.

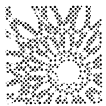
Section 2. Restrictions on Activities.

(a) The Corporation is not organized for profit, and it shall have no capital stock and shall not be authorized to issue capital stock. No part of the net earnings of the Corporation shall inure to the benefit of, or be distributable to, its directors, officers, or other private persons, except that the Corporation shall be empowered to pay reasonable compensation for services rendered and to make payments and distributions in furtherance of the exempt purposes of the Corporation.

(b) The Corporation shall not, directly or indirectly, participate in, or intervene in (including the publication or distribution of statements), any political campaign on behalf of any candidate for public office. In addition, the Corporation shall not engage in (i) the financial support of political activities and candidates, (ii) lobbying on legislative or administrative actions by the City or Virginia with respect to any property or area located within the BID Assessment Area, or (iii) the promotion of one business to the exclusion of others.

(c) Notwithstanding any provision herein to the contrary, the Corporation shall not carry on any activities not permitted to be carried on by an organization exempt from federal income taxation under Section 501(a) of the Internal Revenue Code, as an organization described in Section 501(c)(6) of such Code.

(d) For all purposes of these Bylaws, references to the "Internal Revenue Code" are references to the Internal Revenue Code of 1986, as amended, and references to sections of the Internal Revenue Code are to the provisions of such Code as those provisions are now enacted or to corresponding provisions of any future United States internal revenue law.



ARTICLE IV
MEMBERSHIP

Section 1. Description of Members. Each Person who constitutes an Owner shall be a Member of the Corporation until such time as that Person's ownership of the applicable Real Property ceases. Owners have one vote for each lot separately assessed for purposes of real estate taxes.

Section 2. Annual Meetings. Annual meetings of the Members shall be held during the last quarter of each fiscal year of the Corporation at such date and time and at such place as is designated from time to time by the Board of Directors and stated in the notice of the meeting. At each annual meeting, the Members shall elect directors and transact such business as may properly be brought before the meeting.

Section 3. Special Meetings. Unless otherwise provided by the Service District Law, the Ordinance, the Articles of Incorporation, or these Bylaws, special meetings of the Members for any purpose or purposes may be called by the President, any Vice President, the Secretary, or by the Board of Directors, or by at least two-fifths (2/5) of the Members.

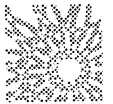
Section 4. Notice of Annual and Special Meetings. Except as otherwise provided by the Service District Law, the Ordinance, the Articles of Incorporation, or these Bylaws, written notice stating the place, day and hour of the meeting and, in case of a special meeting, the purpose or purposes for which the meeting is called, shall be prepared by the Corporation's Secretary and shall be delivered (i) in the case of an annual meeting, not less than twenty-one (21) days or more than fifty (50) days before the date of such meeting, or (ii) in the case of a special meeting, not less than seven (7) days or more than fifty (50) days before the date of such meeting.

Section 5. Presiding Officers; Order of Business.

(a) Meetings of the Members shall be presided over by the President, or, if the President is not present, by any Vice President, or if a Vice President is not present, by such person who is chosen by the Board of Directors, or, if none, by a chairperson to be chosen at the meeting by a majority of the Members present in person or by proxy. The secretary of meetings shall be the Secretary of the Corporation, or, if the Secretary is not present, an Assistant Secretary, or if an Assistant Secretary is not present, such person as may be chosen by the Board of Directors, or, if none, by such person which is chosen by the chairperson at the meeting.

(b) At all meetings of the Members, the provisions of Roberts Rules of Order shall be used to govern the conduct of any such meeting, subject to the provisions of these Bylaws. The following order of business, unless otherwise ordered at the meeting by the chairperson thereof, shall be observed as far as practicable and consistent with the purposes of the meeting:

- (1) Call of the meeting to order;
- (2) Presentation of proof of mailing, or personal delivery certification, of notice of the meeting and, if the meeting is a special meeting, the call thereof;
- (3) Presentation of Proxies;



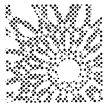
- (4) Determination and announcement that a quorum is present;
- (5) Reading and approval (or waiver thereof of the minutes of the previous meeting;
- (6) Reports, if any, of officers;
- (7) Consideration of the specific purpose or purposes for which the meeting has been called;
- (8) Transaction of such other business as may properly come before the meeting; and
- (9) Adjournment.

Section 6. Quorum; Adjournments.

- (a) A quorum at meetings of the Members shall consist of two-fifths (2/5) of the votes entitled to be cast at any meeting by the Members represented in person or by proxy.
- (b) If a quorum is not present at any meeting of Members, the Members attending such meeting shall have the power to adjourn the meeting, if the time and place thereof are announced at the meeting at which the adjournment is taken, until a quorum is present.
- (c) Even if a quorum is present at any meeting of Members, the Members attending such meeting shall have the power to adjourn the meeting from time to time for good cause, without notice of the adjourned meeting, if the time and place thereof are announced at the meeting at which the adjournment is taken, until a date which is not more than thirty (30) days after the date of the original meeting.
- (d) Any business, which might have been transacted at a meeting as originally called, may be transacted at any meeting held after adjournment as provided in this Section at which reconvened meeting a quorum is present. Anything in paragraph (b) of this Section to the contrary notwithstanding, if any adjournment is for more than thirty (30) days, or if after any adjournment a new date is fixed for the adjourned meeting, notice of the adjourned meeting shall be given to each Member entitled to attend the meeting.

Section 7. Number of Votes.

- (a) At any meeting of Members, every Member having the right to vote must be present in person or by proxy to vote. A Member may execute a proxy naming his duly authorized agent as his proxy and attorney-in-fact to vote his interest at any annual or special meeting of the Members. No proxy shall be valid after eleven (11) months from the date of its execution, unless otherwise specifically provided in the proxy. If authorized by a majority of the Board of Directors, Member voting on any matter pertaining to the Corporation may be conducted by virtue of mail ballots.
- (b) Each Owner shall be entitled to one (1) vote for each building assessed.
- (c) The Board of Directors may, to the extent necessary or desirable, develop a voting application form to be completed by Owners as a condition of the exercise of their voting rights pursuant to terms and conditions to be adopted by the Board of Directors, but subject to the Service District Law, the Ordinance, the Articles of Incorporation and these Bylaws. Moreover, Members may also execute proxies naming a



Person as a designated agent and attorney-in-fact to cast the votes of such Member at any meeting of the Members.

(d) In no event shall the total number of votes assigned to one Member, or to any number of Members under common ownership or control, exceed thirty percent (30%) of the total number of votes that may be cast. Ownership or control shall mean the possession of the power to cause directly or indirectly the direction of the management and the policies of a Member in question.

(e) If an Owner is delinquent in the payment of BID Assessments with regard to a particular Real Property on the date of a meeting of the Members, such Owner shall not be entitled to vote at such Member meeting as to its ownership of that Real Property.

Section 8. Voting. Except as otherwise provided by the Service District Law, the Ordinance, or the Articles of Incorporation, and subject to Section 8 of this Article IV, all matters submitted for a vote of the Members shall be determined by a vote of a majority of the Members entitled to vote and present in person or by proxy at a meeting at which a quorum is present.

Section 9. Action by Consent. Any action required or permitted to be taken at any meeting of the Members may be taken without a meeting, without prior notice and without a vote, if a written consent in lieu of such meeting, which consent sets forth the action so taken, is signed before or after such action by all of the Members entitled to vote with respect to the subject matter thereof. Any such written consent may be signed in counterpart format.

ARTICLE V B I D A S S E S S M E N T S

Section 1. Determination of BID Assessments.

(a) The BID Assessment for each Real Property shall be determined annually based upon the then current real property assessment records of the City.

(b) The amount of BID Assessment Rate and the formula for determining the BID Assessment may be amended from time to time, but only once annually, by the affirmative vote of at least two-thirds (2/3) of the Board of Directors at a meeting called for such purpose. Any such amendment shall subsequently be duly ratified by a majority of the Members entitled to vote and present in person or by proxy at a special meeting called for such purpose. If approved by the Board of Directors and a majority of the Members, then the amended BID Assessment Rate or any change in the formula for determining the Bid Assessment shall be presented to the City Council at the time that the Operating Budget is presented to the City Council in accordance with the provisions of Section 2 of Article IX of these Bylaws.



Section 2. Payment of BID Assessments; Remedies.

(a) Each Owner shall be required by the City to pay its BID Assessment with regard to Real Property in two (2) equal installments, with each installment due and payable with the payment of the applicable installment of real property taxes to the City.

ARTICLE VI DIRECTORS

Section 1. General Powers; Number; Tenure.

(a) The business and affairs of the Corporation shall be managed under the direction of its Board of Directors (herein sometimes also referred to as the "Board"), which may exercise all powers of the Corporation and perform or authorize the performance of all lawful acts and things. The Board shall have all the powers and authorities granted under the law of Virginia, except to the extent specifically precluded by the Service District Law or the Ordinance.

(b) The number of directors of the Corporation, which shall be fixed by resolution of the Board, shall be no less than seventeen (17) and no more than twenty-seven (27).

(c) (i) The directors named in the Articles of Incorporation shall serve until the first meeting of the Members to elect a new Board, which shall be held no later than one hundred twenty (120) days after the date upon which the Corporation has been approved by the City Council by the adoption of the Ordinance.

(ii) At the first meeting of the Members, the Members shall elect directors for staggered terms as follows: Class 1 directors shall have initial terms of one (1) year, with subsequent terms being equal to two (2) years, and Class 2 directors shall have initial terms of two (2) years, with subsequent terms also being equal to two (2) years. At the initial election at which directors will be assigned to either Class 1 or Class 2, an equal number of director positions shall be assigned to each Class, with the one additional director position, if any, being assigned to Class 2.

(iii) At least eight (8) directors must be representatives of Commercial Property Owners with four (4) of such directors being Class 1 directors and the other four (4) being Class 2 Directors. At least seven (7) of the directors must be representatives of Commercial Tenants, with four (4) of such directors being Class 1 directors and with the other three (3) of such directors being Class 2 directors.

(iv) One (1) of the directors shall be designated for a representative of KSMET. One (1) of the directors shall be designated for a representative of OTCA. One (1) of the directors shall be designated for a representative of UKSNA. One (1) of the directors shall be designated for a representative of Virginia Tech. One (1) director shall be designated by the Alexandria historical community, and one (1) director shall be from the non-profit tax-exempt community.

(v.) The Board of Directors may designate non-voting ex officio positions as it deems necessary.

(d) The Nominating Committee, if then in existence, or if not in existence the Board, shall, subject to Section 1(c) of this Article VI, nominate a slate of candidates for Class 1 directors and another slate of



candidates for Class 2 directors for the first election of directors by the Members. Thereafter, only one slate of directors shall be nominated annually to replace the outgoing Class of directors. Members may nominate additional candidates for election as directors at any meeting at which directors will be elected. As the first order of business at each annual meeting of the Members, the Members shall elect the succeeding Board, and each Director of the Corporation so elected shall, except as otherwise provided in Section 1(c)(ii) above, serve a term of two (2) years or until his successor has been appointed and qualified. Directors of the Corporation need not be Members of the Corporation or residents of the City of Alexandria. Directors of the Corporation may be reelected as directors without limitation.

Section 2. Vacancies. Any directorship to be filled by reason of an increase in the number of directors or for any other reason, including a vacancy, shall be filled by election at any annual, regular or special meeting of the Corporation's Board of Directors called for that purpose provided if a vacancy occurs in the seat of any member of the Board, which seat is identified as one to be designated by the Board, then the Board shall be requested to nominate a Person to fill that vacancy. A director appointed to fill a vacancy shall serve for the unexpired term of his predecessor in office.

Section 3. Removal: Resignation

(a) Except as otherwise provided by law, the Articles of Incorporation, or these Bylaws, any director may be removed, for cause, by a vote of a majority of the Board.

(b) Any director may resign at any time by giving written notice to the Board, the President, any Vice President, or the Secretary of the Corporation. Unless otherwise specified in such written notice, a resignation shall take effect upon delivery thereof to the Board of Directors or the designated officer. A resignation need not be accepted in order for it to be effective.

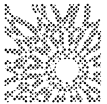
(c) To the extent that a director is serving in a representative capacity for an Owner, the loss of employment or affiliation with any such Owner may constitute cause for removal from the Board.

Section 4. Place of Meetings. The Board of Directors may hold both regular and special meetings, within or without the City of Alexandria, at such place, as the Board from time to time deems advisable.

Section 5. Annual Meeting. The annual meeting of the Board of Directors shall be held in the last quarter of each fiscal year of the Corporation, on such date as may be determined by the Board, which shall furnish written notice of such date, time and location to all members of the Board.

Section 6. Regular Meetings. Regular meetings of the Board of Directors shall be held quarterly in each fiscal year upon fifteen (15) days notice to each director at such time and place as from time to time may be determined by the Board of Directors and specified in the notice. The last regular meeting in each fiscal year shall constitute the annual meeting of the Board.

Section 7. Special Meetings. Special meetings of the Board of Directors may be called by the President or by any Vice President, or by a majority of the directors upon two (2) days' notice to each director if such notice is delivered personally or sent by telegram or facsimile, or upon five (5) days' notice if sent by mail.



Section 8. Quorum: Voting.

(a) A majority of the number of directors then in office shall constitute a quorum for the transaction of business at each and every meeting of the Board of Directors, and the act of a majority of the directors present at any meeting at which a quorum is present shall be the act of the Board of Directors, except as may otherwise specifically be provided by the Service District Law, the Ordinance, the Articles of Incorporation, or these Bylaws. If a quorum is not present at any meeting of the Board of Directors, the directors present may adjourn the meeting, from time to time, without notice other than announcement at the meeting, until a quorum is present.

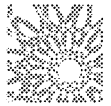
(b) Notwithstanding anything to the contrary in Section 8(a) above, the Board may only amend these Bylaws, the BID Plan and the BID Assessment by a two-thirds (2/3) vote of the Board at a special meeting called for such purpose and the subsequent ratification of any such amendment by a majority vote of the Members present in person or by proxy at a special meeting called for such purpose.

Section 9. Action by Consent. Any action required or permitted to be taken at any meeting of the Board of Directors may be taken without a meeting and without prior notice if a written consent in lieu of such meeting, which consent sets forth the action so taken, is signed either before or after such action by all directors. Any such written consent may be signed in counterpart format.

Section 10. Meetings by Telephone or Similar Communications Equipment. The Board of Directors may participate in meetings by means of conference telephone or similar communications equipment, whereby all directors participating in the meeting can hear each other at the same time, and participation in any such meeting shall constitute presence in person by such director at such meeting. A written record shall be made of all actions taken at any meeting conducted by means of a conference telephone or similar communications equipment.

Section 11. Managing Agent. The Board of Directors may hire a managing agent to perform any or all of the Board's nonfiduciary duties at a commercially reasonable rate and upon such terms and conditions as the Board deems appropriate and advisable. Notwithstanding the foregoing, a managing agent shall not be a Member or an affiliate of a Member, but the managing agent may be a property manager or asset manager of one or more of the properties located within the BID Assessment Area.

Section 12. Open Meetings. All meetings of the Board of Directors and, if in existence, the Advisory Board of Directors shall be open to, and may be attended by, any Member of the Corporation.



ARTICLE VII
EXECUTIVE COMMITTEE: ADVISORY COMMITTEES

Section 1. Executive Committee.

The Board of Directors may designate three (3) or more directors to constitute an Executive Committee, one of whom shall be the President. The President shall be the chairperson of the Executive Committee. Each member of the Executive Committee shall continue as a member thereof until the expiration of his term as a director, or until his earlier resignation from the Executive Committee, in either case unless sooner removed as a member of the Executive Committee or as a director by any means authorized by these Bylaws.

Section 2. Advisory Committees.

(a) The Board of Directors may establish one or more advisory committees to the Board of Directors, and may designate any number of persons, including Board members, to be members of any advisory committee so formed by the Board of Directors (each advisory committee hereinafter referred to as an "Advisory Committee"). The Board of Directors shall appoint a person to be chairperson of an Advisory Committee and such person shall be a member of the Board of Directors.

(b) The purpose of an Advisory Committee shall assist and consult with the Board of Directors at such times and in such manner as the Board of Directors may determine in furtherance of the purposes and objectives of the Corporation. All formal decisions and determinations made by an Advisory Committee shall be non-binding on the Corporation but, however, shall be submitted to the Board for its approval, and, if approved by the Board, such decision or determination shall become the action of the Board. From time to time, Advisory Board members may be asked to use their good offices in appropriate ways on behalf of the Corporation. Such requests will be made selectively and with discretion.

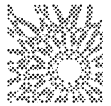
(c) The procedural rules of the Advisory Board shall be similar to the procedural rules applicable to the Executive Committee set forth in Section 1 of this Article VII.

Section 3. Nominating Committee. Pursuant and subject to Sections 1(c) and 1(d) of Article VI, but only to the extent appointed by the Board, the Nominating Committee shall determine the number of directors in the applicable Class of directors to be elected at each meeting of the Members and the slate of candidates for election to the Board of Directors. The Nominating Committee shall consist of the President of the Corporation, at least three (3) other members of the Board of Directors, and any other persons designated by the Board. The Nominating Committee shall make its determinations by majority vote and shall submit to the entire Board a written list of the slate and number of candidates for the next Board of Directors after the same have been determined.

Section 4. Other Committees. The Board of Directors may appoint such other committee or committees as it shall deem advisable and with such limited authority as the Board of Directors shall from time to time determine.

Section 5. Other Provisions Regarding Committees.

(a) The Board of Directors shall have the power at any time to fill vacancies in, change the membership of, or discharge any committee.



(b) Unless prohibited by law, the provisions of Section 9 ("Action by Consent") and Section 10 ("Meetings by Telephone or Similar Communications") of Article VI shall apply to all committees from time to time created by the Board of Directors.

ARTICLE VIII OFFICERS

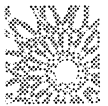
Section 1. Positions. The officers of the Corporation shall be chosen by the Board of Directors and shall consist of a President, one or more Vice Presidents, a Secretary and a Treasurer. The President shall also serve as the chairperson of the Board of Directors. The Board of Directors may also choose one or more Assistant Secretaries and/or Assistant Treasurers and such other officers and/or agents as the Board from time to time deems necessary or appropriate. All officers of the Corporation shall exercise such powers and perform such duties as from time to time shall be determined by the Board of Directors. Any two or more offices may be simultaneously held by the same person, except the offices of President and Secretary and President and Vice President.

Section 2. Term of Office; Removal. Each officer of the Corporation shall hold office at the pleasure of the Board of Directors. Any officer of the Corporation may be removed, with or without cause, at any time by the Board. Vacancies (however caused) in any office may be filled for the unexpired portion of the term by the Board of Directors.

Section 3. President. The President shall be the chief executive officer of the Corporation and, subject to the direction of the Board of Directors, shall have general charge of the activities, affairs and property of the Corporation and general supervision over its other officers and agents. In general, the President shall perform all duties incident to the office of President of a nonprofit corporation and shall see that all orders and resolutions of the Board of Directors are carried into effect. The President shall be a member of the Board of Directors.

Section 4. Vice Presidents. In the absence or disability of the President, the Vice President, or in the event there is more than one, the Vice Presidents in the order designated, or in the absence of any designation, in the order of their election, shall perform the duties and exercise the powers of the President. The Vice President(s) also generally shall assist the President and shall perform such other duties and have such other powers as from time to time may be provided by the Board of Directors.

Section 5. Secretary. The Secretary shall attend all meetings of the Members of the Board of Directors and shall record all votes and the proceedings of all meetings in a book to be kept for such purposes. The Secretary also shall perform like duties for the Executive Committee or other committees, if required by any such committee. The Secretary shall give (or cause to be given) notice of all annual, regular and/or special meetings of the Members and the Board of Directors and shall perform such other duties as from time to time may be provided by the Board of Directors or by the President. The Secretary shall have custody of the seal of the Corporation, shall have authority (as shall any Assistant Secretary) to affix the same to any instrument requiring it, and to attest the seal by signature. The Board of Directors may give general authority to officers other than the Secretary or any Assistant Secretary to affix the seal of the Corporation and to attest the affixing thereof by signature. The Secretary shall maintain a current record of Members of the Corporation, and the Secretary, working with other officers and agents of the Corporation, shall determine the number of votes to be allocated to Members pursuant to these Bylaws.



Section 6. Assistant Secretary. The Assistant Secretary, if any (or in the event there is more than one, the Assistant Secretaries in the order designated, or in the absence of any designation, in the order of their election), in the absence or disability of the Secretary, shall perform the duties and exercise the powers of the Secretary. The Assistant Secretary(ies) shall perform such other duties and have such other powers as from time to time may be provided by the Board of Directors.

Section 7. Treasurer. The Treasurer shall have the custody of and responsibility for the Corporation's funds and evidences of indebtedness, shall keep books belonging to the Corporation, and shall deposit all moneys and other valuable effects in the name and to the credit of the Corporation in such accounts (including, without limitation, checking, savings and money market accounts) and in such depositories as from time to time may be ordered by the Board of Directors; provided, however, that any such account may only be maintained in a federally insured financial institution doing business in the District. The Treasurer shall disburse the funds of the Corporation as may be ordered by the directors or by the President if such expenditure authority has been delegated by the directors to the President. The Treasurer shall keep full and accurate records and accounts of the assets, liabilities, receipts and disbursements and other transactions of the Corporation in books belonging to the Corporation and shall render to the President and the Board of Directors, at regular meetings of the Board or whenever any of them may so require, an account of all transactions and the financial condition of the Corporation. If required by the Board of Directors, the Treasurer shall, at the Corporation's expense, provide a fidelity bond to the Corporation in such amount, form and security as may be specified by the Board for the faithful performance of the duties of the office of Treasurer and for restoration to the Corporation of all of its books, records, money, vouchers and any and all other property in the Treasurer's possession or under the Treasurer's control on the date of the Treasurer's death, resignation or removal from office.

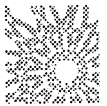
Section 8. Assistant Treasurer. The Assistant Treasurer, if any (or-in the event there is more than one, the Assistant Treasurers in the order designated, or in the absence of any designation, in the order of their election), in the absence or disability of the Treasurer, shall perform the duties and exercise the powers of the Treasurer. The Assistant Treasurer(s) shall perform such other duties and have such other powers as from time to time may be provided by the Board of Directors.

Section 9. Compensation. No director, committee member or officer shall receive any compensation or other remuneration for serving in such capacity; provided, however, that the actual and reasonable out-of-pocket expenses of directors, committee members or officers incurred in attending any meetings of the Corporation or in performing such person's duties in connection with the Corporation shall, upon the majority vote of the entire Board, be reimbursed to any such director, committee member or officer. Notwithstanding the foregoing, any director, committee member or officer who constitutes an employee of the Corporation may be paid reasonable compensation for services rendered.

ARTICLE IX RECORDS : INSPECTION : ANNUAL REPORT

Section 1. Books and Records.

(a) The books and records of the Corporation, including, without limitation, minutes of meetings of the Members and the Board of Directors, the financial records of the Corporation, and the name and address of the Corporation's Members, shall be available for examination by any Member and the members of the



City Council at convenient hours on working days that shall be set and announced for general knowledge. Upon reasonable request, a copy of the books, records and minutes of the Corporation shall be furnished to any Member or the City Council.

(b) Notwithstanding the foregoing, the books, records and minutes of the Corporation may be withheld from examination by any person referred to in Section 1(a) of this Article IX if the requested documents concern: (i) personnel matters; (ii) communications with legal counsel or attorney work product; (iii) transactions currently in negotiation and agreements containing confidentiality requirements; (iv) pending litigation; (v) pending matters involving formal proceedings for enforcement of the provisions of the Articles of Incorporation, Bylaws or if applicable, the rules and regulations promulgated pursuant thereto; or (vi) any disclosure of information that would constitute a violation of law.

(c) As a condition to furnishing copies of the books, records or minutes of the Corporation, the Corporation shall be entitled to charge and collect an amount equal to its costs in furnishing the requested documents, which costs shall reflect the actual cost of materials and labor incurred by the Corporation in undertaking the requested document copying and production.

Section 2. Operating Budget.

(a) Within a reasonable time after the establishment of the Corporation as a business improvement district by the Ordinance, and no later than March 15 of each succeeding fiscal year of the Corporation, the Board of Directors shall furnish to all Members, by first class mail or by personal delivery, an operating budget outlining the Board's then current projections of revenues and operating expenses for the next succeeding fiscal year. The Board of Directors shall also deliver to the Members, from time to time as circumstances warrant, a supplement to the then current operating budget outlining any material change in anticipated income or expenditures during the applicable fiscal year. The Board of Directors shall also update each operating budget and/or each operating budget supplement from time to time to the extent the Board of Directors receives information requiring material changes to any such operating budget or any such operating budget supplement.

(b) The Board of Directors shall have the exclusive power and authority to adopt and approve the operating budget, or any supplement thereto, of the Corporation. The adoption and approval of an operating budget or any supplement thereto shall not require any approval of the Members. Each operating budget or supplement thereto shall be effective upon mailing to the Members or such later time as may be set forth in any such budget or supplement thereto.

ARTICLE X ANNUAL REPORT

Section 1. Filing Requirements. The Board of Directors shall file an annual report with the City Council in such form and at such time as may be set forth in the Ordinance. In any case, the Corporation shall file its first annual report with the City Council commencing in its first full fiscal year after the establishment of the Corporation following the adoption of the Ordinance.



Section 2. Contents of Annual Report. Each annual report of the Corporation shall include:

(i) A financial statement for the preceding fiscal year of the Corporation, including a balance sheet, statement of income and loss, and such other information as may be reasonably necessary to reflect the actual financial performance of the Corporation. These financial statements shall be certified to by the Treasurer. The Corporation's financial statement shall be prepared under its method of accounting (which may be either the cash or accrual method as determined by the Board) in accordance with generally accepted accounting principles consistently applied.

(ii) A proposed operating budget for the then fiscal year of the Corporation.

(iii) A narrative statement or chart showing the results of operations of the Corporation for the applicable fiscal year in comparison to the stated goals and objectives of the Corporation.

(iv) Such additional information as may be required by the Ordinance.

Section 3. Disclosure of Annual Report. The Corporation shall furnish a copy of each annual report to the City Council and to all Members. Such reports shall be sent by first class mail or by personal delivery.

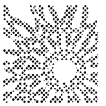
ARTICLE XI NOTICES

Section 1. Form; Delivery. Any notice required or permitted to be given to any director, officer of the Corporation and to any Member shall be given in writing, and furnished either personally (with written certification of delivery in the case of notice furnished to a Member) or by first-class mail with postage prepaid, in either case addressed to the recipient at his address as it appears in the records of the Corporation. Personally delivered notices shall be deemed to be given at the time they are delivered to the recipient, and mailed notices shall be deemed to be given at the time they are deposited in the United States mail. Notice to a director may also be given by facsimile or telegram sent to his or her address as it appears on the records of the Corporation and shall be deemed given at the time delivered at such address.

Section 2. Waiver; Effect of Attendance. Whenever any notice is required to be given by the Service District Law, the Ordinance, the Articles of Incorporation, or these Bylaws, a written waiver thereof, signed by the person or persons entitled to such notice, whether before or after the time stated therein, shall be the equivalent of the giving of such notice. In addition, any director or committee member who attends a meeting of the Board of Directors or a committee thereof shall be deemed to have had timely and proper notice of the meeting, unless such director or committee member attends for the express purpose of objecting to the transaction of any business on the grounds that the meeting is not lawfully called or convened.

ARTICLE XII DISSOLUTION

Section 1. Method. The Corporation may be dissolved upon the occurrence of any of the following events:



- (i) The affirmative vote of at least two-thirds (2/3) of the Members entitled to vote and present in person or by proxy at a special meeting called for the purpose of considering the dissolution of the Corporation.
- (ii) For any other reason that would cause or require the dissolution of the Corporation under the Virginia Nonprofit Corporation Act.
- (iii) As provided for in accordance with the Ordinance.

Section 2. Distribution of Assets.

(a) Upon the termination, dissolution or winding up of the Corporation in any manner or for any reason, its assets, if any, remaining after payment (or provision for payment) of all liabilities of the Corporation shall be distributed to the Members in proportion to their obligation to pay the BID Assessments in the fiscal year of the Corporation in which such dissolution occurs, or if not determined in such year, in the year immediately preceding the year of dissolution. If a Member is not then current in the payment of BID Assessments, the Corporation may set off any amount otherwise payable to such defaulting Member on dissolution of the Corporation against the delinquent amount, including interest, penalties and collection costs, owed by such Member. Any such set-off shall not discharge or release such defaulting Member from paying any additional delinquent BID Assessments, interest, penalties and costs.

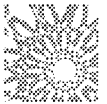
(b) Within sixty (60) days of any such dissolution, the Board of Directors shall adopt a plan to timely distribute funds and dispose of assets to satisfy all creditors in the order of their priority, if any. Any surplus funds shall be returned to the Members, in the proportion and in the manner set forth in Section 2(a) above, within thirty (30) days of the adoption of the plan of distribution.

ARTICLE XIII INDEMNIFICATION OF DIRECTORS AND OFFICERS

Section 1. Indemnification.

(a) To the maximum extent permitted by law, every person who serves or has served as a Member, director, officer, employee, agent, advisor, consultant or in any other capacity to or of the Corporation shall be indemnified by the Corporation for any judgment or award obtained against him and for all expenses and costs actually and necessarily incurred by him, including reasonable attorney's fees, in connection with the defense of any claim, action, suit or proceeding in which he is made a party by reason of his serving or having served in any of the foregoing capacities with the Corporation. In the event any such claim, action, suit or proceeding is instituted against any such person, the Corporation shall have the right to enter into a settlement or compromise in regard thereto as may be deemed advisable by the Board of Directors.

(b) The right of indemnification provided herein shall be in addition to, and not in lieu of, any rights which any such person may be entitled to by contract or as a matter of law. Notwithstanding the foregoing, a person shall be entitled to indemnification only so long as such person acted in good faith in a manner reasonably believed to be in or not opposed to the best interest of the Corporation; provided, however, that no indemnification shall be made in respect of any claim, issue or matter as to which a party has been judged to be liable for fraudulent, willful or wanton conduct or misconduct, breach of the BID instruments or gross negligence, or with respect to any criminal action or proceeding.



(c) The indemnity set forth in this Section shall be paid only to the extent of the assets of the Corporation and, conversely, any such indemnification obligation shall be without recourse to any of the assets of the Members.

Section 2. No Liability. No Member, director or officer, or any Person affiliated with them, shall be personally liable to the Corporation or to any Member for loss or damage caused by any act or omission, except to the extent that any such loss or damage is caused by such party's fraudulent, willful or wanton conduct or misconduct, breach of the Service District Law, the Ordinance, the Articles of Incorporation, and these Bylaws, or gross negligence.

Section 3. Insurance. The Corporation may maintain insurance on behalf of any person who is or was a director or officer of the Corporation, or for the employee, partner, agent or advisor of any director or officer, for a liability asserted against him and incurred by any such party in any such capacity or arising out of such party's status as such, irrespective of whether the Corporation would have the power to indemnify such party against such liability under this Article XIII.

ARTICLE XIV COMMON OR INTERESTED OFFICERS AND DIRECTORS

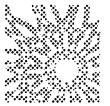
Section 1. General Rules. The officers and directors shall exercise their powers and duties in good faith and with a view to the best interests of the Corporation. No contract or other transaction between the Corporation and one or more of its officers or directors, or between the Corporation and any corporation, firm, association, or other entity in which one or more of the officers or directors of the Corporation are officers or directors, or are pecuniarily or otherwise interested, shall be either void or voidable because of such common directorate, officership or interest, or because such officers or directors are present at the meeting of the Board of Directors or any Committee thereof which authorizes, approves or ratifies the contract or transaction, if (unless otherwise prohibited by law) any of the conditions specified in the following paragraphs exist:

(a) the material facts of the common directorate or interest or contract or transaction are disclosed or known to the Board of Directors or a Committee thereof and the Board or the Committee authorizes or ratifies such contract or transaction in good faith by the affirmative vote of a majority of the disinterested directors or the Committee members, even though the number of such disinterested directors or Committee members may be less than a quorum; or

(b) the material facts of the common directorate or interest or contract or transaction are disclosed or known to the members entitled to vote thereon and the contract or transaction is specifically approved in good faith by vote of the members; or

(c) the contract or transaction is fair and commercially reasonable to the Corporation at the time it is authorized, approved or ratified by the Board, a Committee thereof, or the members, as the case may be.

Section 2. Implementation. Common or interested directors or officers may not vote on any contract or transaction in which they may be interested. These Persons may not be counted in determining whether a quorum is present at any meeting of the Board of Directors or Committee thereof which authorizes, approves or ratifies any such contract or transaction. Notwithstanding anything to the contrary in this



Article XIV, any such contract or transaction shall not be entered into if it would result in the loss of the Corporation's exemption from federal income taxation or would violate the provisions of the Service District Law, or regulations promulgated thereunder, or the Ordinance.

ARTICLE XV
B Y L A W S

Section 1. Initial Approval. These Bylaws shall initially be approved, amended and/or adopted by the affirmative vote of a majority of the Members present in person or by proxy at a special meeting called for such purpose within one hundred (120) days after the adoption of the Ordinance by the City Council. Members may submit proposed amendments to the Corporation's initial Bylaws to the Board no later than thirty (30) days prior to the date on which the special meeting of the Members will be held to, among other things, ratify such initial Bylaws.

Section 2. Amendments. The Board shall have the power to adopt amendments to these Bylaws by the affirmative vote of at least two-thirds (2/3) of the Board at a special meeting called for such purpose. Any such amendment shall thereafter be duly ratified by a majority of the Members entitled to vote and present in person or by proxy at a special meeting called for such purpose. Any amendment to these Bylaws shall comply with the applicable provisions of the Service District Law, and with the Ordinance, in each case as the same may be amended.

ARTICLE XVI
G E N E R A L P R O V I S I O N S

Section 1. Fiscal Year. The fiscal year of the Corporation shall be the same fiscal year as used by at the City, currently the twelve (12) month period ending June 30 of each year.

Section 2. Seal. The corporate seal shall have inscribed thereon the name of the Corporation, the year of its incorporation and the words "Corporate Seal", "Nonprofit" and "Commonwealth of Virginia."

Section 3. Conflicts. To the extent that any provision of these Bylaws conflicts with either the provisions of the Service District Law or the Ordinance, the applicable provision of the Service District Law or the Ordinance, as applicable, shall control. If there is a conflict between the provisions of the Service District Law and the provisions of the Ordinance, the provisions of the Service District Law shall control.

Section 4. Contracts. The Board of Directors may authorize any of its officers to enter into, execute and deliver any contract, lease or other instrument in the name of and on behalf of the Corporation. Such authority may be general or confined to specific instances or transactions.

Section 5. Checks. All checks, drafts, orders for the payment of money, notes and other similar financial instruments shall be signed in the name of and on behalf of the Corporation by any officer designated by the Board of Directors.

Section 6. Interpretation. Any reference in these Bylaws to the term "law" shall be a reference to the laws of the Commonwealth of Virginia, including the Service District Law, the Virginia Nonprofit Corporation



Act, and to the extent applicable the Ordinance. These Bylaws are intended to be in compliance with the Service District Law, and the regulations promulgated thereunder, and the Ordinance, and shall be construed in a manner consistent with the Service District Law, and, to the extent applicable, the provisions of the Ordinance.

Section 7. Gender References. All references in these Bylaws to the masculine gender shall include the feminine and neuter genders, and vice versa, as context may require.

The undersigned hereby certify that the foregoing constitute and are a true and correct copy of the Bylaws of Old Town Business Improvement Corporation, and that such Bylaws have been approved in the manner required by Section 1 of Article XV of such Bylaws.

Signature: _____

Print Name: _____

Title: _____

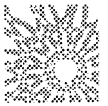
Date: _____

Signature: _____

Print Name: _____

Title: _____

Date: _____



ARTICLES OF INCORPORATION
OF THE OLD TOWN BUSINESS IMPROVEMENT
DISTRICT, INC.

The undersigned, for purposes of forming a nonstock corporation under the provisions of the Virginia Nonstock Corporation Act, hereby submits the following Articles of Incorporation.

ARTICLE I
NAME

The name of this corporation is the Old Town Business Improvement District, Inc. (the "Corporation").

ARTICLE II
PURPOSE

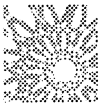
The Corporation is organized exclusively for such lawful purposes as will promote the general welfare of the Old Town business district and qualify it for exemption from federal income tax as an organization described by Section 501(c)(6) of the Internal Revenue Code of 1986 (the "Code"). Within the scope of the foregoing, the Corporation is organized to organize, operate, govern and administer a business improvement district in the Old Town section of Alexandria, Virginia (the "District"), as established by the Alexandria City Council (the "City Council"), as well as the performance of activities related or incidental to the furtherance of the Corporation's stated purposes and permitted under the laws of the United States and the Commonwealth of Virginia.

No Part of the net earnings of the Corporation shall inure to the benefit of, or be distributable to its members, directors, officers, or other private persons. The preceding sentence, however, shall not prevent (a) the reimbursement of reasonable expenditures, (b) the payment of reasonable compensation for personal services rendered, or (c) the payment of other amounts in furtherance of the purposes in this Article II.

Notwithstanding any other provision of these Articles, the Corporation shall not carry on any activities not permitted to be carried on by a corporation qualifying for exemption from federal income tax as an organization described in Section 501(c)(6) of the Code.

ARTICLE III
BOARD OF DIRECTORS

All corporate powers shall be exercised by or under the authority of, and the affairs of the Corporation shall be managed by, its Board of Directors. The Board of Directors shall consist of at least nineteen (19) members, but not more than twenty-seven (27) members, consisting of representatives of the Members, representatives of commercial and retail tenants located within the District, a representative of King Street Metro Enterprise Team (KSMET), a representative of Upper King Street Neighborhood Association (UKSNA), a representative of Old Town Civic Association (OTCA), a representative of the Alexandria historical community, and a representative of the non-profit, tax-exempt property owners. The qualifications to serve as a director and the rights and powers of the directors shall be as specified in the Bylaws.



The initial Board of Directors shall be composed of three (3) members, as follows:

- (i) Lois L. Walker
417 S. Royal Street
Alexandria, VA 22314
- (ii) Donnie Simpson
2121 Eisenhower Avenue, Suite 300
Alexandria, VA 22314
- (iii) Rob Kaufman
815 King Street, Suite 202
Alexandria, VA 22314

The initial Board shall complete the organizational process, which will include the adoption of Bylaws and the call of a meeting of members for electing a Board of Directors in accordance with the Bylaws.

All members of the Board of Directors shall hold office until their respective successors shall have been elected and shall have qualified.

A R T I C L E I V M E M B E R S

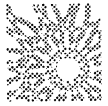
The Corporation may have more than one class of Members. The qualifications and rights of each class of the Members shall be set forth in the Corporation's Bylaws. Only owners of property within the District established by the City Council however shall have voting rights on matters brought before the Corporation.

A R T I C L E V D U R A T I O N

This Corporation shall exist perpetually unless terminated sooner according to the laws of the Commonwealth of Virginia.

A R T I C L E V I R E G I S T E R E D O F F I C E A N D A G E N T

The initial registered office of the Corporation is to be located at 1199 North Fairfax Street, Tenth Floor, Alexandria, Virginia 22314. The name of the City in which the initial registered office is located is Alexandria, Virginia. The name of the initial registered agent at the registered office is Lonnie C. Rich, who is a resident of Virginia and a member of the Virginia State Bar.



ARTICLE VII
DISSOLUTION

In the event of the dissolution or winding up of the Corporation, its assets remaining after payment of all debts and liabilities of the Corporation shall be distributed exclusively for the common business interests of its members.

ARTICLE VIII
AMENDMENTS

These Articles of Incorporation may be amended, altered, changed or repealed by the act of majority of the directors of the Corporation.

ARTICLE IX
BYLAWS

The Bylaws of the Corporation shall be made, altered, or rescinded by a majority vote of the directors of the Corporation.

ARTICLE X
INDEMNIFICATION

(a) The Corporation shall indemnify any person who is or was a party to any proceeding by reason of the fact that such person is or was a director or officer of the Corporation or its subsidiaries, to the fullest extent not prohibited by law, for actions taken in the capacity of such person as an director or officer of the Corporation or its subsidiaries. To the fullest extent not prohibited by law, the Corporation shall advance indemnification expenses for actions taken in the capacity of such as an officer or director, within twenty (20) days after receipt by the Corporation of (1) a written statement requesting such advance, (2) evidence of the expenses incurred, and (3) a written statement by or on behalf of such person agreeing to repay the advanced expenses if it is ultimately determined that such person is not entitled to be indemnified against such expenses.

(b) The Corporation by action of its board of directors, in its sole discretion, may indemnify any person who is or was a party of any proceeding, by reason of the fact that such person is or was an employee or agent of the Corporation or its subsidiaries, to the fullest extent not prohibited by law, for actions taken in the capacity of such person as an employee or agent of the Corporation or its subsidiaries. The Corporation by action of its board of directors, in its sole discretion, may advance indemnification expenses for actions taken in the capacity of such person as an employee or agent, after receipt by the Corporation of (1) a written statement requesting such advance, (2) evidence of the expenses incurred, and (3) a written statement by or on behalf of such person agreeing to repay the advanced expenses if it ultimately determined that such person is not entitled to be indemnified against such expenses. Absent specific action by the board of directors, the authority granted to the board of directors in this paragraph (b) shall create no obligations of the Corporation relating thereto.



ARTICLE XI
CODE REFERENCES

Each reference in these Articles of Incorporation to a Section of the Internal Revenue Code means such Section of the Internal Revenue Code of 1986, as amended, or the corresponding provisions of any subsequent federal tax law.

IN WITNESS WHEREOF, the undersigned incorporation had executed these Articles of Incorporation this day of _____, 2005.

By:

Lonnie C. Rich, Incorporator