



**BILL 25-0149 AS INTRODUCED**  
**RACIAL EQUITY IMPACT ASSESSMENT**  
**FRIENDSHIP HEIGHTS BUSINESS IMPROVEMENT**  
**DISTRICT AMENDMENT ACT OF 2023**

**TO:** The Honorable Phil Mendelson, Chairman, Council of the District of Columbia  
**FROM:** Namita Mody, Director, Council Office of Racial Equity  
**DATE:** June 30, 2023 *Namita H. Mody*

**COMMITTEE**

Committee on Business and Economic Development

**BILL SUMMARY**

Bill 25-0149 designates the Friendship Heights neighborhood as a Business Improvement District (BID) and allows a BID nonprofit to use additional taxes to provide services to the area.

**CONCLUSION**

B25-0149 will likely exacerbate racial inequity in the District of Columbia. The Friendship Heights BID would not uniquely worsen racial inequity in the District, but rather expand a BID system that 1) has contributed to the displacement of Black residents, 2) does not offer Black residents and other residents of color equal opportunities to represent their interests, 3) has broad authority to exercise power over communities with little accountability to everyone impacted, and 4) primarily serves the interests of wealthier, white residents at the expense of Black and other residents of color who are unhoused or have lower incomes.

Positive actions occur alongside these structural issues. For example, BID nonprofits provide many services that residents enjoy—ranging from litter removal to art installations and pop-up markets, among others. These benefits, however, do not outweigh the serious representation inequities and lack of accountability that exist within BID nonprofits in the District. BID nonprofits can provide helpful services while also contributing to the displacement Black residents—it is possible to do both.

However, it may be possible to structure a BID in a way that 1) represents the interests of all residents in a BID area, and 2) promotes economic development in a way that improves outcomes for Black and other residents of color. Current law—which requires BID decisions to be made by property and business owners—does not create this more racially equitable BID model. As such, any new BIDs under the current BID model will only widen existing racial inequities, as documented by a body of academic research.

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**Content Warning:** The following content touches on racism, forced displacement, homelessness, the racial wealth gap, denial of credit, policing, and the exploitation and killing of Indigenous people. Some or all of these issues may trigger a strong emotional response. We encourage you to use this knowledge in the way that is most helpful to you.

## **DOCUMENT OVERVIEW**

The document you are about to read is a Racial Equity Impact Assessment, a careful and organized examination of how Bill 25-0149 will affect different racial and ethnic groups. In other words, this assessment answers the question, “If Bill 25-0149 passes, how will it impact Black, Indigenous, and other residents of color in the District of Columbia?”

A bill is a draft document that the Council considers before deciding whether it should become a law. First, a Councilmember (or a group of Councilmembers) introduces a bill. This draft is referred to as the “introduced version.” Then, the Chairman assigns the bill to committee(s) for consideration based on the topics covered in the bill. Five Councilmembers sit on each committee, and all 13 sit on the Committee of the Whole.

If the committee decides they would like to move the bill forward in the lawmaking process, the introduced version is presented at a public hearing. At a public hearing, residents, community organizations, government witnesses, and other stakeholders give input.

If the committee decides to continue moving the bill forward after the public hearing, the committee can make changes to the introduced version of the bill, including incorporating feedback from the public hearing. This updated version of the bill is referred to as the “committee print.”

The next step in the lawmaking—or legislative—process is a meeting called a “markup.” At a markup, the committee reviews the committee print and votes on whether to move it forward. If the committee vote passes, all thirteen Councilmembers then vote on whether the committee print should become law at a legislative meeting.

During Council Period 25 (from 2023-2024), the Council Office of Racial Equity can write up to two Racial Equity Impact Assessments (REIAs) while the Council is considering a bill.

First, we *must* write a REIA that analyzes the introduced version of the bill. We publish this REIA following the public hearing—this is the REIA you are reading now. If the committee decides to move the bill forward, we can also write a second REIA that analyzes the committee print. The REIA on the committee print is published ahead of the markup. To see if we have published a second REIA on this bill, please review [our REIA database](#).

For an in-depth explanation of the REIA process, see [CORE’s website](#).

## **BILL SUMMARY**

We hope this overview of terms provides helpful context for the bill and our discussion of the bill’s racial equity impacts.

**FIGURE A** RELEVANT TERMS FOR BILL 25-0149

<b>TERM</b>	<b>DEFINITION</b>
<b>Real Property Tax</b>	A tax placed on a piece of land and the physical property on that land (like a building) ( <a href="#">source</a> <sup>1</sup> ). These taxes can depend on the type of property (Class 1, 2, or 3). In this REIA, “real property tax” and “property tax” are used interchangeably.
<b>Business Improvement District (BID)</b>	A Business Improvement District (BID) is a self-taxing district established by property owners to enhance the economic vitality of a specific commercial area. ( <a href="#">source</a> ) Every BID collects a property tax (called a BID tax) on property in the BID area— this is in addition to District property taxes. Every BID has a designated nonprofit (known as the BID nonprofit) to use these taxes and provide services to the community.
<b>BID Tax</b>	The BID tax is an additional tax on top of the property tax collected by the District. The BID tax is also collected by the District of Columbia, but all BID tax revenues are sent to a nonprofit organization managing the BID. Business and property owners control the BID nonprofit and how funds are spent. ( <a href="#">source</a> )
<b>BID Nonprofit</b>	The designated nonprofit in a BID area responsible for using the BID tax funds to provide services. It is led by a Board of Directors. The board is legally required to be made up of a majority of property and business owners. ( <a href="#">source</a> )
<b>Class 1 Property</b>	All residential property with no more than five dwelling units. ( <a href="#">source</a> )
<b>Class 2 Property</b>	All real property which is not Class 1 (residential property), Class 3 (vacant buildings that <a href="#">meet certain criteria</a> ), or Class 4 Property (blighted vacant buildings that <a href="#">meet certain criteria</a> ) ( <a href="#">source</a> )
<b>Net Rentable Square Feet</b>	“Net rentable area is the area (or square footage) for which rent can be charged. Net rentable area is determined by measuring the overall square footage of a space, floor or building and subtracting all vertical penetrations. Vertical penetrations make portions of the area unusable and include elevator shafts, stairways, heating/cooling venting and mechanical shafts.” ( <a href="#">source</a> ) In the District, this number may be reported to and is on record with the Office of Tax and Revenue. ( <a href="#">source</a> )

<sup>1</sup> As a best practice, the Council Office of Racial Equity cites peer-reviewed journals, newspaper articles, and government materials rather than private or commercial sources. Private and commercial sources are more likely to have a bias or slant and are not held to the same rigorous factual standards. In this instance and to define “net rentable square feet,” we cited a commercial source to reference their clear, plain language definition.

The following content describes Bill 25-0149 in plain language for the purposes of discussion. This explanation is not a substitute for the bill, or if passed, the law. Mentions of “bill” throughout this REIA refer to the introduced version.

A Business Improvement District “is a self-taxing district established by property owners to enhance the economic vitality of a specific commercial area.”<sup>2</sup> BIDs fund themselves through additional taxes, known as the “BID tax.” In short, BIDs collect funds through these taxes and use these funds to provide services for everyone in an area—adding to existing government services.

At a high level, a BID works like this (for more detail, see footnote):<sup>3</sup>

1. The DC Government designates an area in the District as a BID at the request of property owners.
2. The DC Government places an additional tax on all property in the BID. The tax amount is voted on by the BID’s Board of Directors and members and is approved by the Council.
3. The DC Government collects these additional taxes for a nonprofit organization that manages the BID.
4. The BID nonprofit uses these funds to provide services to the area—this is *in addition* to services the government already provides. These can include additional litter removal, security, business services, and capital improvements, among others.

Bill 25-0149 designates the Friendship Heights neighborhood as a Business Improvement District (BID) and allows a BID nonprofit to use additional tax funds to provide services to the area.

Bill 25-0149 would collect the following taxes in addition to property taxes already collected by the District in the Friendship Heights area:

- 16.5¢ per net rentable square foot for Class 2 properties (this excludes hotels)
- \$120 annually per hotel or motel room
- \$120 per unit of Class 1 properties that contain five or more residential units for rent (*all other Class 1 Property is exempt—for example, homeowners who own one unit are exempt*)

B25-0149 allows the Friendship Heights BID taxes to increase every year by 3%.

Residential units that are restricted (due to a Federal or District program) to households earning 100% or less than the median family income<sup>4</sup> are exempt from the BID tax. Units with income restrictions above 100% of the median family income are required to pay the BID tax—though a lower amount. Homeowners who have a ground lease—such as those owning a home under a Community Land Trust—would also pay a lower BID tax.

## **BACKGROUND**

To analyze the racial equity impacts of this bill, it is critical to understand the context surrounding the issue as well as data on current racial inequities. Below, we summarize research on business improvement districts, their actions, their policy influence, their access to local government, their representation and governance, their accountability, the Friendship Heights Alliance nonprofit, and Friendship Heights neighborhood history.

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<sup>2</sup> DC Department of Small and Local Business Development. “[Business Improvement Districts \(BIDs\)](#).” Accessed June 2023.

<sup>3</sup> Ibid.

<sup>4</sup> Median family income is the middle income in the District—meaning 50% of residents have lower incomes and 50% have higher. It is used to determine rents and purchase prices for housing with income requirements. The [rates for 2023](#) are online.

## What are Business Improvement Districts?

As mentioned earlier, a Business Improvement District (BID) is a “is a self-taxing district established by property owners to enhance the economic vitality of a specific commercial area.”<sup>5</sup> In short, BIDs collect funds through BID taxes<sup>6</sup> and use these funds to provide services for everyone in an area—adding to existing government services.

Property and business owners often advocate the government to designate their area as a BID when they want more services and are willing to pay more for them. Current law states that BIDs are meant to:

promote the general welfare of the residents, employers, employees, property owners, commercial tenants, consumers, and the general public within a BID’s geographic area by preserving, maintaining, and enhancing the economic health and vitality of a BID area as a community and business center.<sup>7</sup>

Currently, the District has 11 Business Improvement Districts. The following are the nonprofit organizations that manage and use the taxes from each BID to provide services:

- [Adams Morgan Partnership BID](#)
- [Anacostia BID](#)
- [Capitol Hill BID](#)
- [Capitol Riverfront BID](#)
- [Downtown DC BID](#)
- [Dupont Circle BID](#)
- [Georgetown BID](#)
- [Golden Triangle BID](#)
- [Mount Vernon Triangle BID](#)
- [NoMa BID](#)
- [Southwest BID](#)

## BID Nonprofits’ Actions

Current law grants BID nonprofits flexibility to provide services and programs as long as their activities are “designed to improve the economic development climate in the area.”<sup>8</sup> Generally, this includes the following,<sup>9</sup> though any activity<sup>10</sup> related to improving economic development is allowed:

- promotion for festivals and markets
- maintenance of parks, sidewalks, plazas, and other public spaces
- marketing for tourism, job creation, and business attractions
- promotion for retail, dining, and arts
- services to improve public safety including “goodwill ambassadors” and private security
- services to improve transportation
- programs to improve business storefronts and facades
- development of special signage

Research on BID nonprofits in the District shows that their efforts predominately attract new, wealthier—and white—residents which in return increases property values and costs in the area.<sup>11</sup> As a result, BID

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<sup>5</sup> DC Department of Small and Local Business Development. “[Business Improvement Districts \(BIDs\)](#).” Accessed June 2023.

<sup>6</sup> They can, however, apply for government grants and lobby for tax subsidies for development. ([source](#))

<sup>7</sup> [DC Code § 2-1215.01. Findings and purpose.](#)

<sup>8</sup> [DC Code § 2-1215.02. Definitions.](#)

<sup>9</sup> Ibid.

<sup>10</sup> [A BID’s activities and services](#) must be included in a business plan that is submitted to the DC Government. The business plan covers the first three years of the five-year term. The board of the BID nonprofit can edit the plan with a 2/3 vote and with approval from the DC Government.

<sup>11</sup> Schaller, Susanna F. [Business Improvement Districts and the Contradictions of Placemaking: BID Urbanism in Washington, D.C.](#) University of Georgia Press, 2019.

nonprofits have contributed to the ongoing displacement of Black individuals in the District.<sup>12,13</sup> Importantly, white residents now tend to move to areas with BIDs over areas without BIDs.<sup>14</sup>

According to research from Susanna Schaller, author of *Business Improvement Districts and the Contradictions of Placemaking: BID Urbanism in Washington, D.C.*, BID nonprofits generally “do not address historical patterns of exclusion but renew skewed patterns of wealth creation.”<sup>15</sup>

BID nonprofit activities such as yoga classes and art shows may appear insignificant to racial equity, but they play a veiled role in attracting a specific audience that is often not Black.<sup>16</sup> In some instances, BID nonprofits actively advocate for policies that exacerbate racial inequities as seen through the NoMa BID’s open letter<sup>17</sup> to clear encampments of unhoused residents, who are disproportionately Black.<sup>18</sup> (The NoMa BID changed their stance on the issue following community backlash.) As Coy McKinney, a DC resident and researcher observed,

although BIDs engage in a variety of community-oriented initiatives, their structure, focus, and impact have primarily benefited affluent, predominantly [w]hite, residents, which has exacerbated an already racially divided city.<sup>19</sup>

Importantly, some BID activities in the District extend beyond economic development. For example, the Golden Triangle BID provides outreach services for unhoused residents.<sup>20</sup> These types of activities, however, are voluntary and are not required under current law.

## **BID Nonprofits and Policy Influence**

Additionally, research on BID nonprofits shows they also impact policy across the District. Through their funds and influence they have been able to “shape zoning recommendations, transportation policy, urban design guidelines, cultural policies and public realm programming.”<sup>21</sup> This can include advocating against affordable housing requirements, changing levels of policing, or the removal of unhoused residents, among other policies.<sup>22</sup> These actions have effects across the city, not just within the BID. For example, BID nonprofits have advocated for policies outside of their BID areas and suggestions of one BID nonprofit for their own area have been replicated by the District government in other areas (like encampment clearing approaches).<sup>23</sup>

In general, BID nonprofits have broad authority and flexibility to provide services and advocate for policies they see fit for the community.

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<sup>12</sup> Schaller, Susanna F. *Business Improvement Districts and the Contradictions of Placemaking: BID Urbanism in Washington, D.C.* University of Georgia Press, 2019.

<sup>13</sup> Schaller, Susanna F., Aaron Howe, Coy McKinney, and Sarah Shoenfeld. “[Making Power Visible: Business Improvement Districts and Creative Placemaking in Washington, DC.](#)” *Urban Studies*, May 23, 2023.

<sup>14</sup> Schaller, Susanna F. *Business Improvement Districts and the Contradictions of Placemaking: BID Urbanism in Washington, D.C.* University of Georgia Press, 2019.

<sup>15</sup> Ibid.

<sup>16</sup> Ibid.

<sup>17</sup> NoMa BID. “[An Open Letter From the NoMa BID About Underpass Encampments.](#)” August 21, 2019.

<sup>18</sup> The Community Partnership for the Prevention of Homelessness. “[Homelessness In DC.](#)” Accessed June 2023.

<sup>19</sup> McKinney, Coy. “[The Case For A Radical BID.](#)”

<sup>20</sup> Golden Triangle. “[Homeless Outreach.](#)” Accessed June 2023.

<sup>21</sup> Schaller, Susanna F., Aaron Howe, Coy McKinney, and Sarah Shoenfeld. “[Making Power Visible: Business Improvement Districts and Creative Placemaking in Washington, DC.](#)” *Urban Studies*, May 23, 2023.

<sup>22</sup> Ibid.

<sup>23</sup> Ibid.

## **BID Nonprofits’ Representation and Governance**

BID nonprofits are managed by a board that is made up mostly of property and business owners. In fact, current law requires property and business owners to make up the majority (more than 50%) of the board.<sup>24</sup> Boards can include community members and other residents, but are not required to do so. Current law does not require board members to be elected by BID members. BID nonprofits can decide to have elections—but are not required. For the first three years of the BID nonprofit, board members are appointed through the BID application submitted to the Mayor.

Notably, Black and other residents of color are less likely to own commercial property or a business than white residents—meaning that current criteria for board membership favors white residents.<sup>25</sup> Nationally, “only 3% of Black households own residential commercial real estate, compared to 8% of white households,” according to a 2019 consumer survey.<sup>26</sup> In addition, Black-owned businesses make up 14 percent of all businesses in the District while 71 percent of businesses are owned by white residents.<sup>27</sup> These inequities are due to years of restrictions on wealth building opportunities.<sup>28</sup>

Research from Susanna Schaller on BIDs in the District states that,

despite the expanding influence of BIDs in shaping urban life, citizen representation and participation is limited because BIDs legally reserve majority-voting power on their board of directors for property owners.<sup>29</sup>

The overrepresentation of property and business owners has resulted in the overrepresentation of property development and real estate interests in BID nonprofit boards.<sup>30</sup> Additionally, current law does not have a residency requirement for property and business owners—meaning they are not required to live in the BID area.

## **BID Nonprofit Accountability**

To create a BID, current law requires a nonprofit to submit an application to the Mayor. In addition to other items, the application must include a BID request statement signed by owners who collectively own 25% of individual taxable properties in the BID area.<sup>31</sup>

Additionally, current law requires BID nonprofits to do the following:

- submit a business plan to the DC Government covering the first three years of the five-year term,
- keep detailed records and receipts related to BID operations and administration,
- provide an annual report to the Mayor with financial statements, updates on goals and objectives, and the proposed operating budget (copies must also be sent to the DC Council, Advisory Neighborhood Commissions, board members, and placed on the BID website).

Current law prohibits BID nonprofits from:

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<sup>24</sup> [DC Code § 2–1215.07. Board of Directors; officers; qualifications; expenses.](#)

<sup>25</sup> Schaller, Susanna F., Aaron Howe, Coy McKinney, and Sarah Shoenfeld. “[Making Power Visible: Business Improvement Districts and Creative Placemaking in Washington, DC.](#)” *Urban Studies*, May 23, 2023.

<sup>26</sup> Jonathan Rothwell, Tracy Hadden Loh, and Andre M. Perry. “[The Devaluation of Assets in Black Neighborhoods: The Case of Commercial Property.](#)” Brookings, July 11, 2022.

<sup>27</sup> D.C. Policy Center and Council Office of Racial Equity. “[DC Racial Equity Profile.](#)” 2021.

<sup>28</sup> [The Color of Wealth in the Nation’s Capital](#), The Urban Institute, November 2016.

<sup>29</sup> Schaller, Susanna F. [Business Improvement Districts and the Contradictions of Placemaking: BID Urbanism in Washington, D.C.](#) University of Georgia Press, 2019.

<sup>30</sup> McKinney, Coy. “[The Case for a Radical BID.](#)” *TheDCLine*, October 17, 2019.

<sup>31</sup> DC Code [§ 2–1215.04. Establishment of Business Improvement District.](#)

- engaging in financial support for political activities,<sup>32</sup>
- promoting one business over another one,<sup>33</sup>
- reducing or eliminating existing government services.<sup>34</sup>

All BID nonprofits are registered and managed by the DC Department of Small and Local Business Development.

## The Friendship Heights Alliance

Friendship Heights currently has a nonprofit—the Friendship Heights Alliance—that would become the designated Friendship Heights BID nonprofit. They were founded in 2021<sup>35</sup> as a property owner and business collective to:<sup>36</sup>

- make the neighborhood more walkable,
- connect retail and public spaces with residents,
- support more affordable housing, including multifamily units, and
- build a diverse and inclusive community.

They are funded “through a grant from the Department of Small and Local Business Development (DSLBD) and voluntary contributions from member property owners.”<sup>37</sup> Since their founding they have promoted pop-up spaces, markets, and special events, among other services.

The Friendship Heights Alliance is led by a Board of Directors made up nearly entirely of people with experience in real estate development (see Appendix).<sup>38</sup> They are looking to create an Advisory Committee made up of “cultural groups, residents, and other stakeholders.”<sup>39</sup> Notably, if the Friendship Heights Alliance becomes the Friendship Heights BID nonprofit, BID decisions would be entirely dictated by the board.

## History of the Friendship Heights Neighborhood

Friendship Heights is made up of two areas—the Village of Friendship Heights in Montgomery County, Maryland, and another in the District (north of Tenleytown and west of Chevy Chase).<sup>40</sup>

It is likely that Indigenous peoples lived and thrived in the area—though identifying the exact Indigenous tribe is difficult. The National Park Service notes that an Indigenous village existed “on a narrow bluff between today’s Chesapeake and Ohio Canal and MacArthur Boulevard in the northwest section of the city,”<sup>41</sup> an area close to Friendship Heights. This village’s location near the Potomac River was a major hub and trading center for many Indigenous tribes.<sup>42</sup> Europeans reached the area by the early 17<sup>th</sup> century and exploited, displaced, and killed most of the local Indigenous population. Within 40 years, nearly 75% of

<sup>32</sup> DC Code [§ 2-1215.19. Prohibited acts.](#)

<sup>33</sup> DC Code [§ 2-1215.19. Prohibited acts.](#)

<sup>34</sup> DC Code [§ 2-1215.20. Maintenance of base level of city services.](#)

<sup>35</sup> “[Public Hearing for B25-0149, Testimony from the Friendship Heights Alliance](#),” June 8, 2023. (*not yet published as of June 29, 2023*)

<sup>36</sup> Friendship Heights Alliance. “[About](#).” Accessed June 2023.

<sup>37</sup> Friendship Heights Alliance. “[Alliance](#).” Accessed June 2023.

<sup>38</sup> Friendship Heights Alliance. “[Board of Directors](#).” Accessed June 2023.

<sup>39</sup> Ibid.

<sup>40</sup> Khademian, Yasna. “[Ten Facts You May Not Know About Friendship Heights](#).” *DCist* (newspaper).

<sup>41</sup> “[Native Peoples of Washington, DC](#).” U.S. National Park Service, January 10, 2018.

<sup>42</sup> Ibid.



Indigenous people were forcibly displaced or killed.<sup>43</sup> Today the Indigenous population in the Friendship Heights area is less than 1%.<sup>44</sup>

Since the 1850s, Black residents have lived in in the District’s upper northwest neighborhoods such as Tenleytown, Chevy Chase, and Friendship Heights.<sup>45</sup> Both free-born Black residents and former enslaved Black residents built community here—treasuring familial bonds while embracing an opportunity to participate in society.<sup>46</sup> However, by the 1920s the federal government began displacing Black homeowners in these neighborhoods. It is documented that the National Capital Park and Planning Commission used eminent domain to acquire Black homeowners’ land—in what was then called Reno City.<sup>47,48</sup> This displacement and segregation led to neighborhoods such as Friendship Heights becoming almost exclusively made up of white residents throughout the 1900s.<sup>49</sup>

Today, less than 9% of residents living in Friendship Heights are Black—approximately 71% are white.<sup>50</sup> This in contrast to the District as whole, where Black and white residents each make up 40% of total residents.<sup>51</sup> The median household income of white families living in Friendship Heights<sup>52</sup> is roughly \$200,000, while the median household income for Black families is approximately \$96,000.<sup>53</sup>

The proposed Friendship Heights BID primarily surrounds the now closed retail complex known as Mazza Gallerie. It opened in 1977, becoming a shopping, dining, and entertainment destination for upper Northwest residents, Maryland neighbors, and Friendship Heights visitors.<sup>54</sup> While attempts have been made throughout the decades to revitalize the complex with the hopes of maintaining relevancy to survive changing times, the COVID-19 pandemic saw the permanent closure of Mazza Gallerie. Shortly after its initial closure, Developer Tishman Speyer secured financing to reimagine the mall as a residential development.<sup>55</sup> The plan is to turn the mall into a 7-story, 325-unit apartment complex with modern amenities to attract new residents.<sup>56</sup> Retail is also an integral part of the project, with the expectation that boutique stores and dining options would reside along Wisconsin Avenue.<sup>57</sup> The reimagined development is set to open in Friendship Heights in 2025.<sup>58</sup>

## **RACIAL EQUITY IMPACTS**

### **B25-0149’s creation of a new BID will likely exacerbate racial inequity in the District of Columbia.**

Research on BID nonprofits in the District<sup>59</sup> and in the US shows that the current BID structure perpetuates and can widen racial inequity. The Friendship Heights BID would not uniquely worsen racial inequity in the

<sup>43</sup> “[Native Peoples of Washington, DC.](#)” U.S. National Park Service, January 10, 2018.

<sup>44</sup> DC Health Matters. “[DC Health Matters | Demographics | Zip Code | 20015 | Race.](#)” Accessed June 2023.

<sup>45</sup> Flanagan, Neil. “[You Should Know About George Pointer.](#)” Washington City Paper, July 19, 2018.

<sup>46</sup> Ibid.

<sup>47</sup> Ibid.

<sup>48</sup> Wills, Matthew. “[Segregation by Eminent Domain.](#)” JSTOR Daily, June 2, 2023.

<sup>49</sup> Flanagan, Neil. “[You Should Know About George Pointer.](#)” Washington City Paper, July 19, 2018.

<sup>50</sup> DC Health Matters. “[DC Health Matters | Demographics | Zip Code | 20015 | Race.](#)” Accessed June 2023.

<sup>51</sup> DC Health Matters. “[DC Health Matters | Demographics | City | District of Columbia | Race.](#)” Accessed June 2023.

<sup>52</sup> DC Health Matters. “[DC Health Matters | Demographics | Zip Code | 20015 | Income.](#)” Accessed June 2023.

<sup>53</sup> Ibid.

<sup>54</sup> Moeller, Amy. “[Goodbye, Mazza Gallerie and Lakeforest Mall - Washingtonian.](#)” February 24, 2023.

<sup>55</sup> UrbanTurf. “[Mazza Gallerie Mall Redevelopment Secures Financing, Retail Looks to Open in 2025.](#)”

<sup>56</sup> Ibid.

<sup>57</sup> Ibid.

<sup>58</sup> Ibid.

<sup>59</sup> Schaller, Susanna F., Aaron Howe, Coy McKinney, and Sarah Shoenfeld. “[Making Power Visible: Business Improvement Districts and Creative Placemaking in Washington, DC.](#)” *Urban Studies*, May 23, 2023.

District, but rather expand a BID system that 1) has contributed to the displacement of Black residents, 2) does not offer Black residents and other residents of color equal opportunities to represent their interests, 3) has broad authority to exercise power over communities with little accountability to everyone impacted, and 4) primarily serves the interests of wealthier, white residents at the expense of Black and other residents of color who are unhoused or have lower incomes.

Specifically, BID nonprofit board representation law is perpetuating institutional racism in the provision of government-like services. BID nonprofit board members are not elected by residents, yet they make decisions for 11 neighborhoods and thousands of residents throughout the District. Some BID nonprofits even see themselves as playing a role similar to elected government representatives. In 2016, a BID nonprofit executive stated that “as mayors change, council members change, and ANC representatives change, the BID can be seen as the go-to representative or the constant institutional organization for that neighborhood.”<sup>60</sup> Current law also guarantees that a majority of these positions are reserved for property and business owners—qualifiers that Black and other residents of color are less likely to have due to structural racism.

Black, Indigenous, and other residents of color are less likely to own their homes, commercial property, and businesses in the District.<sup>61</sup> Black-owned businesses make up 14% of all businesses in the District while 71% of businesses are owned by white residents.<sup>62</sup> Nationally, “only 3% of Black households own residential commercial real estate, compared to 8% of white households,” according to a 2019 consumer survey.<sup>63</sup> This is due to redlining,<sup>64</sup> racial covenants,<sup>65</sup> and denial of credit on top of years of restrictions on wealth building opportunities.<sup>66</sup>

Current law grants BID nonprofit boards broad powers to provide services for an entire community like a government body. However, unlike a democratic government body, they are not required to be elected nor are their positions accessible to all.

## **FURTHER CONSIDERATIONS**

### **Changes to BID board representation requirements could create a more racially equitable structure.**

Importantly, BID nonprofits could better represent BID neighborhoods if the law required the board to include members who are not property or business owners—and granted them meaningful voting power.<sup>67</sup> Many BID nonprofits hire staff or create non-voting positions that do not require owning property or a business—as a result they are more accessible to Black and other residents of color. Some even include positions for Advisory Neighborhood Commissioners (elected government representatives). Importantly, however, their voice is not a vote.

**Current law grants BID nonprofits broad authority to provide services similar to a government entity with few requirements and limited accountability.** BID nonprofits in the District operate like local private

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<sup>60</sup> Schaller, Susanna F. *Business Improvement Districts and the Contradictions of Placemaking: BID Urbanism in Washington, D.C.* University of Georgia Press, 2019.

<sup>61</sup> Council Office of Racial Equity and D.C. Policy Center. “[DC Racial Equity Profile](#),” January 2020.

<sup>62</sup> Ibid.

<sup>63</sup> Jonathan Rothwell, Tracy Hadden Loh, and Andre M. Perry. “[The Devaluation of Assets in Black Neighborhoods: The Case of Commercial Property](#).” Brookings, July 11, 2022.

<sup>64</sup> [Mapping Segregation in D.C.](#), Sarah Shoenfeld, DC Policy Center.

<sup>65</sup> Ibid.

<sup>66</sup> [The Color of Wealth in the Nation’s Capital](#), The Urban Institute, November 2016.

<sup>67</sup> McKinney, Coy. “[The Case for a Radical BID](#).” *TheDCLine*, October 17, 2019.

governments.<sup>68</sup> Some BID nonprofit executives in the District have even proclaimed that they “are actually like small city governments.”<sup>69</sup>

Currently, the only oversight and guardrails on BIDs are an annual report and business plan that they must adhere to. Both are submitted to the Mayor. Beyond these documents, they have jurisdiction to provide any government service in the name of economic development.

Their authority regarding increased policing is especially concerning. BID nonprofits can worsen discriminatory policing.<sup>70</sup> Research on BIDs from California shows that they overwhelmingly “coordinate closely with local police departments—and sometimes use their own private security—to enforce anti-homeless laws and otherwise exclude or remove homeless people from their districts.”<sup>71</sup> This has often resulted in the exclusion and over policing of people who are deemed to hurt local business—such as unhoused residents.<sup>72</sup>

Use of private policing by BID nonprofits in DC has not been as stark as BID nonprofits in California, but a BID nonprofit in DC has used private security to remove unhoused residents.<sup>73</sup> A history of racist policies has led to Black residents disproportionately experiencing homelessness. In 2023, 81% of people experiencing homelessness in the District were Black.<sup>74</sup> While a BID nonprofit’s use of private security is permitted by DC Law, it is unclear what the parameters of their authority are.

In addition, another BID nonprofit has advocated for additional policing in their area.<sup>75</sup> Law enforcement interactions can range from inconvenient to traumatizing to fatal—especially for Black residents. In the District, we see that Black residents are disproportionately arrested and cited for minor violations, despite being just 46% of the District’s population.<sup>76</sup> In fact, a recent ACLU report highlights that Black people accounted for 86% of all arrests in the District—ten times the arrest rate of white residents.<sup>77</sup>

### **BID nonprofits are not required to collaborate with District-based Equity Impact Enterprises.**

According to DC Law, an Equity Impact Enterprise<sup>78</sup> is a business enterprise that is owned by a DC resident whose business is also certified as a resident-owned business and a small business. An Equity Impact Enterprise (EIE) must also be at least 51% owned by an individual or individuals who are “economically disadvantaged” or “have been subjected to racial or ethnic prejudice or cultural bias because of their identity as a member of a group without regard to their individual qualities.”<sup>79</sup> These businesses are often explicitly recognized to be owned by Black, Indigenous, and other residents of color.

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<sup>68</sup> Alibašić, Haris. “[Business Improvement Districts in the United States: Private Government and Public Consequences.](#)” *Public Administration Review* 78 (January 12, 2018).

<sup>69</sup> Schaller, Susanna F. [Business Improvement Districts and the Contradictions of Placemaking: BID Urbanism in Washington, D.C.](#) University of Georgia Press, 2019.

<sup>70</sup> Walicek, Tyler. “[Business Improvement Districts’ Quietly Privatize the Policing of Public Space.](#)” Truthout, October 10, 2021.

<sup>71</sup> Selbin, Jeffrey, Stephanie Campos-Bui, Joshua Epstein, Laura Lim, Shelby Nacino, Paula Wilhlem, and Hannah Stommel. “[Homeless Exclusion Districts: How California Business Improvement Districts Use Policy Advocacy and Policing Practices to Exclude Homeless People from Public Space.](#)” UC Berkeley Public Law Research Paper, July 27, 2018.

<sup>72</sup> Walicek, Tyler. “[Business Improvement Districts’ Quietly Privatize the Policing of Public Space.](#)” Truthout, October 10, 2021.

<sup>73</sup> Schaller, Susanna F., Aaron Howe, Coy McKinney, and Sarah Shoenfeld. “[Making Power Visible: Business Improvement Districts and Creative Placemaking in Washington, DC.](#)” *Urban Studies*, May 23, 2023.

<sup>74</sup> The Community Partnership for the Prevention of Homelessness. “[Homelessness in DC.](#)” Accessed June 2023.

<sup>75</sup> Dil, Cuneyt. “[Three Ways D.C. Is Reimagining Chinatown-Gallery Place.](#)” Axios, April 7, 2023.

<sup>76</sup> ACLU of DC. “[Racial Disparities in D.C. Policing: Descriptive Evidence from 2013–2017.](#)” April 28, 2021.

<sup>77</sup> Ibid; Howell, Melissa. “[DC Police Disproportionately Target Black People for Minor Violations: Study.](#)” *WTOP NEWS*.

<sup>78</sup> [Equity Impact Enterprise](#), Pub. L. No. 23–149, § 2–218.77, Code of the District of Columbia (2020).

<sup>79</sup> [DC Code § 2–218.02. Definitions.](#)

EIEs are a type of Certified Business Enterprise (CBE), which is a DC based business.<sup>80</sup> BID nonprofits are not required to contract with any types of businesses to provide services. Explicitly mandating EIE involvement is an important step to apply a racial equity lens to how BIDs provide economic development services.

**More research is needed to better understand the cost the BID tax has on tenants and other residents.**

BID taxes only apply to select property owners and all business owners within a BID area. It could be the case, however, that all residents in a BID area, including tenants, are also paying the tax—though indirectly. Economic theory tells us that tax increases—including property taxes<sup>81</sup>—can be shared among multiple stakeholders.<sup>82</sup> Businesses, for example, pass down costs of property taxes and minimum wage increases onto workers and consumers.<sup>83</sup> Landlords can also partially pass down property taxes onto tenants through increased rents.<sup>84,85</sup>

Understanding who pays the BID tax is especially important given the undemocratic structure of BID nonprofits. Current law mandates representation of property and business owners in BID nonprofit boards on the premise that they pay the BID tax. If research shows that all residents indirectly pay BID taxes, then tenants and residents in BID areas are being partially taxed without fair and proper representation. Importantly, Black residents are more likely to be tenants and less likely to be able to serve on BID nonprofit boards.

**More oversight is needed to better understand the impacts of BIDs.** Current law grants the Mayor and the DC Council oversight authority over BIDs.<sup>86</sup> However, in their over 20 years of existence, it does not appear that any collective and dedicated government audit or research has been conducted to better understand their performance, impacts, or operations. This is especially critical given findings of academic research demonstrating how BID nonprofits in the District have harmed outcomes for Black and other residents of color.<sup>87, 88</sup>

**Academic research on BIDs is extensive.** This REIA does not cover all of the research on the over 1,200 BIDs<sup>89</sup> in the US or the current 11 BIDs in the District. However, referencing existing research<sup>90, 91</sup> on the racial equity impact of BIDs to inform current and future BID policy in the District is critical for the wellbeing of the District’s Black, Indigenous, and other residents of color.

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<sup>80</sup> DC Department of Small and Local Business Development, “[CBE Certifications](#),” Accessed June 2023.

<sup>81</sup> Dadzie, Richard B. “[Tax Shifting and Tax Incidence: A Review of the Literature](#).” Washington (State) Department of Revenue, 2022.

<sup>82</sup> Tax Foundation. “[What Is Tax Incidence?](#)” Accessed June 2023.

<sup>83</sup> Harasztosi, Peter, and Attila Lindner. “[Who Pays for the Minimum Wage?](#)” *American Economic Review* 109, no. 8 (August 2019): 2693–2727.

<sup>84</sup> Yinger, John M. “[Notes on the Incidence of the Property Tax](#).” Accessed June 2023.

<sup>85</sup> Schaller, Susanna F. [Business Improvement Districts and the Contradictions of Placemaking: BID Urbanism in Washington, D.C.](#) University of Georgia Press, 2019.

<sup>86</sup> [DC Code § 2-1215.01-22](#).

<sup>87</sup> Schaller, Susanna F., Aaron Howe, Coy McKinney, and Sarah Shoenfeld. “[Making Power Visible: Business Improvement Districts and Creative Placemaking in Washington, DC](#).” *Urban Studies*, May 23, 2023.

<sup>88</sup> Schaller, Susanna F. [Business Improvement Districts and the Contradictions of Placemaking: BID Urbanism in Washington, D.C.](#) University of Georgia Press, 2019.

<sup>89</sup> Partnership for Downtown Rochester. “[What’s a Business Improvement District?](#)” Accessed June, 2023. See also: Farris, Terry. “[Business Improvement Districts in the United States: Private Government and Public Consequences](#), by Abraham Unger.” *Journal of Urban Affairs* 41, no. 6 (August 18, 2019): 875–77.

<sup>90</sup> Schaller, Susanna F., Aaron Howe, Coy McKinney, and Sarah Shoenfeld. “[Making Power Visible: Business Improvement Districts and Creative Placemaking in Washington, DC](#).” *Urban Studies*, May 23, 2023.

<sup>91</sup> Schaller, Susanna F. [Business Improvement Districts and the Contradictions of Placemaking: BID Urbanism in Washington, D.C.](#) University of Georgia Press, 2019.

## **ASSESSMENT LIMITATIONS**

Alongside the analysis provided above, the Council Office of Racial Equity encourages readers to keep the following limitations in mind:

**We generally do not provide policy solutions or alternatives to address our racial equity concerns.**

While Council Period 25 Rules allow our office to make policy recommendations, we focus on our role as policy analysts—we are not elected policymakers or committee staff. In addition, and more importantly, racially equitable policymaking takes time. We would need more time to ensure comprehensive research and thorough community engagement inform our recommendations.

**Assessing legislation’s potential racial equity impacts is a rigorous, analytical, and organized undertaking—but it is also an exercise with constraints.** It is impossible for anyone to predict the future, implementation does not always match the intent of the law, critical data may be unavailable, and today’s circumstances may change tomorrow. Our assessment is our most educated and critical hypothesis of the bill’s racial equity impacts.

**Regardless of the Council Office of Racial Equity’s final assessment, the legislation can still pass.** This assessment intends to inform the public, Councilmembers, and Council staff about the legislation through a racial equity lens. If a REIA is issued for a bill, committees must summarize and respond to the assessment in their committee report (a public document which accompanies the bill and explains the committee’s reasoning, analysis of relevant issues, and hearing testimony, among other items contextualizing the legislation). Committee reports can be found via the [Legislative Information Management System \(LIMS\)](#) after a bill’s mark up.

If a REIA identifies a negative impact on racial equity, the bill may be placed on the non-consent agenda at the next legislative meeting. However, a REIA is not binding.

**This assessment aims to be accurate and useful, but omissions may exist.** Given the density of racial equity issues, it is unlikely that we will raise *all* relevant racial equity issues present in a bill. In addition, an omission from our assessment should not: 1) be interpreted as a provision having no racial equity impact or 2) invalidate another party’s racial equity concern.

## APPENDIX

**FIGURE 1** The Friendship Heights Alliance Board of Directors is made up nearly entirely of people with experience in real estate development.

BOARD MEMBER	CURRENT EMPLOYMENT ORGANIZATION	BOARD MEMBER EXPERIENCE
James "Jad" Donohoe IV	Donohoe Development Company	Real Estate
Mustafa Popal	Tishman Speyer	Real Estate
John Ziegenhein	The Chevy Chase Land Company	Real Estate
James Rich	Zuckerman Gravelly Development	Real Estate
Donna Cooper	Pepco	Utilities
Brian Grant	Equity Residential	Real Estate
Harris Markowitz	Clarion Partners	Real Estate
Joe Michel	Transwestern	Real Estate
Liz Price	WMATA	Real Estate
Geoff Sharpe	Federal Realty Investment Trust	Real Estate
DJ Sworobuk	Grosvenor	Real Estate
Ralph Voight	Voight Building LLC	Real Estate
Simon Bustow	Boston Properties	Real Estate

Note: It is not clear if this was the Board that was submitted in the application for the Friendship Heights Alliance BID.