

Department of Legislative Services
Maryland General Assembly
2018 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

House Bill 1385

(Delegate Anderson)(By Request - Baltimore City
Administration)

Environment and Transportation

Finance

Baltimore City - Tourism Improvement District

This bill authorizes Baltimore City to establish, by ordinance, a tourism improvement district (TID) that imposes a special assessment on businesses in the TID and designate an existing private nonprofit destination marketing organization to administer the district's programs and activities. **The bill takes effect July 1, 2018.**

Fiscal Summary

State Effect: The bill does not directly affect State finances or operations.

Local Effect: To the extent that the bill results in the creation of the Baltimore TID, additional local expenditures for programs and activities within the district are financed through assessments on businesses in the district. Costs associated with district formation are assumed to be minimal and absorbable within existing budgeted resources. The bill does not have a direct fiscal impact on Baltimore City finances.

Small Business Effect: Potential meaningful.

Analysis

Bill Summary: Before enacting an ordinance to establish the district, the Mayor and City Council must (1) provide for public hearings and (2) determine that the proposed district includes businesses that will benefit from district services. An ordinance enacted under the bill must:

- establish the approval process for the creation of the district and the designation of the entity to administer the district’s programs and activities (the “association”); and
- provide that, until the approval process is conducted and approval is achieved under the process, the district may not be created, and the ordinance may not become fully effective.

Subject to the above requirements, the city may enact an ordinance to:

- establish a TID to support marketing, sales, and other promotional programs and activities to increase tourism in the district or specifically benefit those participating businesses against which a district special assessment is made; and
- designate an existing private nonprofit entity as the association to (1) administer the district programs and activities; (2) promote and market the district; and (3) provide other approved services and functions, subject to specified requirements.

The ordinance establishing the district and designating the association is subject to a number of specified requirements. For example, the ordinance must:

- specify the method for establishing and modifying the boundaries of the district;
- authorize the imposition of district special assessments levied on businesses within the district as the primary means of support for the district and specify any limits on the district special assessments; and
- specify the duration of the district and the power of the association to act, or the means by which the continuance of the district may be the subject of a further ordinance.

The ordinance may require the establishment of an association committee to manage the district funds and may require certain actions to be made subject to the approval of the committee.

To the extent of their authority, the Mayor and City Council may not permit a reduction in existing funding provided by the city in the district due to the establishment of the district or the designation of the association.

In the event of a dissolution of the district or the association, any unspent funds must be refunded to the business owners by applying the same method and basis that was used to calculate the district special assessments that were levied.

District Association Powers and Prohibited Actions

As established by the ordinance, the association is authorized to conduct a number of activities related to the district. For example, the association may (1) acquire, hold, and use property necessary to achieve the district's purposes; (2) enter into contracts for the provision of district services; (3) employ and discharge personnel; and (4) propose, in the district's annual budget, the district special assessments. The association must establish a financial plan for the district when required to do so by the ordinance, subject to specified requirements.

Likewise, there are several prohibited actions. For example, the association may not (1) exercise any police or general powers other than those authorized by State law and city ordinance; (2) pledge the full faith or credit of the city; (3) impose district special assessments in excess of city-approved amounts; or (4) exercise the power of eminent domain.

Current Law/Background: There are several types of districts authorized in State law that collect revenue from small geographic areas within a jurisdiction to be used for specific purposes. The most relevant example to this bill are business improvement districts, which Chapter 461 of 2010 authorized local governments to establish; traditionally they have been established by groups of local businesses and property owners. The goal of a business improvement district is to attract customers, clients, and shoppers to the district by implementing coordinated improvements.

Generally, the districts are funded through assessments on nonresidential real property and overseen by district corporations. For example, the Downtown Partnership oversees the Downtown Management Authority, which is Baltimore's oldest and largest business improvement district. Programs include uniformed operations teams of guides, clean sweep ambassadors (pick up litter), and park stewards.

While there are differences, a tourism improvement district as authorized by the bill could be thought of, generally, as a specialized business improvement district.

Baltimore Tourism Improvement District and Visit Baltimore

Baltimore City advises that there are currently 170 TIDs supporting dedicated destination marketing efforts across at least 14 states. The ultimate goal of a Baltimore TID is to generate supplemental and protected funds for destination marketing and tourism sales activities, executed by Visit Baltimore with oversight provided by the city's lodging community, in order to drive more (overnight) visitation to Baltimore City. Visit Baltimore is Baltimore City's destination marketing organization and promotes the city as a destination for individuals and convention groups. Visit Baltimore's most recent annual

report, with additional detail on the organization's activities and priorities, can be found on its [website](#).

Local Effect: To the extent that the bill results in the creation of the Baltimore TID, additional local expenditures for programs and activities within the district are financed through assessments on businesses in the district. It is assumed that the bill's language limiting the substitution of existing city expenditures for tourism marketing with TID assessment revenues means that existing local expenditures are not reduced. Costs associated with district formation are assumed to be minimal and absorbable within existing budgeted resources. The bill does not have a direct fiscal impact on Baltimore City finances.

Small Business Effect: To the extent that the bill results in the creation of the Baltimore TID, small businesses in the district may be subject to special assessments; however, they may also benefit from the programs and activities.

Additional Information

Prior Introductions: None.

Cross File: SB 1085 (Senator Conway, *et al.*) (By Request - Baltimore City Administration) - Finance.

Information Source(s): Baltimore City; Visit Baltimore; Downtown Partnership of Baltimore; Department of Legislative Services

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Analysis by: Stephen M. Ross

Direct Inquiries to:
(410) 946-5510
(301) 970-5510