

# Business Improvement Districts: Partnering Local Governments and Business

by Lawrence Houstoun

**T**here are more than 1,000 business improvement districts (BIDs) in North America, and their numbers continue to increase. Although roughly one in 10 never completes the pre-ordinance organization phase, once up and running their private sector sponsors almost never abandon them. BIDs have been formed in localities with as few residents as 10,000. They are popular with their authorizing governments as well as the private sector people who manage them and share their costs. While most are in the United States, the first BIDs were formed in Toronto, Canada, and their numbers are increasing rapidly in Britain and South Africa.

Most BIDs start with business leadership, although some are launched at the initiative of local governments. Maplewood, New Jersey's planning board

launched two in that suburb. Trenton, New Jersey's economic development office started the downtown BID there. The borough administrator of Netcong, New Jersey, encouraged BID formation and serves as its part-time manager. The mayor of Jacksonville, Florida, challenged business leaders to form one. Most BIDs have at least one local representative, manager, or councilmember on their boards of directors. Most are nonprofit corporations.

Eighty or 90 percent of them have modest budgets and low shared costs, enabling them to produce effective marketing that attracts customers and investors. A district with 200-odd properties may have an annual assessment budget of \$200,000, supporting a BID manager and services essential to improved business profitability and property values. Charges are usually based on each

## Report at a Glance

Business improvement districts (BIDs) are local economic development tools that combine private enterprise financing, local authority, and shared management. This article describes the purposes and principles common to American BIDs; the respective roles of government and those of business and real estate interests; strengths and weaknesses of these districts; and ways they are responding to the current recession.

property's share of the total valuation of all affected properties in the service area; less-valuable properties may incur a bill equal to 50 cents a day, substantially below property taxes or common area maintenance charges.

BIDs are popular with local governments and sponsoring private sector people for these reasons:

1. They are self-financing. The sponsors agree on a cost-sharing formula at the outset and are comfortable knowing that they can rely on the planned benefits because the assessment is a multiyear resource. In contrast, when the revenue stream is dependent on year-by-year voluntary contributions, contracts for services and agreements with a district manager are tenuous.
2. BIDs help build local revenues. Improved properties have greater value to the local governments and add to the basis for local sales and other taxes.
3. A well-run BID is entrepreneurial and will attract grants and other outside money to the locality. In addition to funding for closed-circuit television, BIDs have attracted funds for commercial façade improvements, pedestrian lighting, and directional signage.
4. BIDs are well tested and adaptable to diverse needs and opportunities. Many formed in recent years are intended to improve the district's competitive position and are geared to exploiting economic opportunities. BIDs are as common in small towns and suburbs as they are in larger city neighborhoods.
5. Commercial centers with poor shopping, little foot traffic, and poor reputations are typically the most visible evidence of the community's economic health and worth. A bad downtown image negatively affects even residential property values. BIDs successfully overcome these deficiencies.

#### **WHAT DO BIDS DO?**

There is no formula for BID services. They work best when the service mix

is attuned to local needs and local leadership. Large BIDs differ from small ones, partly because they function in more urban contexts and because they have higher revenues to support their work. They are all, however, defined in the same state laws and have the same general economic purposes.

The few large ones, some with annual revenues above \$15 million and often with legal capacity to float bonds for capital projects, work in areas of concentrations of high property values. Large BIDs have been performing to their sponsors' satisfaction for decades in New York City; Washington, D.C.; Philadelphia, Pennsylvania; Baltimore, Maryland; Seattle, Washington; Denver, Colorado; and elsewhere.

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crime and grime were economic problems—loss of shopping, premium pay rates required to compensate for unsatisfactory employee conditions, high insurance costs, loss of strong businesses, poor reputation among investors and potential residents—these BIDs were formed to overcome serious economic problems.

Most large BIDs formed and maintain foot patrols—uniformed, supplementary security forces that work with police and are in radio contact with local precincts when needed. These well-trained men and women can and do answer visitor questions, and they get a lot of them because they are so visible on the sidewalks. They have and use first-aid training, help motorists connect with repairs, and help police in emergencies.

They are unarmed and without police powers. Contrary to some early skeptics, they are popular with rank

and file police, sometimes working from the same headquarters. Some BIDs—Denver, Colorado; Arlington County, Virginia; and Hollywood, California; among them—employ off-duty police because a lesser form of supplemental security is not sufficient to the needs. The hourly rate, of course, is substantially higher for off-duty police than for BID patrollers, often called ambassadors.

BIDs are also used in industrial areas. Most of the assessment revenues in these locations support mobile security patrols in vans, mainly operating during the night and on holidays. One in New York City was so successful that the board of directors stopped the patrols, retaining the BID authorization in the event new threats

emerged. Some industrial-area BIDs also support landscaping, brighter lights, and improved parking.

BIDs, large and small, create marketing programs, most often designed to attract consumers and sometimes commercial tenants, investors, and visitors. Even small ones produce attractive electronic newsletters by which they keep their various constituencies—owners, operators, residents, and local officials—informed of their own work and the variety of activities sponsored by other organizations that also have a stake in the commercial centers.

Commercial BIDs adopt logos, branding slogans, color-consistent directional signage, and commercial locator maps. Many sponsor special events and farmers' markets, adding an entertainment draw to the shopping and more reasons to come downtown. Several have sponsored summer-long outdoor sculpture exhibits and others, including Ardmore, Pennsylvania, organize "First Friday" strolling visits to art galleries and other enterprises that collect artwork for the monthly event.

Among the most important BID investments have been financial incentives to property owners and realtors that produce a defined business that the district board considers important to strengthening the commercial center's appeal. Typical rewards consist

of a \$5,000 bonus and lots of favorable publicity and also inducements to work hard to land a strong merchant, not settling for the first one that comes along. Other incentives consist of matching funds for exterior upgrades or to alter interiors to fit the needs of a shop the business community wants to attract.

Small BIDs today are increasingly turning to closed-circuit television systems, planned with local police, to support evening shopping and dining. Board meetings often include regular police participation, and some have a board seat reserved for the force. Where needed, districts maintain security committees composed of board members and others most concerned about this condition.

### **DIFFERENT APPLICATIONS; SAME PRINCIPLES**

BID principles are highly adaptable to local economic needs. Use of BID revenues should be applied to a need or opportunity that is, generally speaking, districtwide. Here are some examples:

- Some large BIDs have organized supplementary bus systems to move shoppers and employees.
- One mid-size BID, plagued with unattractive vacant lots, landscaped them, keeps them tidy, and includes a sign indicating the property is for sale and listing the agent.
- One small town put together a modest incentive package that saved a movie house, an important anchor especially for evening shoppers and diners.
- Finding that only 20-odd businesses were open on Sundays (a condition that discouraged strong new businesses from moving there), one suburban BID campaigned with ads, music on the street, promotions, and marketing, and in less than a year it raised the total to more than 80.
- A small BID in the West, using a grant, purchased an empty building, fixed it up, rented portions,

and used part for itself, producing another income stream.

- One BID, dissatisfied with the number of restaurants with outdoor dining, purchased bright pink chairs and gave them to any sidewalk bistro that requested them.
- A small BID in a large city secured an agreement that enabled the district to set rates and manage the parking lot, producing more revenue than had been the case under city management.
- A small city district invented a winter holiday with a patriotic

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theme and created a cluster of gift and flower shops in a commercial building that had been empty since renovated.

- One BID organized a district-wide rodent control program.
- One small suburb with a long-established district created a second one within the original service area to help finance a supermarket that has greatly improved walk-in trade for the other shops.
- Another BID, organized in a commercial area with 30 percent of the shops vacant, helped transform the area by promoting it as a restaurant center. When that lost momentum,

it helped expand the furniture niche.

- Some BIDs help new business prospects get acquainted with the community and negotiate the permit process. Some are official and others are unofficial advisers to planning bodies on issues affecting downtowns.

While the tools applied may differ somewhat from those of the typical shopping or office center or industrial park, the fundamentals are similar. People want to work or shop or visit or live in a place that is convenient, safe, clean, and fun. To make these favorable conditions apparent requires effective marketing, and to support that requires a multi-year compulsory charge on benefiting properties. BIDs add value to real estate, and the cost-sharing mechanism means that the individual charges are small in the context of overall business costs.

The mix of services needed to make such places more profitable differs, if only in degree, from the service mix that local governments can generally undertake. Urban commercial centers, for example, often require more intensive cleaning, various investments to reduce possible fear, and activities that please the various user groups. Because the district organization produces private sector benefits, it is reasonable that the foundation revenues come from all those beneficiaries.

BIDs also produce various efficiencies. Legally required pavement cleaning by owners and tenants rarely produces consistent and satisfactory results. Where BIDs take on this responsibility, the results are everywhere satisfactory. Removal of sidewalk litter also reduces the amount the local government must remove from the cartways.

### **BIDS FACE THE RECESSION**

Because they are directly involved in the local economy, BIDs are adapting their priorities to help business operators and property owners engage in cooperative steps to survive the prospec-

tive (and current) loss of business, foot traffic, and local purchasing power.

A dozen BIDs, mainly large ones, recently produced a joint paper on priority actions that BIDs can take themselves and can urge on their host communities. This bullet list reflects their report and also includes material found in newsletter reports by small districts.

The BID leaders note their relatively favorable positions in an unfavorable time:

- BIDs are principally concentrated in centrally located areas, close to population centers, often with transit service. BID leaders believe that they are already and will remain more favorably positioned than out-of-town shopping centers as gasoline prices again rise.
- BIDs have well-established marketing programs, and the amenity improvements they have produced are recognized as key ingredients in economic growth.
- Because all beneficiaries share the compulsory charge, they believe they are in far better positions than organizations highly dependent on voluntary contributions. BID revenue declines are not likely to affect them until 2010 or 2011.
- The organization in the United Kingdom in touch with all BIDs there reports that, since the recession, there has been increased interest in adopting BIDs as an important economic tool.

BIDs are adjusting to the recession in various ways:

- The most common response consists of convening economic stakeholders to pool their best suggestions and to emphasize money savers (energy-saving tips, marketing improvements). Expert speakers are sometimes featured at these “sunrise seminars.” The Ardmore, Pennsylvania, BID compiled its own list of anti-recession actions after a local private sector planning session.
- Some are changing their marketing strategies.

- A few are proposing uses for stimulus funds. One American and one British BID are compiling papers on stimulus measures that BIDs can advance.
- Without ignoring shopping, more attention is being given to real estate, including residential opportunities, in commercial BID newsletters and BID policy priorities. The Pittsburgh, Pennsylvania, BID promotes a nearby residential neighborhood in each newsletter edition.
- More newsletter emphasis is being given to new business arrivals and the number of jobs added by new or existing businesses.
- Some newsletters are broadening their previous attention to local businesses, especially restaurants. Pittsburgh’s BID newsletter describes bargains—\$100 jeans available for \$10 at a shop that might otherwise be overlooked.
- BIDs are giving greater emphasis to promoting positive messages and voicing local optimism. One BID featured an anti-rumor campaign in its newsletter.
- Some are strengthening their research capacity to keep track of changes in conditions and the markets and to sell new initiatives—counting counts.
- Some are reexamining goals, tools, and priorities. They are pruning activities that are producing less

economic value. Can sidewalk cleaning costs, for example, be reduced without economic loss? Can that money be better spent on financial incentives for new businesses, job expansions?

- Some are exploring such financing tools as tax increment financing. They are negotiating advance payments from active developers where adverse construction impacts are expected.

### WHERE ARE BIDS GOING?

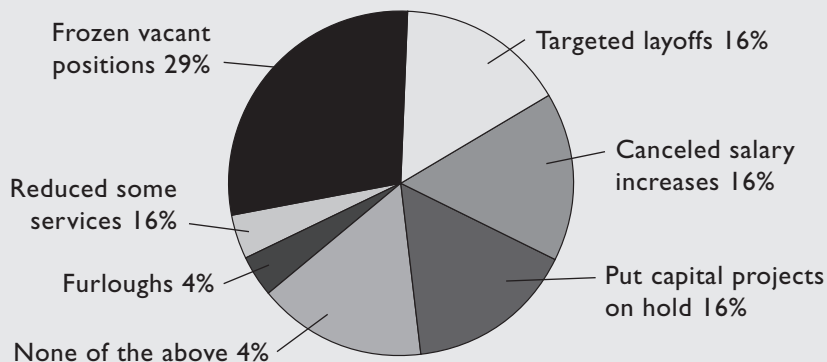
While the recession is reshaping BIDs, the best course for most is to reexamine priorities rigorously, to invest more in business and job attraction, and to work harder at the initial goals: improve business and property values and the commercial environment.

To be competitive, successful districts need to be, first of all, convenient. They need stronger destinations, more reasons for people to be there, clear directions, and simple parking arrangements. Those that have been passive purveyors of clean sidewalks will need to upgrade their attention to people—business employees, visitors, shoppers, and residents—now more than ever. **PM**

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## PM Poll Results @icma.org/pm

Here are the results of the poll question: If you have a budget shortfall, which of the following have you implemented to reduce the shortfall?



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