

Department of Legislative Services  
Maryland General Assembly  
2022 Session

FISCAL AND POLICY NOTE  
Third Reader

House Bill 1340 (Montgomery County Delegation)  
Environment and Transportation

Finance

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Montgomery County - Economic Development - Business Improvement Districts  
MC 08-22

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This bill broadens the definition of “members of the district” to include commercial tenants for provisions of law governing business improvement districts located in Montgomery County. The board of directors of a business improvement district corporation in Montgomery County consists of at least 11 members (instead of between 5 and 9 members). However, Montgomery County or one of its municipalities in which a district is established may determine a different number of board members if the district is connected with a business improvement district in another county, state, or the District of Columbia. **The bill takes effect July 1, 2022; it applies retroactively, and beginning July 1, 2023, must be applied to and interpreted to affect any business improvement district in existence on or after the bill’s effective date.**

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**Fiscal Summary**

**State Effect:** None. The bill only affects local government operations.

**Local Effect:** None. Allowing commercial tenants to be members of business improvement districts and to serve as board members in Montgomery County does not affect Montgomery County’s finances.

**Small Business Effect:** Minimal.

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**Analysis**

**Bill Summary:** Owners of nonexempt property must elect owner members. Commercial tenants must elect commercial tenant members in accordance with an election process that

is established by Montgomery County or one of its municipalities in which the district is located. To the extent practicable, the election process for commercial tenant members must reflect the diversity of businesses and other organizations in the district.

Specified documentation for owners of nonexempt property who seek to establish a district corporation must contain a statement setting forth each commercial tenant within the proposed district to the extent reasonably ascertainable.

The owners of nonexempt property who seek to establish a district must send notice of a public hearing and a summary of the application to each owner and, to the extent reasonably ascertainable, each commercial tenant of nonexempt property within the proposed district the earlier of at least 90 days before the public hearing or when owners of at least 20% of the total number of nonexempt property parcels express the intent to establish a district.

The bill specifies that Montgomery County or its municipalities must impose the district tax only on district members who are owners of nonexempt property.

Montgomery County or one of its municipalities in which a district is established must develop policies and procedures for evaluating the desirability of continuing the district if requested by members of the district, instead of by owners of nonexempt property.

**Current Law:** Chapter 461 of 2010 authorized a county or municipality to establish business improvement districts, subject to specified conditions. Business improvement districts have traditionally been established by groups of local businesses and property owners with the goal of attracting customers, clients, and shoppers to the district by implementing coordinated improvements and shared marketing efforts.

Chapter 444 of 2017 exempted Montgomery County from the statewide business improvement district law and established a separate law solely for Montgomery County and its municipalities. It is identical to the statewide law except (1) the tax base of a district is broadened to include all real property that is not exempt from paying real property taxes, except for specified exclusions for certain residential property; (2) the minimum threshold of property owners necessary to create or expand a district is reduced; (3) notification requirements prior to creation of a district are altered to remove commercial tenants; (4) the board of directors of a district corporation may range in size from five to nine members; and (5) a proposed district that meets a statutory purpose is not required to be authorized.

Subject to a public hearing, Montgomery County and its municipalities may adopt a local law to create a business improvement district. A board of directors, which consists of five to nine members, must govern the district corporation. Appointment procedures must be provided in the local law establishing the district. Members of the district are owners of nonexempt property in the district. The notice required to be sent by the property owners

seeking to establish the district does not need to be sent to commercial tenants. If Montgomery County or one of its municipalities determines, in the sole discretion of the county or municipality, that the needs of the district meet a purpose set forth in the law, the governing body may authorize the district.

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### **Additional Information**

**Prior Introductions:** None.

**Designated Cross File:** None.

**Information Source(s):** Montgomery County; Department of Legislative Services

**Fiscal Note History:** First Reader - March 4, 2022  
fnu2/ljm Third Reader - March 17, 2022

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