



INTERNATIONAL
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COUNCIL

*The Power of
Knowledge and Leadership*

Business Improvement Districts: *Self-Help Downtown*



A Compilation of Articles / 1988-2011

Lawrence O. Houstoun, Jr., AICP

CELEBRATING
85
YEARS
1926-2011

Cover photo courtesy of Downtown DC Business Improvement District, Washington, D.C.

“Every crowd has a silver lining.”

~ P.T. Barnum

About

About *Business Improvement Districts: Self-Help Downtown*

This publication is intended to provide a broad look into the world of Business Improvement District's (BIDs) through the eyes of one of the industry's thought leaders and author, Lawrence Houstoun, Jr., AICP.

BIDs can be an effective way of creating and maintaining services and capital improvements in cities and towns, large and small. With articles ranging from working with local government, to incorporating the arts into your downtown, this publication profiles the success stories, as well as the challenges involved in creating BIDs.

While stressing that no two BIDs are exactly alike, Mr. Houstoun highlights best practices from around the world as examples of what is possible when businesses come together to fund improvements. The articles in this publication illustrate that while there is no one formula in creating BID services, there are commonalities in approach.

The International Economic Development Council (IEDC) would like to recognize the following partners, for their support of this publication:

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About the Author

Lawrence Houstoun has written two earlier books and more than 30 articles on Business Improvement Districts (BIDs), some of which have appeared in IEDC's and CUED's journals. He has worked with more than 75 communities organizing and reorganizing BIDs in the US and Europe and has helped shape four state BID laws.

While retaining his early enthusiasm for this economic development tool, twenty-five years of experience has shaped his current advice, helping sponsors avoid common mistakes in setting service priorities, organizing management and governance, budgeting and staffing. He has been part of shaping what is probably the two largest BIDs as well as some very small ones. Much of his work today is concerned with how existing BIDs can benefit from the reauthorization process.

His work also includes analysis and planning of urban public spaces for which his book on this subject has been completed. His work in public spaces has been greatly influenced by William H (Holly) White, and his work on BIDs and redevelopment has been greatly influenced by James Rouse, with both of whom he had the pleasure of working.

He is a graduate of Lafayette College and Catholic University and was a Fellow at Princeton University's Woodrow Wilson School. He and his wife, head of the William Penn Foundation, live in Center City Philadelphia. He received The International Downtown Association's President's Award in 2009. Mr. Houstoun writes extensively about Business Improvement Districts on his website <http://lhoustoun.wordpress.com/>.

About

About the International Economic Development Council

The International Economic Development Council (IEDC) is the premier membership organization dedicated to helping economic development professionals create high-quality jobs, develop vibrant communities and improve the quality of life in their regions. Serving more than 4,500 members, IEDC represents the largest network of economic development professionals in the world. IEDC provides a diverse range of services, including conferences, certification, professional development, publications, research, advisory services and legislative tracking.

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Table of Contents

■ ■ Business Improvement Districts: Partnering Local Governments and Business	2
■ ■ Betting on BIDs	6
■ ■ Smart Money: New Directions for Business Improvement Districts	12
■ ■ Capitalist Tool: What a Small Business Improvement District Can Mean to Main Street	16
■ ■ Business Improvement Districts and Urban Entertainment and Cultural Centers	20
■ ■ Voluntary Service Districts are Useful but They Lack Equity and Reliability	26
■ ■ BIDs Bolster Main Street Programs	28
■ ■ BIDs of the Future will get More Creative about Services, Funding and Partnerships	32
■ ■ “Creative” Investments will be Key to Long-Term BID Success	34
■ ■ Face Time is Key to Successful BID Start-Up	36
■ ■ The Future of Business Improvement Districts: Smaller and More Creative	38
■ ■ Every Five Years, A Fresh Start	41
■ ■ Downtowns and BIDs Can Do More to Face the Recession	43
■ ■ Special Improvement Districts: Self-Help Downtown	46
■ ■ Business Improvement Districts	52
■ ■ True Grit	58
■ ■ Business Improvement Districts	66
■ ■ Business Improvemet Districts Reach Europe	72
■ ■ Counting Counts	81
■ ■ For Better Districts, Better Laws: Six Tests for State Enabling Legislation	83
■ ■ BIDs: An International View	86
■ ■ Are BIDs Working?	90
■ ■ Gotham Gets Civil	98
■ ■ BIDs at Home and Abroad	106
■ ■ BIDs’ Growing Pains	111
■ ■ The Attraction of Art	117
■ ■ BIDs: Encompassing Residential as well as Commercial Properties	126
■ ■ Lost Lessons from U.S. BIDs	132
■ ■ Five Year Plan for Ardmore, PA BID Reauthorization	148
■ ■ Curse of Success: BIDs: A Quarter Century of Self Promotion and How Little We Know ...	151
■ ■ BID Success: Are We Happy Yet?	154

Business Improvement Districts: Partnering Local Governments and Business

by Lawrence Houstoun

There 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.

Often launched in areas where

There is no formula for BID services. They work best when the service mix is attuned to local needs and local leadership.

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 BID's 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 BID's 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

While the recession is reshaping BID's, 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.

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 BID's 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. BID's 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.

BID's also produce various efficiencies. Legally required pavement cleaning by owners and tenants rarely produces consistent and satisfactory results. Where BID's 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.

BID'S FACE THE RECESSION

Because they are directly involved in the local economy, BID's are adapting their priorities to help business operators and property owners engage in co-operative 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?

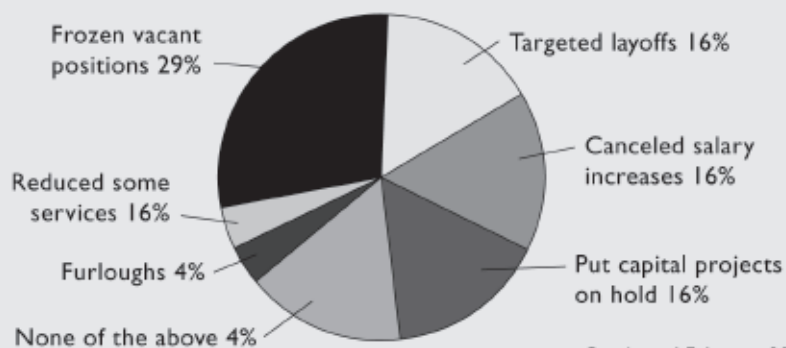
While the recession is reshaping BIDs, the best course for most is to reexamine priorities rigorously, to invest more in business and job attraction, and to work harder at the initial goals: improve business and property values and the commercial environment.

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?



Conducted February 2009.

BETTING ON BIDS

by Lawrence O. Houstoun, Jr.

Applying business judgment via business improvement districts [BIDs] to make downtowns work better.

Manhattan's Times Square just received its first "A" on the Mayor's Sanitation Scorecard. In that once glittering entertainment district where more recent visitors complained of filth and criminals, sidewalks are again clean, crime has dropped off, and tourists are reassured.

In Philadelphia, 2,000 surveyed property owners, employers, workers, residents, and visitors said conditions in the Center City area had improved markedly for the second consecutive year. The area received high marks for safety, cleanliness, and general atmosphere. After dark, sidewalks are crowded with shoppers, diners, and entertainment seekers. Free concerts by famous mummer bands, jazz ensembles, and classical groups are popular.

After decades of bad press, this kind of downtown success story is becoming widespread. At its heart is a quiet revolution concerning who takes responsibility for the "operations" of downtown commercial areas. Rather than blaming City Hall or working for a blockbuster federal subsidy, hotel operators, theater owners, storekeepers, restaurateurs, service providers, office employers, developers, property owners, and property managers are planning and managing urban services in their neighborhoods. Believing that these services are

essential to a commercial precinct's economic vitality, these stakeholders are paying for them as a cost of business. The payments are like the common area maintenance charges paid by shopping center tenants. In New York City, self-imposed charges for urban services for 24 improvement districts amount to more than \$30 million annually. Furthermore, business leaders are devoting considerable time as well to these improvement efforts.

This article examines business improvement district (BID) trends in large downtowns, drawing on surveys of 13 illustrative assessment-financed districts. These are called special assessment districts, special services districts, business improvement areas (BIAs), or business improvement districts—depending on the state laws that authorize them. Whatever their names, BIDs have several key elements in common:

- The initiative comes from business leaders who seek common services beyond those that the city can provide.
- The city determines boundaries, approves the annual budget and the financing strategy, and determines what services may be provided.
- Business leaders shape the annual budget, hire staff, let contracts, and generally oversee operations.

New York City BIDs

A 1993 study by the New York City partnership and The Atlantic Group of the city's 24 BIDs (about 30 more are in the process of being formed) found annual budgets that range from \$82,000 to more than \$9 million for the Grand Central partnership. At 17 years old, Brooklyn's Fulton Mall is among the nation's oldest BIDs. One of these BIDs deals exclusively with the maintenance and improvement of Bryant Park, and rents in nearby buildings have soared since the park was redesigned and secured.

Eight of the New York City BIDs have budgets of more than \$750,000, with the average being \$3.6 million. As shown in Figure 1 on the preceding page, they spend most of their funds on cleanup, sanitation, and litter patrols, followed by supplemental security and capital projects. About 11 percent of their budgets are allocated for administration. These large BIDs see their greatest need for action as filling commercial vacancies, followed by improvements in buildings, public areas, and the overall image of the district.

Five Large Downtown Improvement Districts

A 1994 survey of BIDs in Denver, Houston, New Orleans, Philadelphia, and Seattle provides further insight on the politics, progress, problems, and typical approaches of large BIDs. Like those of New York, these BIDs also spend at least half their budgets on cleanup and security. (Small BIDs, on the other hand, tend to give greater emphasis to marketing, special events, parking, and business attraction.)

Denver. The Downtown Denver Business Improvement District began life in 1982 as the 16th Street Mall Management District. The core of the 120-block district is the 16th Street transit and pedestrian corridor. Each day, its free shuttle buses move 45,000 downtown employees, 42 percent of the workforce. Its formation was supported by

virtually everyone, from city government officials to building owners and managers, from retail and hotel associations even to residents of downtown.

BID president Bill Mosher and a 12-member board, composed of property owners, bankers, a realtor, and other area business people, work with a \$1.9 million budget. This buys sidewalk litter pickup and snow removal; landscaping and maintenance of trees and flowers; lighting, electrical, and plumbing services in public places; granite paver maintenance; snow removal; banners; regulation of commercial and other use of public space, including sidewalk vending; business retention and attraction efforts; marketing, communications, and promotions; and supplementary security services. A four-member staff handles publicity, special events, business recruitment, and the like and contracts out for security, snow removal, landscaping, and other services.

Costs are shared by 323 property owners under an unusual assessment formula by which fees decrease with distance from the transit-pedestrian mall. Data on crime rates, cleanliness, and retail sales, as well as business owner surveys, have shown strong improvements over the past several years and a high degree of satisfaction. The least satisfied people are property owners farthest from the mall. Participants believe that what most needs improvement is the appearance of buildings and commercial areas.

Seattle. Founded in 1986, the Downtown Seattle Association (DSA), with a \$577,500 budget, provides a variety of services including public relations, marketing, security, sanitation, and retail promotions.

Assessments are collected by the city. As in Denver, the assessment formula has different rates reflecting different levels of benefits. (Many states have laws that allow BIDs only one or very few choices in assessment rates.) DSA applies a different rate to five classes of properties in its retail core—developed ground-floor business space; retail space in

basements or in second or third floors; major multilevel retail stores with more than 100,000 square feet under single ownership; parking garages and lots; and other properties, including hotels and theaters. Parking facilities, for example, are assessed \$4 per space for marketing purposes and \$2 per space for maintenance. In addition, DSA's marketing program and common area maintenance programs have their own separate assessments reflecting different degrees of benefits for different types of properties. The Seattle district is headed by John Gilmore, a seasoned downtown executive.

New Orleans. The oldest of the big city BIDs—established in 1975—the New Orleans Downtown Development District is key to what makes the Crescent City attractive to millions of visitors. With an annual budget of \$3.6 million, Donald A. Shea and a small staff provide a wide range of services for 3,000 businesses in 200 blocks. In addition, a capital improvement program supports new street trees lighting trash containers and banners Shea reports that the most difficult part of forming the BID was reaching new street trees, lighting, trash containers, and banners. Shea reports that the most difficult part of forming the BID was reaching an agreement on the district boundaries. The New Orleans Chamber of Commerce, the city government, and the retail organization combined to produce the agreed-upon program.

Philadelphia. One of the newest BIDs is Philadelphia's Center City District. Formation of the district was an important part of the plan for the city's commercial core that was adopted in 1991. Developer Ron Rubin chaired the group that set service priorities (sidewalk cleaning and supplementary security), delineated the service area (80 blocks), and recommended the budget (now \$6.5 million). Reflecting the value of the area's newest skyscrapers, 15 properties pay approximately one-third of the total assessment. The amount paid by most of the district's 9,000 businesses is very small.

Center City is a popular place in which to live as well as work, and distinctions between residential and commercial areas are blurred. When the proposals for forming an improvement district were broached, many residents objected to paying for the supplementary cleaning and security. Their opposition might have jeopardized adoption of the assessment district by the city council. Because state law would not allow noncommercial property owners within the district to be exempted, a rebate system was created to satisfy the opposing residents.

Rubin now chairs the 23-member board that oversees a staff of 54 uniformed security-hospitality employees and 115 sidewalk cleaning employees under contract. Under the direction of executive director Paul Levy, CDD recently completed a streetscape plan for 80 blocks of Center City geared to pedestrian visitors, downtown employees, and shoppers. Convention Center attendees, for example, will find signs directing them to their hotels, to theaters, to shopping areas, and to historic sites, with information on how many minutes the walks will take. Funding for its implementation is expected to come from an assessment-based capital improvement program.

Houston. Robert Eury, president of the Houston Downtown Management Corporation, works with a 42-member board of which 12 are nonvoting local officials. Houston's BID has a \$2.6 million annual budget, 88 percent of which is derived from an assessment of \$0.06 per \$100 of assessed valuation of land and improvements. Major support for organizing the district, which comprises 212 blocks and 360 property owners, came from the chamber of commerce, the local Building Owners and Managers Association, and the city government. Established in 1991, the district emphasizes removal of crime and grime, streetscape and commercial theater improvements, and special events. The district measures success by comparing conditions with its adopted multiyear plan, by opinion surveys, and by regular reporting on litter conditions using comparative photos.

Who Participates? Who Pays? How Much?

Time and money are two fairly reliable measures of business support for any community enterprise. Figure 2 on page 14 shows the range of board of directors membership for the surveyed BIDs. Landlords, property owners, and real estate interests constitute the largest single group of board participants. (In smaller BIDs, retailers tend to dominate the governing boards.) The boards of large BIDs include varied business interests, as well as a small number of elected and other local officials, sometimes without voting privileges. The average size of New York City large BID boards is 30 members and of other city boards is 35 members. Many other men and women sit on BID working committees. New York City BIDs have working committees on security that average ten members, marketing (nine members), retail promotions (11 members), and business recruitment (nine members).

In most cases, state law requires some form of vote by those affected, either before or after the city council passes an enabling ordinance. It may take months or occasionally years before consensus is reached in debates about whether to create a district; what its boundaries, goals, accountability, and representation in decision making should be; and how costs should be shared. However, as a business world intramural discussion, these debates are not a contest between the public and private sectors. City councils are inclined to accept the business-defined plan, if only because resident taxpayers are rarely called on to share the charges.

BID charges typically are included in the pass-through provisions of commercial leases. Philadelphia's Center City District collects about \$0.13 per square foot per year, a fairly typical charge, although the assessment formula commonly is expressed in terms of a property's assessed value. Large property owners bear a major share of the costs. But they tend to support BIDs because such organizations offer the only conceivable way to

assure the maintenance of the neighborhood beyond their own properties.

To afford latitude to businesses and minimize the fear or reality of political interference, the management entity generally is a quasi-governmental body or a designated nonprofit corporation. In most cases, improvement districts are formed by existing downtown organizations. The downtown organization may take the concept only to the planning/ negotiation stage or it may actually combine its own and the improvement district's board of directors and operate both under a single executive.

The growth of BIDs—there are about 1,000 in the United States and Canada—has swelled the ranks of professional downtown executives. The best are sometimes the objects of bidding wars between downtown districts. The meetings of the International Downtown Association, a Washington, D.C.-based professional group, serve as a marketplace for ideas and jobs.

Fighting Fear

Although CBDs generally are among the safest areas of large cities, these BIDs invest heavily in security and related programs in order to deal with the public's fear of crime in cities. They have used several approaches.

More Police. Some large city BID budgets pay for additional uniformed, armed policemen. Most such programs emphasize walking patrols.

New Techniques. Many BIDs measure and report on the city's performance in providing security. Some have sought improved police functioning by purchasing equipment, like drug surveillance cameras or bikes, that the city cannot afford. Philadelphia's Center City District, policed by two separate precincts, neither of which had the resources to concentrate on the special needs of a major commercial area, provided a facility that

police share with CCD's unarmed, uniformed community service representatives (CSRs). Police welcomed the upscale quarters and have come to see the CSRs as allies, not as "rent-a-cops," as they have often been portrayed elsewhere.

Unarmed, Uniformed Personnel. Efforts to provide a reassuring security presence do not always justify the costs. In Philadelphia, however, incident reports show that a force of identifiable personnel with radio access to police or other emergency services can be enormously helpful and create good will. The help that these personnel provide people who become lost or sick or who run out of gas, for example, earns the CSRs (and the downtown) much gratitude, special commendations, and good public relations.

Indirect Measures. People base their fears of downtown more on appearances than on actual experience. Litter, ugly security gates across storefronts, graffiti, neglected commercial facades, and vacant stores and buildings imply that the area is out of control. Anticrime initiatives by BIDs include investing in measures to correct such conditions. Streetscapes are redesigned and relighted. Promotions and entertainment are scheduled after work hours to induce word-of-mouth advertising about downtown's after-dark security.

Street People. Commercial areas attract panhandlers. Some BIDs use their security personnel to discourage aggressive panhandling. Others encourage contributions to shelter and alcohol and drug treatment programs while they discourage people from handing out money or food on the sidewalks. New York's Grand Central partnership provides and improves shelter for 11 homeless persons.

State Rules

Behind every BID is a state law. A few states, including Ohio, still lack authorizing legislation. Various states enforce various restrictive conditions. New Jersey authorizes services, but not capital programs. New Hampshire closely restricts assessment formulas. Few states allow nonprofit corporations to administer districts. Indiana requires unreasonable tests to prove the support of property owners. Connecticut restricts the size of eligible municipalities. Pennsylvania does not allow localities the option of confining the assessment to commercial properties.

Despite its limitation on borrowing, the New Jersey law contains many strong features that ease the process of setting up BIDs and that minimize the potential for political interference in the operations of BIDs. In New Jersey, business leaders can organize a district without much trouble. They sometimes poll property owners, but a vote is not a requirement. The business community can dominate the board of directors, freely determine the size and composition of the board, and use a nonprofit corporation to run the BID. Any system of assessment that reasonably relates to the benefits received is allowable. Nonbenefiting properties, such as residential or industrial properties, may be excluded from the assessment, and tax-exempt properties may be included. Although the city council must approve the annual budget, BIDs need not be staffed by government employees, apply local bidding rules, nor subject their board members to state disclosure rules or restrictions on working with government agencies. Finally, the New Jersey law authorizes BIDs to offer a wide array of services and improvements.

State laws make a difference. Pennsylvania, with its restrictions, has fewer than a half dozen districts. Less populous New Jersey has more than 20. Few New Jersey BIDs took more than nine months to meet the legal tests and to convince business people and elected officials to support them. The five large-city BIDs surveyed averaged 16 months preparing for and securing approval of their ordinances. The New York City BIDs averaged 32 months.

Do They Work?

A number of problems or potential problems deserve mention. For example, the control of city councils over annual budgets makes political interference a constant possibility, though little has yet been reported. As more BID budgets top \$1 million or \$5 million, it would not be surprising if politicians sought to use BIDs to cut deals, fill jobs, or influence contracts outside the spotlight of public scrutiny.

Oversight of operations could be a problem for some BIDs. Most boards pick their members from a relatively small pool of volunteers. But even where city councils approve board members, meaningful accountability, checks and balances, and public scrutiny usually are absent. New Jersey requires that one board member also be an elected member of the city council, which improves communication and may have averted some mistakes. It is wise to include a five-year sunset provision in the legislation creating individual BIDs, which would offer cities and districts the opportunity to reconsider initial assumptions in light of actual performance.

BIDs often adopt programs that have worked for other BIDs. They would do better to invest more time in understanding conditions and in identifying the preferences of the rank-and-file business operators in their own districts.

Some observers fear that if downtown businesses no longer need to lobby for special services through the citywide budget process, there will not be enough taxpayer pressure on cities to spend for police or other essential services. Others observe that spending for downtowners does not benefit residents in general, and the poor in particular.

These complaints miss the point that the cleaning needs for downtowns are many times greater than for residential areas, because of high volumes of foot traffic and the downtown's need to compete with office parks and shopping centers where standards are high. Furthermore, a successful downtown produces economic benefits throughout the city. For example, Philadelphia's Center City area, occupying only 2 percent of the city's land, produces about one-third of the jobs and local revenues.

Do BIDs work? Large and small businesses vote with their checkbooks annually to continue and sometimes expand assessment-financed special services. The International Downtown Association knows of no city of any size in which a district has been discontinued. Business leaders have used them to make downtowns, if not perfect, at least demonstrably better. That, perhaps, is the key to their success. Business judgment is being applied to make business districts more profitable.

Lawrence O. Houstoun, Jr., is principal of The Atlantic Group, an urban development consulting firm, located in Philadelphia and Cranbury, New Jersey.

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P L A N N I N G P R A C T I C E

Smart Money

New directions for business improvement districts.

By Lawrence O. Houstoun, AICP

No longer content to leave economic development to government agencies, tens of thousands of business and property owners in more than 1,200 North American locations have taken the reins themselves by setting up business improvement districts. Their focus: improving property values, adding jobs, and increasing their own profits.

This movement toward self-help management has been going on for 20 years, mostly in the downtowns of major cities. But business improvement districts are now cropping up elsewhere as well—for example, in highway commercial strips, university and hospital clusters, and even industrial areas. The districts described here grew from a local government plan or policy or are designed to implement plans or policies. Each required public-private cooperation.

Edge city

By the early 1990s, the diverse owners of the 1,800-acre commercial center along Mercury Boulevard in Hampton, Virginia, knew they were losing market share to newer, larger retail areas elsewhere in the Tidewater region. Hampton's vast edge city includes Hampton's Coliseum, hotels and restaurants, and more than three million square feet of retail space.

To stay competitive, Mercury Boulevard property owners in 1995 took the advice of Richard Bradley, then president of the International Downtown Association, and decided to work with a consulting team to consider setting up a busi-

ness improvement district. The city favored the idea because the tax revenue it was collecting from Mercury Boulevard businesses was topping out at \$17.8 million and showed signs of slipping. When approved by the city in 1996, Coliseum Central became one of the first districts in the U.S. located in a large commercial area oriented to highway, rather than to central business district markets.

Coliseum, an environmental center on 60 wooded acres, and a boat canal. Preliminary plans for the waterway show a canal leading from the lake at the Hampton Coliseum into the heart of the shopping district, after the fashion of San Antonio's Riverwalk.

Gozza is now using the plan to solicit state and federal funds for this \$60 million project. One possibility is to link the development with an exten-

agers and have made the area friendlier for shoppers.

Some may question why a tool of downtown revitalization should be used to bolster a suburban development. But Hampton's political and business leaders felt there was no competition between Coliseum Central—with its highly mobile regional market—and the city's small, waterfront-oriented downtown (which has its own business improvement



With an organization and financing in place, the district's executive director, Peter Gozza, convinced his board that the area needed a plan to convert "1,800 acres of asphalt and aging commercial buildings" into a popular center for the entire Hampton Roads area. The 20-year blueprint for revitalization, written in 1996, has five major proposals, one of them being that Mercury Boulevard should be narrowed and landscaped. The other four: a pedestrian mall near a new movie complex, an entertainment-retail center near the

sion of Interstate 664, which will need stormwater retention ponds.

Like a downtown, Coliseum Central must draw customers attracted to a locale, not just an individual store. So Gozza is trying to create a sense of identity for the area—something that has been missing until now. One innovation is "Courtesy Kids," four teams of four teenagers each, who serve as a hospitality force, carry packages, open doors, sing, and clean up. These talented young people have given merchants a more positive view of teen-

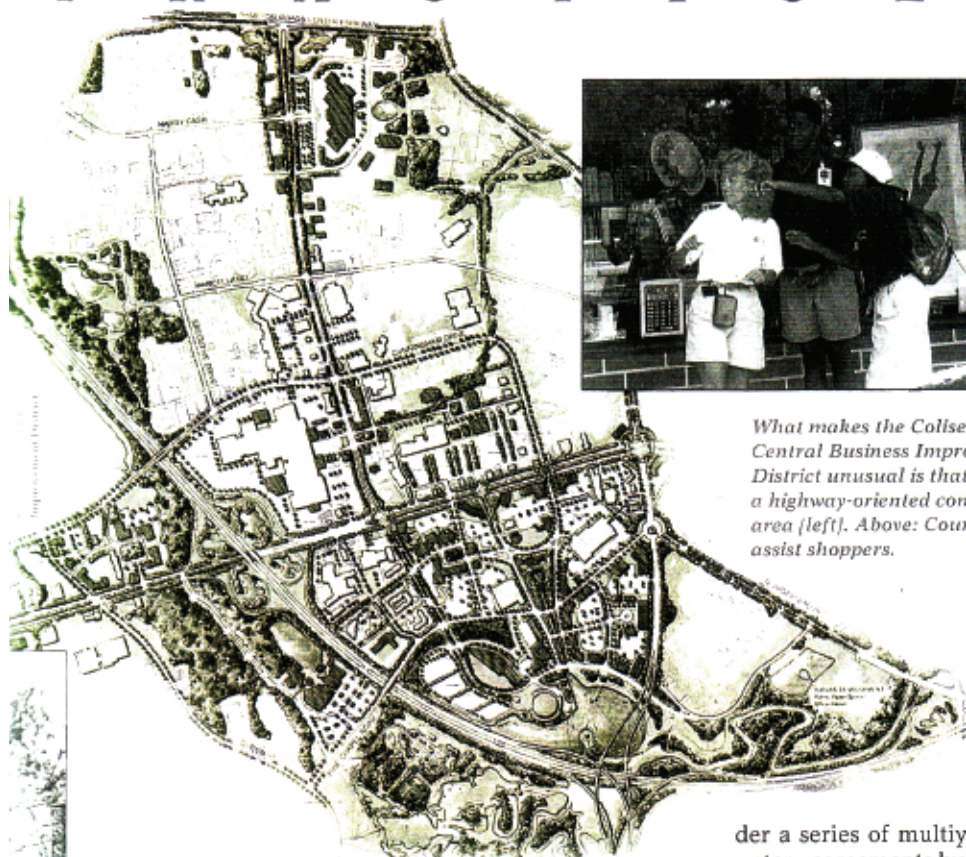
district).

It's institutional

University City District in West Philadelphia grew from a tragedy. Only after a University of Pennsylvania faculty member was killed there in 1996 did the concept of a district emerge.

University City lies immediately west of Philadelphia's popular Center City—a two-square-mile area where many university people live. Center City's business improvement district provides cleaning, security, and landscaping

P L A N N I N G P R A C T I C E



Among its other amenities, Coliseum Central in Hampton, Virginia (left), will include a new pedestrian area for shoppers.



Coliseum Central Business Improvement District

What makes the Coliseum Central Business Improvement District unusual is that it serves a highway-oriented commercial area (left). Above: Courtesy Kids assist shoppers.

services that are among the best in the nation, enhancing attractions such as theater, nightclubs, restaurants, hotels, office towers, and department stores.

The contrast between the two locations could not be greater. While University City houses the beautifully restored Thirtieth Street Station and three attractive campuses—Penn, Drexel University, and the Philadelphia College of Pharmacy and Sciences—most of the remaining 100 blocks there are marginal. Once proud residential streets are poorly

lighted and choked with weed trees, and beyond these streets and the campuses are acres of parking lots, roaring traffic, ugly vending trucks, and graffiti.

John Fry, executive vice-president of the University of Pennsylvania, launched the remediation effort in 1996 by hiring consultants and visiting the heads of major nonprofit groups and public agencies, securing their agreement to participate in what soon became cleanup, security, visual improvements, and marketing. So little commerce remained in University City at that point that business representatives were not included at first. But after four months a nonprofit corporation was formed and a five-year budget created.

The University City District's nearly \$4 million annual expenses are being shared un-

der a series of multiyear voluntary agreements by the two universities and the pharmacy college, the University of Pennsylvania Health System, the University City Science Center, Amtrak, the West Philadelphia Partnership (an alliance of neighborhood organizations), and several multifamily residential property owners. In addition, University City District will seek state and federal funding for infrastructure, visual improvements, and signage. Paul Steinke, formerly with Philadelphia's Center City District, was appointed executive director of the University City District in September, 1997.

University City District may now be one of a kind—an improvement district that is not dependent on municipal property tax assessments. But inquiries from comparable areas elsewhere in the country indicate interest where several institutions can support a

district even when commercial properties are absent.

Industrial site

The Bunker Hill Special Improvement District in Paterson, New Jersey, is one of the few business improvement districts based in an industrial area. Now three years old, the district's management corporation consists of a nine-member board whose industrial property owners (plus a city council member, as mandated by New Jersey law) administers a \$175,000 annual budget. Every member of the group is a volunteer; there are no paid employees.

Both Fortune 500 companies and international firms are represented among the 200 property owners in the district. John Ressie of the Bascom Corporation is chairman of the district's board.

Sixty percent of the group's revenues are spent on security, about 30 percent on sanitation and beautification, and the balance on public relations and special projects. A private security service provides 24-hour mobile service within the square mile service area. When the district's burglar alarm is activated, security guards typically arrive before the police do. Other tasks the district has undertaken include graffiti cleaning, fence repair, and fighting dumping by roofers and others.

When the district was being organized, opposition came from some of the industrial property owners, residents (who were to be charged a \$5 annual fee), and one city council member, who objected to business improvement district assessments on principle. Once the district was approved, however, residents were dropped from the project and the idea

P L A N N I N G P R A C T I C E

became so popular that the city formed a second district, this one downtown.

New Jersey law is the most flexible in the nation with regard to assessment formulas, specifying only that there needs to be a relationship between charges and benefits. Some districts use square footage, share of property taxes, or type of use as the basis for assessment. Districts do not have independent bonding authority, although long-term capital improvements can be financed through business improvement district assessments with municipal bonding authority. Ressie says that the board of the Bunker Hill district will seek grants, not bonds, to finance infrastruc-

ture improvements there.

Ongoing operating expenses are financed through payments based on assessed valuation, with a minimum annual payment of \$125 per property. Each assessment represents the property's share of the district's total assessed valuation. Owners of large properties may pay between \$10,000 and \$12,000 a year.

Entertainment venue
Lark Street in Albany, New York—separated from downtown by the massive state office complex—is a pleasant mix of restaurants, specialty shops, residential buildings, and a supermarket. By 1995 this 10-block-long area had become somewhat shabby but still had



Atlantic Group

Putting Them to Work

Business improvement districts are based on a simple premise: Those with the greatest stake in an area's prosperity assume collective responsibility for its improvement—and only those who benefit from physical improvements or services pay for them. There are now approximately 1,200 such districts in the U.S. and Canada.

How are business improvement districts formed? Rules vary among the states and provinces. In general, a group of property and business owners, often with government encouragement, produce a plan for business improvement activities that is approved by the municipal governing body. Sometimes an affirmative vote of property owners is required. Sometimes a business improvement district ordinance, once approved, allows 30 days for one-third (in some states 51 percent) of property owners to object. If they do, the ordinance does not go into effect. In New Jersey, when the governing body finds need and approves the plan, the district may be formed without any property owner vote.

Typically, the group works out a management structure and arranges to become a nonprofit corporation, which the city designates as the operating agent. Some states require that government entities manage districts.

Most attention focuses on how the districts supplement typical government services—by hiring uniformed security personnel and cleaning and maintaining public spaces. But

they also perform a range of other services, from marketing, promotion, and advertising, to business retention and recruitment.

Terminology varies with state laws. "Business improvement district" (BID) is the accepted generic term, but it also includes special improvement district, special benefit district, special services district, business improvement zone, and special assessment district. BIDs typically consist of business leaders who work with government and other interests to plan and manage services and physical improvements in selected parts of communities. The resulting economic plan is typically put into effect by a professional manager chosen by a board of directors dominated by commercial property owners who also form working committees of business volunteers.

Most of the money for BIDs comes from an assessment based on a percentage of the assessed valuation of property equal to about 10 to 20 cents per square foot of commercial space. Sometimes localities make contributions to the districts. Some districts collect fees for managing parking, or arrange for corporate sponsorships of festivals. Some districts are authorized to incur debt to borrow for capital improvements. Moody's rating service has noted that business improvement district bonds are generally rated higher than those of their cities.

PLANNING PRACTICE



Concern about crime and other problems (left) prompted local universities (below) to form the University City District in Philadelphia—perhaps unique among improvement districts because its funding comes from institutions, not municipal taxes.



Atlantic Group

By the fall of 1997 the Lark Street Neighborhood District Management Association had survived the turnover of both the chairman and the director and now has a lot of successes under its belt. Executive director Vicky Stoneman and board chairman Bill Allen have made the district a major force in revitalizing the area, despite a shrinking budget. Property reassessments have reduced the district's annual revenues from \$90,000 in 1995 to \$70,000 in 1997.

The district contracts with Homeless and Travelers Aid for

plenty of energy.

Early support for a business improvement district came from George Leveille, the city's director of economic development. Sharon Ward, a former city alderman, and Lark Street businessman Tom Rowland co-chaired the planning phase. A consulting team hired by the city found that local people were especially interested in nighttime security, parking improvements, holiday lights, and joint advertising directed at state and private office workers.

When opposition surfaced from the adjacent Townsend Park neighborhood, this area was excluded from the service area. The Lark Street business improvement district, the city's first, was approved by the city council in 1995.

sidewalk cleaning four hours daily. A local security firm provides uniformed officers, who patrol on foot during the evenings from May to September. The extra security people have been helpful in moving panhandlers, breaking up fights, dispersing teenagers, and responding to merchants' complaints.

Reflecting a common theme among business improvement districts in commercial areas, entertainment and cultural offerings are important here. "Art on Lark" attracts artists and craftspeople for a weeklong event in the spring. In September, "Larkfest" offers three stages of live entertainment with special presentations for children. And holiday events are offered in October and December.

What's coming up

Because the downtowns of most large cities already have business improvement districts, the next decade's growth will necessarily include nontraditional settings—very small places, nonprofit clusters, industrial areas, and highway strips. New York City and Philadelphia each already have half a dozen small business improvement districts with yearly budgets of under \$100,000.

Look, too, for more partnerships with residents, more concern for public open space, and more programs that serve residential properties where property values are high. These efforts might better be called "civic improvement districts."

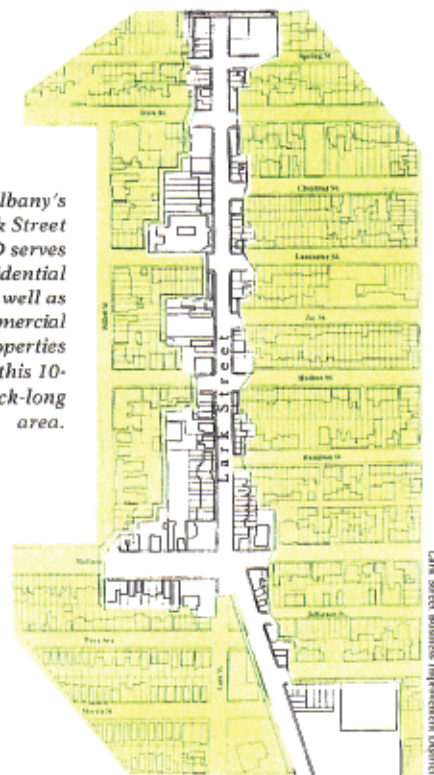
Expect more hybrid financing, with greater attention being given to combinations of commercial property assessments and multiyear voluntary agreements, like Uni-

versity City's, where the institutions share common problems and can agree on a unified program to enhance their environment.

Where the conventional wisdom once held that universities, residents, business interests, and industrial firms must be kept apart, planners can now be more ambitious in proposing business improvement districts to solve common problems. The notion that one size fits all is obsolete—if, indeed, it was ever valid. A new generation of business improvement districts is coming.

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Albany's Lark Street BID serves residential as well as commercial properties in this 10-block-long area.



Lark Street Business Improvement District

Capitalist Tool

There are more than 1,000 business improvement districts (BIDs) in North America and hundreds more overseas, many in small communities.

Photos on this spread by Harriet Lewis



By Lawrence Houstoun, AICP

These self-help enterprises

allow private firms to share costs, attack common problems, and, in some cases, finance capital improvements. BIDs are a type of cooperative capitalism—but with the power of government behind them.

Small BIDs exist in the subordinate commercial districts of large cities (Milwaukee has more than a dozen), in older industrial areas, and in the town centers of well-established suburbs and other small towns. Revenues may range from \$20,000 to as much as \$250,000 annually. While a few small BIDs receive help in cash or in kind from their municipalities, most of them function with only the assessments they can raise. However, once a BID is established, its ability to raise fees is backed by the power of government.

What they do

BIDs deal with conditions for which standard planning tools (comprehensive plans, zoning) may not suffice. First, the owners of commercial properties and businesses are on the front line in decision making—and many of them feel they cannot wait a decade or more for the best master plans to be implemented; BID leaders expect demonstrable results in a year or two.

Because they can typically count on funding for five years at a time, BIDs can let contracts for services, attract superior staff, and plan their operating future for longer periods than community enterprises that rely on annual and voluntary funding.

Finally, BIDs can exploit opportunities and solve problems that often frustrate the public sector, such as deteriorated commercial build-

What a small business improvement district can mean to Main Street.



*The historic
streetscape
of downtown
Red Bank, New Jersey
was the first
project of the
Red Bank BID
and has been
restored and
revitalized
by the
BID's efforts.*



*Outstanding
work has been
done in the
Red Bank BID
area, and the
BID has been
able to secure
the future of a
historic
district.*



ings and signage, empty lots and commercial and industrial buildings, and a lack of marketing. Other examples include creating the plans for, and providing matching funds for, physical improvements and, on occasion, investing in redevelopment. BIDs can be relied upon to maintain a streetscape or attract new businesses for years at a time.

Places they work

The BID in Red Bank, New Jersey (pop. 10,000), has transformed dozens of privately owned buildings and signage with attractive financial incentives. Using a professional design committee to review applications and advise owners, this BID may now have the highest proportion of restored to total commercial buildings among small BIDs.

Another formerly drab and rundown business district (Maplewood, New Jersey) has been lifted by its bootstraps in large measure because

Membership vs Assessments

The core of Main Street fundraising is the membership campaign. The Virginia Main Street office advises, "Leadership should identify who the program's participants should be, define the total budget, estimate how much of total revenues should be generated by each group of constituents, decide whether to include merchant contributions for retail promotion in the dues structure and, finally, package, promote and monitor the system."

Bedford, Virginia, offers three levels of giving for individuals and businesses: \$25 (friend); \$50 (supporter); and \$100 (benefactor). Annual dues for business in the Bedford Main Street district are set at a flat \$100. The Lexington Downtown Development Association charges \$50 per full-time employee of the business, with a minimum contribution of \$100 from professionals and \$150 from retailers. Restaurant dues are capped at \$250.

One method of calculating retail dues, according to the State Main Street Office is:

1. Estimate the program's retail promotion budget for the year.
2. Divide the retail promotion budget by the number of retailers you expect to participate as members. Example: \$5,000 retail promotion budget / 60 retail businesses = \$85 per business.
3. Add the retail dues assessment to a base assessment (that supports general operating expenses for the program). Example: \$85 retail promotion assessment + \$75 base = \$160 annual dues.

Resources

On the web. The National Trust's National Main Street Center: www.mainstreet.org. Britain's Association for Town Centre Management: www.atcm.org and www.ukbids.org. Pennsylvania Downtown Center: www.padowntown.org. Virginia Main Street: www.dhcd.state.va.us/MainStreet. Red Bank, New Jersey, business improvement district: www.redbankrivercenter.org.

of a top flight BID-funded marketing effort. The dollar value of construction investment (the value of permits issued) in the Village Special Improvement District area has grown steadily since 1995, when the BID was established, from \$83,905 in 1995 to \$201,316 in 2001.

A surge of BID formations in small Georgia communities has produced a new and essential source of local funds to match transportation grants allocated by the state transportation department. BIDs often invest in planning for physical improvements, such as parking or new lighting, as a means of securing local consensus and leveraging capital improvement funding.

BIDs in older industrial areas, including those in Milwaukee, tend to emphasize mobile security services to cover nights, weekends, and holidays, when such sites are especially vulnerable. Landscaping and better lighting are other goals pursued by industrial BIDs, including one in Philadelphia and another in Paterson, New Jersey.

Small BIDs in New York City neighborhoods often provide limited security and cleaning services, which are major expenses for individual businesses. A trained, fully equipped, unarmed security staffer can cost around \$30,000 annually. Small BIDs in suburban and small town commercial areas typically spend their service budgets to attract customers and strong, new businesses.

Staffing and budgets

Staffing varies with revenues. A BID with around \$250,000 can often afford a full-time director and at least a part-time assistant. Smaller BIDs depend on a part-time manager alone to operate the system and provide oversight. Some very small BIDs function without staff, relying on board decisions. A few assign BID management to a local government staff planner or to another organization, often the nonprofit that took responsibility for forming the BID.

The BID in Netcong, New Jersey, spent \$25,500 in 2001 and had revenues of \$35,000. Of that amount, \$30,000 came from assessments and \$5,000 from the municipality.

BID directors with budgets in the millions have difficulty imagining one generating less than \$50,000 per year. Yet BID sponsors in small communities see their responsibilities in a scale appropriate to the number of businesses or properties affected, perhaps 100 or less. Sponsors invest in small BIDs because they cannot imagine where else they could raise \$250,000 or even \$100,000 over five years to improve business profitability and property values.



Philadelphia's former mayor, Ed Rendell (now governor of Pennsylvania), and city council member Frank DiCicco helped launch

Most BIDs in the U.S. and Canada (where BIDs began) are small, and the overseas pattern is similar. BIDs are well-established in New Zealand, Australia, and South Africa. In the latter country, where there are more than 30 BIDs, security problems in small communities have led to armed security employees and closed circuit television as BID counter measures. Great Britain already has nearly 300 commercial area organizations providing BID-type services. Most non-U.S. BIDs rely on a tax on businesses, rather than an assessment on commercial properties.

Britain's Association for Town Centre Management reports that of the 300 BID-type organizations there, 106 are located in towns of 50,000 population or less (corresponding to the size of Main Street communities in the U.S.). Forty-six of these organizations, mainly the small ones, receive all their funding from local governments and essentially operate as public entities. British town center management programs are similar to American Main Streets in their dependence on voluntary contributions. By next year, however, Britain will have a compulsory business tax option available to BIDs.

In the U.S., BIDs necessarily rely on private sector responsibility, while the Main Street organizations produce more diverse communitywide constituencies. Small BIDs are far more likely to operate in urban neighborhoods or industrial areas. Main Street programs are organized around four principles—design, promotion, economic restructuring, and organization—an approach that has the advantage of providing structure for partici-



Vehicular Circulation Diagram

• Reducing congestion and improving safety for pedestrians and cyclists is a key goal of many urban planning initiatives.

• Addressing the economic challenges facing urban centers is a key goal of many urban planning initiatives.

pants. BIDs plan, organize, and operate according to state laws and local priorities.

The overall objective—producing better commercial centers—is common, although BIDs define this more in terms of economic benefits and Main Streets more on appearance and design. The fundamental difference is financing. BIDs have a predictable funding source with the power of the local government behind it. Main Street programs must divert time and energy annually to voluntary fundraising. Seeking voluntary contributions can absorb a third of staff time, according to a former Main Street board chairman. Kennedy Smith, head of the national Main Street program, estimates that as many as 20 percent of Main Street projects receive financial support from a BID.

Voluntary funding

The recent tendency of state and local governments to reduce or eliminate lower priority expenditures has produced a cash crisis among many Main Street programs including the following.

In McMinnville, Oregon, service cuts are the order of the day. The State Main Street office in Virginia is advising existing programs to explore formation of BIDs throughout the state, looking to a more reliable source of funding.

The Ambler, Pennsylvania, Main Street program, faced with reduced funding, worked hard to establish a BID to enable it to continue operating. The program manager, Bernadette Dougherty, had been successful in securing grants to improve the appearance of

the principal street. Yet, there was grumbling by side street business operators whose properties would be assessed, complaining that they had not earlier received the full benefits of the Main Street improvements. And one long-time merchant appeared to be determined to change the manager.

Still, there was a lot of rank and file support for the BID, including from the largest property owner. The municipal governing body approached the decision to form a BID cautiously. Faced with opposition, the proponents withdrew the BID plan.

Great Britain's Town Centre Management programs have relied on voluntary contributions from business and governments to provide BID services for more than a decade. The continued problem of "freeloading," however, has led the British government to propose new compulsory charges on all benefitting businesses.

What's ahead for small BIDs

BIDs should be regarded as essential adjuncts to the municipal planning process. They can and do help communities implement many economic and redevelopment objectives. Sometimes BIDs also underwrite the planning needed to secure community commitment for improvements to the public realm and to private properties. BIDs occasionally act as formal or informal advisors to planning bodies on design issues in town centers, and that experience should be more widely emulated. Finally, BIDs should be encouraged to help prospective new businesses through the local permitting processes.

There appears to be no slackening in the formation of small BIDs in the six nations where they are well-established. Further, there is good reason to believe that the present growth will continue for at least another decade. Britain's and Ireland's legislation will produce substantial small BID growth and there will be modest growth in industrial area BIDs in the U.S.

Small BIDs tend to be professionally and sometimes geographically isolated, unable to take advantage of the technical assistance opportunities available to large BIDs with ample budgets for travel. There needs to be more technical assistance accessible to small BIDs. Nonprofit organizations such as Downtown New Jersey have served BIDs for a dozen years.

A university model exists in the Wisconsin extension service. The Pennsylvania Downtown Center, principally formed for Main Street, also helps small BIDs. And the state of Pennsylvania Main Street office appears to be encouraging Main Street leaders to look at BIDs. Still, there is little help available for the sole staff member managing a small BID in a small town, lacking funds for travel or conference-related costs.

The current difficulties facing Main Street programs are simply an exaggeration of the financial crises facing them even in the best of times. Time spent soliciting contributions distracts staff from pursuing productive activities, and, with the passage of time, such fundraising depends increasingly on promises that can't be filled. Municipal governing bodies cannot commit funds from general taxation into future years; Main street programs have to take their chances in every budget along with police, street repairs, fire, and other essential activities. BIDs, on the other hand, can assure multi-year funding through use of state assessment legislation.

In consequence, we can expect more hybrid entities formed in small business districts, linking BIDs as core financing instruments, with Main Street principles. Modified boards of directors will need to include more property owners and local officials as required under many BID laws and the result of agreements required to secure necessary business support for assessments. While the marriage may not everywhere be applauded, the necessity is great and the prospects favorable.

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BUSINESS IMPROVEMENT DISTRICTS AND URBAN ENTERTAINMENT AND CULTURAL CENTERS

By Lawrence O. Houstoun, Jr., AICP Copyright by the author

A business improvement district (BID) is an organizing and financing mechanism used by property owners and merchants to determine the future of their retail, commercial and industrial areas. The BID is based on state and local law, which permits property owners and merchants to band together to use the city's tax collection powers to assess properties, thereby creating a reliable, multi-year source of funds for economic development. These funds are collected by the city and returned in their entirety to the BID and are used for supplemental services (maintenance, sanitation, security, promotions and special events) and capital improvements (street furniture, trees, signage, special lighting) beyond those services and improvements provided by the municipal government. In essence, the program is one of self-help through self-assessment and business-led management.

Rather than absorb the costs of an improvement in the municipal budget, the taxing authority assesses all of the properties that directly benefit for their share of the total obligation. Those who benefit pay all the costs; those who do not benefit do not pay. There are 1,200 BIDs in North America in central business districts and other commercial areas of all sizes, from tiny Hampton, Virginia, to Times Square in New York City.

BIDs typically serve 10 functions:

- *Maintenance.* Collecting rubbish, removing litter and graffiti, washing sidewalks, shoveling snow, cutting grass, trimming trees, planting flowers in public places.
- *Security and hospitality.* Hiring uniformed security and street “guides” or “ambassadors”; buying and installing electronic security equipment or special police equipment, staffing sidewalk tourism kiosks.
- *Consumer marketing.* Producing festivals and events; coordinating sales promotions, producing maps and newsletters; launching image enhancement and advertising campaigns; erecting directional signage.
- *Business recruitment and retention.* Conducting market research; producing data-oriented reports; offering financial incentives for new and expanding businesses; marketing to investors.
- *Public space regulation.* Managing sidewalk vending, street performances, street furniture, code compliance.

- *Parking and transportation management.* Managing the public parking system; maintaining transit shelters; operating ridesharing programs.
- *Urban design.* Developing urban design guidelines; managing facade improvement programs.
- *Social services.* Creating or aiding help-the-homeless, job training, and youth services programs.
- *Visioning.* Developing a vision or strategic plan.
- *Capital improvements.* Installing pedestrian-scale lighting and street furniture; planting and maintaining trees and flowers.

In the BID era, business leaders assume that by acting collectively they themselves can correct as many of the problems that affect their economic self-interest as they can afford. Business volunteers plan and oversee cleaning, parking policies, supplementary security and other activities; in the process they find that often they can improve city services as well. Moreover, at the point that it becomes clear that commercial property and business owners are investing their own money in commercial area improvements, the city often finds it politically expedient to share some of the costs of downtown enhancements that city residents, too, will enjoy.

Visitor dependent economies

Visitor attractions include activities that draw people other than downtown employees, shoppers and residents, although such activities may appeal also to people who are already on the scene. These

activities and facilities include, at least: athletic events, urban entertainment centers, historic sites, art galleries, musical presentations, dramatic presentations, movies, night clubs, restaurants, festivals, parades, and sidewalk artists and musicians.

The *Philadelphia Inquirer* has observed, “Cities have always served as the places where ordinary people could participate in great spectacles. That’s what drove the great era of urban entertainment from 1895 through 1920, when Coney Island and movie palaces beckoned the masses to the phantasmagoria of the Midway and the electric lights of Downtown.” (May 18, 1997)

In 1981, the late James Rouse, whose festival marketplaces set new standards for retail performance and urban environmental management, was pictured on the cover of *Time* magazine with the quote, “Cities must be fun.” When the remark was made, virtually no one thought American cities were fun and few thought they ever would be. But fun is what Rouse offered to the local market, to people from the region, and to tourists attracted to his specialty shops and restaurant-driven shopping inventions. And people not only want fun, Rouse intuited, they want novelty as well. In creating the first indoor vendor carts, he required that each vendor’s merchandise change every six months.

Contrary to predictions, Rouse’s urban projects outperformed most suburban shopping centers in sales per square foot. Downtowns have yet to apply all the lessons to be learned from this remarkable man, but they are beginning to follow his lead.

Higher standards required

If the future of downtowns is to serve as regional centers of entertainment and culture — while hanging on to office and retail and encouraging market-rate residential expansion — what is the role of BIDs? Small and large cities are using BIDs to plan or implement entertainment zones of different types. The BID in downtown Washington, D.C., is largely oriented to attract more visitors. Many BIDs provide financial incentives for highly desired enterprises, as well as maintaining an urban environment required

by visitors. While some use commercially viable chain anchors like Dave and Busters, Planet Hollywood, or the Hardrock Cafe, smaller downtowns are using cultural arts facilities or “restaurant rows” to create their own version of an entertainment zone. Small neighborhood BIDs like Albany, New York’s Lark Street area, are adopting this formula, as well as small downtowns like Freehold, New Jersey. Wilmington, Delaware, has a district to enhance the appeal of its recreated waterfront.

The new BID-financed streetscape improvements — especially pedestrian-scale lamp fixtures offering brighter, whiter light that appeals to walkers — represent an important step toward making downtowns competitive with Disney’s offerings. Trees, lighting, pavements, crosswalks and street furniture represent essential improvements in the public realm, creating the stage for the next era of commercial vitality. Replacing solid steel security gates, lighting store windows at night, creating commercial signage that meets good design standards, restoring the original facades of commercial buildings — all steps some BIDs are now energetically pursuing — create unbeatable sets for downtown’s stage. More tangible than Las Vegas imitations, they are more interesting and useful, too,

with real businesses and a variety of entertainment venues, cultural attractions, and dining options.

To compete for the visitor dollar, downtowns of any size will need to raise their environmental and commercial standards from “good” to “excellent”; from being acceptable places for shoppers and employees to being “don’t miss” places for visitors.

Can BID areas compete?

Can BID-managed commercial areas significantly increase their market share in the tourism industry? Many states report that this sector represents their second largest. Downtowns exist in the center of regions where most consumers already are and where outsiders have easy access. More competitive downtowns will attract more of the growing segment of the tourism market that vacations less than a week, often visiting several places and at nontraditional times of the year.

American Demographics (April 1997) notes, “Baby Boomers have plenty of money but very little time. They love to travel but go for quick weekends or family getaways.” Philadelphia’s Cezanne exhibition broke all records for weekend hotel occupancy. As downtowns, especially smaller ones, offer more locally created shops, restaurants, entertainment, art films, night clubs, museums, theater and other offerings, they will become the place to go to avoid the chain restaurants, the multiplex cinemas, and the same old strip commercial and retail centers — “the anywhere and everywhere” of American suburbia.

The market opportunity for the next decade will consist of offering the richest top fifth of the population more diverse, attractive, and nearby places to spend their money. This does not imply that existing markets should be abandoned. One important lesson from the Rouse Company’s festival

marketplaces—where entertainment and shopping are still uniquely combined—is that it takes more than the tourism market to make them successful. Where, as in Boston and Miami, the Rouse centers could also draw heavily from residents and downtown employees, they continue to flourish. Where this diversity was lacking, festive marketplaces failed. Caveat vendor.

As BIDs prepare themselves for increasing reliance on a visitor-based economic foundation, they will be doing some familiar things with a different emphasis. If comparison with shopping centers served as the model for BID planning in the 1980s, in the next decade comparison with the hotel/resort industry may be more appropriate. In this league, security has to be so complete that it is invisible. Guests feel safe without conscious consideration of the question of safety. Visitors know guest rooms will be spotless and checked repeatedly, and the public environment also must be free of stains and litter. Views of abundant flowers, shrubs, and trees, all must be faultlessly maintained. Every building must be painted and clean, awnings and signs meticulously designed.

Activities must be within a conformable and attractive walk, with an abundance of visitor information visible from the sidewalk. If transit is needed, it must be frequent, comfortable and free. Parking must be convenient and identifiable, yet out of sight. Activities must be diverse and changing. There must be places simply to sip a good cup of coffee and read and opportunities to exercise. Good food at all times of the day and night is essential, much of it offered outdoors in varied settings and appealing to eclectic tastes. Top-flight entertainers are required, and their performances must be thoroughly promoted. While shopping for unusual goods is recognized as part of the recreational experience, there must also be convenience goods.

Public spaces should have bubbling fountains and pleasant seating in a distinctive context. The place must be unlike those of competitors, recognizably different.

There are BIDs in the U.S. and Canada that are expert at meeting one or many of these requirements. If they do not yet offer amenities comparable to those of resorts, it is not because the basic requirements are impossible to meet. BIDs are learning how to compete for leisure consumers. Success will come in increments, the result of adding to and adjusting the mix of amenities. Success is not simply attracting a large commercial entertainment project to which many drive, park and return home, a common criticism of the Atlantic City casinos. Success consists of visitors moving on foot among two, three or four or more shops, restaurants, night clubs, museums, hotels and cinemas. Large projects don't necessarily produce successful commercial areas. For this, a great pedestrian environment is required to connect consumers with a mix of appealing destinations. What types of investments will BIDs need to make to achieve "don't miss" status for visitors? Circumstances will vary greatly, but in general increased outlays for supplementary security personnel and cleaning will not be great. Most downtowns that clean already do so at an acceptable level. Increases in cleaning budgets will come when more people are on the sidewalk creating litter. To make people feel safer, remedies other than simply supplying more uniformed security personnel will be required. A major need will be supplying high-quality sidewalk lighting, planting trees and flowers, and reconstructing pavements—producing the attractive, reassuring environments that the American and foreign visitors expect when at leisure. These are major costs requiring annual payments to retire debt.

Another need will be improvements to public and private buildings. A few BIDs, like that in Red Bank, New Jersey, have begun to transform their streetscapes through free design services and incentive financing to produce restored facades and improved commercial signs. New storefronts and signs (and elimination of solid steel security gates) are essential complements to new lighting. Cleaning landmark older buildings will be another must.

Costs and benefits

Property assessments constitute by far the major source of BID revenues. The formulas for shared costs through property-related formulas take many forms, although assessments based on each property's share of the total assessed valuation, percentage surcharges on the property tax, or charges based on square feet of commercial space predominate. If the cost is expressed per square foot of commercial space, it is most likely to be around 10 cents to 15 cents per square foot; some charges are lower and some are higher, but they tend to cluster in that range. If cost is expressed in percentage of property taxes paid, it tends to cluster around 5 percent to 6 percent, although when BIDs have relatively little property to assess and when dependence on property tax for local revenue is low, the rate can rise to 20 percent of taxes paid. In downtown Denver BID reauthorization included the option of expanding sidewalk cleaning and streetscape enhancement to blocks beyond the pedestrian-transit mall. Planners know that the added benefits on the 17th Street corridor will cost an additional 2 cents per square foot, a negligible surcharge in a zone where rents are around \$25 per square foot and the current BID charge is about 4 cents per square foot. In the small downtown of West Chester, Pennsylvania, BID charges to the small tenants were found to equate to less than a daily soft drink at McDonald's. If the benefit is understood to be right, assessments represent a small investment to attain an otherwise unattainable objective.

What gains may be expected? A major selling point for BIDs is their unique ability to raise what might be called ambient property values by means that are unavailable to individual owners. Property owners will need to be sure that additional investments in BID-run marketing, events, security, hospitality, cultural activities, entertainment, and cleaning and maintenance produce improved business earnings and/or cost reductions. Thus, an increase in assessment should offer the prospect of at least a comparable increase in sales, occupancy or property values over time or some other quantifiable economic benefit.

History shows that communities learn by example. Only a decade ago, when there were so few BIDs to serve as successful examples of even modest programs, it was hard to persuade the doubters that such schemes were workable. Today, there are abundant examples and few doubts that the basic BID concept is viable. The question now is how much of a BID is required. The answer in many cases will be that a great deal more is required than presently exists to compete in the area of tourism-based economies.

Without suggesting that BIDs represent the only influential variable affecting downtown economies, it is useful to consider what is at stake in North America — the preservation and enhancement of older commercial areas. When, as is usually the case, the BID is the sole marketing instrument, this is a critical factor in how the area is perceived by investors, owners, customers, and so on. When, as is usually the case, there is no visible evidence of police on the sidewalks, the provision of uniformed supplementary security personnel adds measurably to favorable perceptions, as does a litter- and graffiti-free environment. When, as is sometimes the case, the BID has been instrumental in lighting the sidewalks and upgrading facades, this has been an important factor.

These, the most evident of BID benefits, can reasonably be said to have been the major controllable influences on the downtown economy. Many billions of dollars in property values are affected by perceptions that BIDs influence. Irrespective of whether values rise faster or decline more slowly because of BIDs, they produce positive benefits at negligible costs.

Urban Land magazine notes, “People have expressed their feelings about downtowns in countless surveys: they do not feel safe there. An entertainment enterprise located in a center city area can be hurt by a story in the local media describing an assault anywhere near the facility. The perception of an insecure or unsafe location must be overcome since the perception is the reality in the minds of prospective visitors. The only sure approach is to attract crowds (safety in numbers) and keep the premises well lighted.”

The enormous success of Times Square illustrates the success of BIDs in producing such environments. Despite an historic reputation for sleet and crime, crowds are bursting the sidewalks, thanks in part to the six-year-old BID’s cleaning, safety, marketing and supplementary lighting. A study by the London School of Economics of BIDs in New York City summarized the impetus for BIDS well:

The motivation for property owners to establish a BID and thereby impose a compulsory levy on themselves is that the expected commercial return will exceed their personal contribution. The growth in BIDs across the U.S. reflects the recognition by property owners that the value of their asset (their property) depends to a significant extent on the surrounding environment. In promoting their commercial self-interest, property owners will be prepared to invest in their surroundings to the

extent that it benefits their property. In practice this means that property owners will only be willing to join a collective scheme — such as a BID — if there is agreement on which aspects of local environmental decline need to be tackled and how this should be approached.

BIDs have a clear appeal to their economic stakeholders as devices for controlling and enhancing areas in which they have a common economic interest by setting and implementing their own priorities. Nowhere is that more important than in the sensitive economic realm of tourism development.

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VOLUNTARY SERVICE DISTRICTS ARE USEFUL BUT THEY LACK EQUITY AND RELIABILITY

by Lawrence O. Houstoun Jr.

In downtowns where efforts to improve the urban environment and create marketing systems that benefit business areas are volunteer-funded, perhaps 15 percent of stakeholders typically do all the work and contribute all the funds. With the passage of time, even these resources usually shrink.

Moreover, the freeloaders — the majority of non-contributing businesses benefiting from the work and funds of the few — typically aggravate the willing, adding a discordant note to cooperative planning. In addition to the lack of equity, voluntary financing of downtown organizations rarely produces sufficient funding, nor does it provide reliable, multiyear revenues.

Voluntary fund-raising is a major time cost to the small staffs of Main Street programs, for example. While Main Street projects have for the most part been successful in the communities where they've been applied, there are repeated stories of ones that have shrunk or ended as voluntary resources for operations shrink or stop.

To overcome these inherent limitations of voluntary commitments to improve and market business areas, business improvement districts (BIDs) are inclusive, compulsory, and multiyear. All those with common

economic interests are part of the economic solution, and every benefiting business or property is responsible for its share of common costs, paying a mandatory tax or assessment.

Still, hundreds of volunteer-driven downtown organizations, which we shall refer to as voluntary special services districts, exist in North America and abroad, and they have limited utility if applied cautiously.

Phased-in BID eases shift from fledgling voluntary district

Spearheaded by a state authority, features of a public-private redevelopment project along the riverfront of Wilmington, DE (pop. 72,660), include a minor league baseball stadium, theatres, offices, an Amtrak station, and a retail development site.

The Riverfront Development Corp. of Delaware contracted with a firm experienced in all these elements to guide formation of a BID (the Riverfront Wilmington Improvement District) that would assure safe and clean services and marketing. The arrangement worked out initially used the concept of multiyear voluntary agreements to get the services off to a fast start, even before all the public improvements and much of the private investment occurred.

The city ordinance specified an assessment on taxable property, and the business plan provided that the voluntary contributions would decline as property values and assessments increased. The arrangement worked well — the place looks and feels great.

The multiyear voluntary agreements that enabled the Wilmington waterfront organization to produce cleaning, security-hospitality, and marketing before the major property taxpayers were in place provides a good model. The waterfront park and parking lots are well maintained, fear-free, and well promoted, long before the riverfront's for-profit commercial development has been completed.

Further, the BID financing formula adopted by the sponsoring public and private entities was in place at known costs and obvious benefits well before possibly skeptical business owners made decisions to locate there. No potential investor had to guess what the benefits or the costs would be. The shift to primarily compulsory financing has proceeded without pause, confusion, or interruption of services.

Better to shift from free to fee sooner than later

Rather than the first resource, voluntary funding should be the last resource. If voluntary funding is chosen at the outset, plans for a compulsory charge should be part of the organization's initial planning. Waiting until the program faces reduced voluntary funding is a dangerous bit of procrastination. While voluntary special services district planners often optimistically anticipate grants to augment contributions, almost no foundation or government agency will pay for multiyear operating costs.

Postponing a BID until late in the game runs the risk of reduced or no services if the potential assesses don't entirely share the sponsors' service vision or enthusiasm for its financial support. In some cases, this Micawberish, something-may-turn-up strategy probably reflects an unwillingness to face the challenge of convincing potential beneficiaries that they should pay for programs designed by professionals who will not pay the charges.

The situation is not unlike one experienced in Canada, where a provincial authority offered matching funds to encourage adoption of a compulsory charge. A subsequent provincial government, however, ended the subsidy, and many BIDs ended with it.

Voluntary funding has some potential benefits, principally providing supplemental or temporary resources. Long-term reliance on voluntary funding, however, should be recognized for its limitations.

Without voluntary, multiyear agreements, voluntary funding rarely produces reliable multiyear revenues. Nor does it typically produce as much revenue per year as would be the case when cost sharing is inclusive and compulsory.

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Organization/Funding

BIDS BOLSTER MAIN STREET PROGRAMS

With Main Street programs across the country being drastically reduced by budget cuts, the time may be right for small downtowns to consider adding a business improvement district (BID) to their overall revitalization strategy. Some already are. According to Kennedy Smith, director of the National Main Street Center, as many as 20 percent of Main Street programs already have a BID. That number is likely to grow as downtown businesses recognize the importance of supporting a vital downtown.

“The financial woes currently facing Main Street programs are an exaggeration of their recurrent budget crises even in the best of times,” says Lawrence O. Houston, AICP and principal in The Atlantic Group, a downtown consultancy with offices in Cranbury, NJ, and Philadelphia, PA. “Time spent soliciting contributions distracts staff from productive activities.” Seeking voluntary contributions can absorb a third of staff time, according to one former Main Street board chairman. With the passage of time, Houston adds, even this fund-raising depends increasingly on promises that can’t or won’t be filled.

Many Main Street programs are learning that the hard way. From California to Nebraska, (See BIDs, on the other hand, are *Downtown Idea Exchange*, March assured multi-year funding through 1, 2003), state Main Street programs have been cut back or eliminated entirely, leaving local members increasingly on their own. Municipal and state governing bodies cannot commit funds from general taxation into future years, so Main Street programs take their chances every year along with police, street repairs, fires, and other essential activities.

No state funds to lose

BIDs, on the other hand, are assured multi-year funding through a separate assessment structure. “BIDs have virtually no state funds to lose,” Houston notes. More than half of the estimated 1,000 business improvement districts in North America function in small commercial districts, and that number is likely to grow. Neither wholly public sector nor entirely private, BIDs are adaptable instruments that successfully resolve persistent and common economic problems, as well as provide a source of energy and funding for implementing commercial center plans. Similarly, there are hundreds of Main Street projects, almost all in communities of less than 50,000 in population.

Structural advantages

While BIDs may offer a funding advantage over Main Street programs, Main Street programs everywhere have a dependable structure. The four Main Street principles — design, promotion, economic restructuring and organization — give participants a blueprint to follow, while BIDs plan, organize and operate based on local priorities that can differ widely. The overall objective — producing better commercial centers — is common to both, although BIDs define this more in terms of economic functioning and Main Streets with greater emphasis on appearance and design.

Main Street managers have abundant technical assistance. Small BIDs, however, tend to be professionally and sometimes geographically isolated, unable to take advantage of the technical assistance opportunities available to large BIDs with ample budgets for travel, Houston says. Nonprofit organizations such as Downtown New Jersey have served BIDs for a dozen years. A state university BID-

support model exists in the Wisconsin Extension Service. The Pennsylvania Downtown Center, principally formed for Main Street, also helps small BIDs. And Pennsylvania's Main Street office appears to be encouraging some Main Street leaders to consider adopting BIDs.

Hybrid entities on the rise

In consequence, Houston says, there is a growth in hybrid entities formed in small business districts, linking BIDs as core financing instruments with Main Street principles. "Inherently compatible, the only surprise is why there have been so few hybrids thus far," he adds.

The Virginia State Main Street office is advising existing programs to explore formation of BIDs — to garner a more reliable source of funding.

The Ambler, PA, Main Street program, faced with reduced funding, has been working long and hard to establish a BID to enable it to continue operating, although the current BID plan has been tabled. The program manager, Bernadette Dougherty, had been successful in securing grants to improve the appearance of the principal street. Yet, there were grumblings by side-street business operators whose properties would be assessed, complaining that they had not earlier received the full benefits of the Main Street improvements. While there was a lot of rank and file support for the BID, including from the largest property owner, ultimately the BID steering committee determined that there isn't enough support as yet.

In a letter from BID Steering Committee member Christopher Lawlor, the committee regretfully informed the borough of the lack of support behind the BID program. "We on the committee still believe in the idea and hope that eventually the Ambler business community will embrace it; however, it is clear that, due to strong resistance to the idea from those who have yet to receive a full copy of the plan, now is not the time for a Business Improvement District in Ambler," Lawlor wrote. The program is currently in operation and seeking other methods of funding.

Steps to creating a Main Street/BID hybrid

Building an effective combination of a Main Street program and a BID requires careful consideration of several points. "BIDs and Main Street programs are essentially compatible," says Lawrence O. Houston, AICP and principal in The Atlantic Group, a downtown consultancy with offices in Cranbury, NJ, and Philadelphia, PA. "Adding a BID to an existing Main Street organization should introduce no philosophical or program conflicts."

Houston offers this blueprint for creating your own hybrid organization.

Keep it inclusive: In planning a BID organization, start with an open process and work hard to include those who have not contributed to the Main Street program (along with those who have).

Assess your board: Hybrid boards of directors will need to include more property owners and local officials than a Main Street program. This is required under many BID laws and will help secure necessary business support for property assessments.

Understand the law: Familiarize yourself with the basics of your state law — does it require petitions? Is approval dependent upon a percentage of objectors? Is the governing body's approval all that is necessary?

Find a mentor: Try to get an advisor who has been through the process once or twice before.

Talk about the benefits: Seek to produce a BID-financed program that is affordable, equitable, and sufficient to solve a problem or capture an opportunity that has not been successfully tackled before. Offer one or more important new benefits.

Emphasize cost effectiveness: Note that the inclusive, compulsory BID assessment spreads the costs among all properties, helping to keep charges low.

BIDs 101: A primer on funding downtown improvements

Business improvement districts can exploit opportunities and solve problems such as deteriorated commercial buildings and signage, empty lots and buildings, and the absence of marketing capacity. In a nutshell, a BID links the owners of two or more private properties or businesses, enabling them to share the costs of solving common problems or realizing economic opportunities associated with their area. BIDs represent systems of cooperation in which business representatives agree to a formula for cost sharing and for managing the implementation of plans they have helped shape. This sustainable funding system enables predictable, dependable, multi-year budgets.

Sustainability requires that a property assessment or business tax be compulsory, multi-year, and applied to all benefiting properties or businesses. Once adopted, it is enforceable with the power of government to collect the assessments. The principal distinction between BIDs and Main Street projects is the reassurance that budgeted BID funds will be available five or more years in advance, enabling multi-year contracts with vendors, agreements to employ staff, and, where authorized by law, the ability to finance capital improvements.

Cooperative capitalism

A BID may be managed by a public agency or, more often, a nonprofit corporation. In either case, oversight is the responsibility of a board of directors whose membership is dominated by business and commercial interests, reflecting those who pay the assessment. While governments have limited authorizing and oversight responsibilities, the onus for planning, financing, and managing districts resides with the private sector. BIDs are not “privatization” of government functions. They are better described as “cooperative capitalism.”

Small BIDs exist in diverse circumstances. They are in the subordinate commercial districts of large

cities (Milwaukee has more than a dozen), in older industrial areas, and in the town centers of prosperous suburban communities and other small towns. Some may have revenues of as much as \$250,000 annually and others as little as \$10,000. While a few small BIDs receive assistance in cash or kind from their municipalities, most of them begin with only the property assessments they can raise.

With revenues of around \$250,000 a year, a BID can often afford a full-time director and at least a part-time assistant. Smaller BIDs depend on a part-time manager. Some very small BIDs function without staff, relying on board decisions. A few, like Netcong, NJ, assign BID management to a local government staff person or to the non-profit organization that took responsibility for forming the BID. Sponsors invest in BIDs as small as 50 properties because they cannot imagine where else they could raise \$250,000 over five years to improve business profitability and property values.

Calculating assessments

BID assessments are usually a function of assessed valuations. Each property’s share of the annual BID budget is equal to its share of the total assessed valuation in the service area. This can represent 10 percent to 20 percent of property taxes, 10 cents to 12 cents per square foot of leasable space or \$200–\$300 per year, or any other figure the authors agree to. This represents a small fraction of the common area maintenance charges (CAM) charged in competing shopping centers. The low cost is partly the result of a system in which every property contributes its fair share. The allocation system is equitable and the benefits are clear.

Other examples of BID funding include creating the plans and providing matching funds for physical improvements and, on occasion, investing in redevelopment. They can be relied upon to maintain the plants in the new streetscape or to attract new businesses.

Small BIDS and Main Streets: A comparison

The characteristics of Main Street programs and BIDs make them a good partnership — each has strengths that could complement the other's weaknesses. Here is a comparison, put together by Lawrence O. Houstoun of The Atlantic Group and Kennedy Smith, director of the National Main

Street Center, displaying the main components of each — and how they can work together.

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	MAIN STREETS	SMALL BIDS
1. State funding for operations	A few states (PA, FL, LA)	No known examples
2. State technical assistance	Most states	Very few states
3. Local government funding	Usually	Sometimes
4. Voluntary contributions	Almost always*	Rarely
5. Assessments on benefitting properties	Not unless also a BID	Always
6. Length of financial commitment	Varies	Usually five years, renewable
7. Pursuit of project grants	Varies	Becoming more important
8. Reasons for failures	Failure to work comprehensively	Budgets too small
9. Primary national support	National Main Street Center: strong advocacy, promotion, conferences, literature, technical assistance	International Downtown Association: conferences
10. Priorities	Returning district to high level of economic performance	Varies greatly, local choices
11. Main emphasis	Historic preservation, customer attraction	Business, economic development
12. Boards of directors	Mixes of residents, businesses, government, community organizations	Primarily business and property owners, some government and nonprofits
13. Strongest features	Strong track record in job creation, small business creation. Recycles buildings.	Multi-year funding, private-sector leadership
* Mostly mixes of municipal, county government; foundations, corporations, dues		

BIDS OF THE FUTURE WILL GET MORE CREATIVE ABOUT SERVICES, FUNDING, AND PARTNERSHIPS

Lawrence O. Houston Jr., a principal with the Atlantic Group consulting firm, Cranbury, NJ, understands business improvement districts (BIDs) so well that he literally “wrote the book” on them — twice. The newly released, 250-page second edition of *BIDs: Business Improvement Districts* expands its predecessor’s definition of BIDs, and reflects the broadening scope of services that BIDs provide.

In fact, Houston’s presentation at the International Downtown Association’s annual conference this fall in Cleveland, titled “The Future of BIDs,” cited a wealth of examples of BIDs getting creative, suggesting the shape of things to come.

Beyond patrols and festivals

Innovative, nontraditional uses of BID go well beyond “uniformed patrols and periodic festivals,” and Houston predicts that “BIDs will (or at least can be) far more influential than at present.”

Examples of BIDs getting clever range from how services are provided to how the BIDs themselves generate additional revenue to provide services.

For example, downtown Atlanta, GA (pop. 416,500), has increased the mobility of its ambassadors by giving them Segways, the battery-powered, gyro-scope-balanced people movers, or “Human Transporters,” as the manufacturer refers to them.

“At six miles per hour, they fit a mobility niche somewhere between walking patrols and bike-mounted security staffers,” Houston remarks, just about the right speed for overseeing the efforts of sidewalk ambassadors in a large downtown.

The 65-member Ambassador Force of Downtown Atlanta, which patrols a 200-block area, was “an early adopter” of the new technology, with its purchase of six Segway units for use by shift supervisors in early spring 2002.

On average, three of the units are out on every shift; more if there happens to be a convention or especially heavy traffic downtown, says Richard Orr, senior project manager for communications, Central Atlanta Progress and the Atlanta Downtown Improvement District.

“They’re extremely functional,” Orr says. “I would suggest BIDs consider them, especially with a district as large as ours Our supervisors oversee three to four individual ambassador beats during a shift, maybe three to four square blocks each, and it keeps the supervisor out in easy contact with all the ambassadors under his or her supervision.”

NJ groups offered special credit cards

In an example of ingenuity on the revenue-generation side, two small downtown organizations in Maplewood, NJ (pop. 23,870), jointly launched a Visa credit card, with revenues paid out by the sponsoring bank dedicated to funding facade improvements.

Unfortunately, the sponsoring bank, United Trust/Elan Financial Services, cancelled the credit card because it wasn't generating enough revenue for the bank, says Virginia Lamb Falconer, village manager of the Maplewood Village Alliance. Her special improvement district (SID) partnered with the Springfield Avenue Partnership in the community credit card venture.

At least from the SIDs' perspective, "it was very lucrative," Falconer says. "We got \$6,000 a year from it, which for us was a lot."

The Maplewood Visa incentive card had 119 cardholders when it started in November 1998, Falconer says, and grew to 257 holders by July 2001. Dismantled in August 2002, the program earned the Maplewood Village Alliance alone a revenue share of \$26,050, Falconer says, from \$1,300 in its first two months to \$6,489 in its last eight months of operation.

"We'd love to start another card, but I haven't pursued it yet," says Falconer, who recently started in her position with the Maplewood Village Alliance. "We definitely would be interested in doing that again," she says.

Main Streets are adopting BID mechanism

Houstoun believes that the future may also hold a greater prevalence of BID-Main Street hybrids (see *DIX*, 10/15/03, p. 1). Kennedy Smith, head of the National Main Street program, estimates that as many as 20 percent of members have BID financing, he says.

Where Main Street programs must divert a large portion of staff time and energy annually to voluntary fund-raising — up to a third of staff time by a former Main Street board chairman's estimate — Houstoun says, BIDs have the advantage of a "predictable funding source with the fiscal power of the local government behind it." However, BIDs are weak in technical assistance, whereas Main Street programs serve smaller and geographically isolated downtown communities especially well.

"While the marriage may not everywhere be easily accomplished, the necessity is great and the prospects favorable," Houstoun says.

Future prospects for BIDs in general are extremely favorable, Houstoun says. In conclusion, he says: "BIDs can look forward to a favorable future to the extent that they remain outcome-focused; that they adjust services to reflect new and changing conditions; that they continue to attract new blood to leadership positions; and that they create working partnerships with the government culture while continuing to foster the culture of individual enterprise."

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“CREATIVE” INVESTMENTS WILL BE KEY TO LONG-TERM BID SUCCESS

By Larry Houstoun, the Atlantic Group

There appears to be a widening gap in creativity among BIDs. Some simply don't progress much beyond the day they opened their doors, while others grow as they capitalize on new opportunities. Those that were leaders in the 1990s, with few additions, remain the leaders today. The most revealing measure of BID creativity is a gradual increase in the assessment formula. Those that grow are unafraid to propose higher charges because their constituencies recognize the value they are receiving.

In Englewood, NJ (pop. 26,200), for instance, after a half dozen years of struggling to retain shops and save an old theatre, a second BID was created that overlapped part of the original one. The latter was used to finance infrastructure required by a retail developer who brought, in addition to some leasable, modern retail space, an anchor supermarket. The place is blossoming.

Strategic investments

BIDs have helped with an often difficult public task — that of preserving local theatres. One small town in New Jersey used its facade upgrading funds to help the operator of a twin neighborhood theatre remain operating — 360 days and nights a year. The Buffalo, NY (pop. 292,600), BID is one of a half dozen financial partners in saving an historic theatre built during the heady days of movie palaces.

A small-town BID in the West acquired a five-story commercial building for a nominal price, and with the assistance of an economic development grant, upgraded the building. It created and sold commercial condos and took some of the space for the BID's office.

Attorney Robert Goldsmith, president of Downtown New Jersey, reports that the Morristown (NJ, pop. 18,540) Partnership Board and its executive director “played a significant role in the approvals and development of the Chancery Square redevelopment project.” The Partnership supported a zoning change to increase density for the project, actively lobbied on behalf of the zoning change, and aided the design and approval process before the Planning Board. This resulted in 31 apartments and 11,000 square feet of office space.

The Partnership next approached owners who had held five major untenanted properties for a decade. The Partnership first worked with the mayor and council, urging them to undertake redevelopment. Based on the BID's urging, the town council determined that a key block with numerous vacancies should be found to be an area in need of redevelopment. That led Granite Holding Company to design, plan, and construct 149 market rate rental units and 14,000 square feet of retail. The partnership successfully supported a variance for higher density.

Working with the Parking Authority led to construction of a 700-space parking garage to support \$15 million in private improvements to the former Macy's building, vacant for nine years. Recently, the Partnership supported a mixed-use "transit village" project adjacent to the Morristown train station that will include 200 housing units, 65,000 to 85,000 square feet of retail space, and a 600- to 700-space garage.

Redevelopment authority

Many BID's are authorized to engage in rehabilitation and redevelopment. New Jersey special improvement districts (SIDs) can be used to pay off bonds for capital improvements. The Pennsylvania Neighborhood Improvement District (NID) law includes similar authority.

With the ability to leverage public or private investment with BID financing, improvement districts can be attractive partners in conceptualizing redevelopment and helping to assure its financial success. Many downtown projects (like the Buffalo theatre) require financial support from various sources. BID's may become the gap financing tool for a project with several other sources.

A few BID's already assume leadership for creating Downtown plans, the first step in identifying redevelopment needs and opportunities. BID's that can purchase properties, borrow for their improvement, and sell them reflect the next stage. Especially in small towns, BID's can induce important changes through constructive advocacy. The wit, skill, and public relations insights that represent BID's at their best will take them into new dimensions in the next decade. Not all will advance, but those that dare will produce remarkably more prosperous, convenient, and attractive commercial (and residential) centers than we have as yet envisioned.

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FACE TIME IS KEY TO SUCCESSFUL BID START-UP

By Lawrence O. Houstoun Jr.

Although the legal approval process for business improvement districts (BIDs) varies among downtown jurisdictions, in all cases, proponents have created a business plan specifying properties or businesses benefited and charged a share of the operating costs. They then sold that plan to those who would share the costs, as well as to their municipal governing bodies.

While active BIDs are almost never abandoned, perhaps one in 10 attempts at starting a BID fails before it is launched. Little has been written about stillborn districts, although there are useful lessons to be learned. The non-statutory causes of pre-approval failure deserve greater attention, and may perhaps improve the success rate of the 50 or so districts planned each year.

Why do some BID start-ups fail?

Some believe that BID formation that begins with local governments is doomed. Experience shows, however, that public-sector origins can sometimes be successful. With creation of effective private-sector steering committees, a number of downtown BIDs initiated by local governments have functioned well for a decade or more.

The factors that seem to make the greatest difference in success or failure in the pre-BID approval process are:

- Leadership of the steering committee and the commitment of the members.
- A pre-existing private sector organization that serves as both sponsor and secretariat;
- Understanding by the planning group of BID potential; and
- Face-to-face contacts by steering committee members with affected property owners.

Three examples, two from the U.S. and one from England, follow. Each failed in its first try, but two of the three downtowns eventually formed BIDs.

Example 1: Insufficient face time with remote owners

West Chester, PA (pop. 17,860), began BID planning with a broadly representative committee led by the chief executive of a locally based insurance company. One other committee member had been a persistent advocate of BID potential to enliven this small business district. The preexisting supporting organization was the local chamber of commerce. The municipal economic development staff person helped with secretariat support.

The BID selling campaign addressed both existing problems (shrinking retail sector) and future opportunities (the prospect of a new downtown county office building). The original proposal failure was tactical rather than policy-related. Although committee members agreed that face-to-face contacts with owners on the edge of the district were essential, few member contacts were made. The more remote owners could not see the benefits to their properties and voted against the BID plan, effectively vetoing it.

The pro-BID leadership and commitment were sufficiently strong that the BID plan was promptly reshaped just a few months later with a smaller service area and successfully sold on the second try.

Example 2: Enabling opponents to distort costs and benefits

A BID proposal in Norristown, PA (pop. 31,280), started with the municipal planning office, the body that served as the secretariat and steering committee

organizer. The decision process and the steering committee's awareness of BID potential relied more on a consultant than would normally be the case and the municipal government's support was limited by competing staff responsibilities and staff turnover. Nor was there a preexisting private-sector supporting organization. Unusual problems arose in securing an accurate property owner list. The proposed BID plan gave priority to security issues, a major image problem that deterred customers and investors. The BID campaign emphasized the need to overcome this problem with closed circuit TV (CCTV), patrolling ambassadors and close cooperation with police. Gradually enthusiasm for and knowledge of BID potential increased.

The BID failed, however, when owners with long-standing grievances against the local government organized in opposition. Steering committee members neglected most of the necessary face-to-face selling, enabling the opponents to distort the BID's cost and benefits. The opponents' campaign produced more negative face-to-face contacts than contacts by pro-BID advocates. Defeated, the pro-BID group did not attempt a second effort.

Example 3: Threat of outright failure can be best motivator

Even in large cities, English BIDs tend to be small compared with those in the U.S. The retail center of Liverpool, England (pop. 441,800), decades in decline, produced a strong steering committee and engaged a highly qualified professional to guide the decision process and serve as secretariat. Several members prepared for the decision process by spending more than a week studying BIDs in the U.S. The committee's initial selling strategy emphasized a favorable vision for the retail center, outlining the positive changes that the BID could produce. High-quality pro-BID literature was used, but face-to-face selling was not emphasized.

Another mistake was failing to see merchants were content with the status quo. Almost no shops were

open after 5:30 and sidewalks were empty until after 8:00 p.m., when the notorious binge drinking attracted young people to the pubs and nightclubs. Voted down on the first try, the proposers switched strategy.

In place of the positive vision for the district — which wasn't sufficiently motivating — the group focused on potential further decline when a large (42-acre) adjacent mixed-use project opens in 2008. The project could potentially suck the remaining vitality from the old core area. That did it; fear turned the tide. On the second try, the BID was approved and has functioned successfully. The outlook for the area is now aligned to the positive vision for an expanded commercial center, with both new and existing businesses benefiting from the increased trading opportunities.

Don't overreach; keep friends close and enemies closer

In these examples, the most costly (and irrecoverable) mistake in forming a BID was enabling opponents to control the public debate. When pressed with organized opposition, the best BID leaders negotiate and/or offer modifications to lessen opposition. What proved to be one of America's most effective small BIDs (Red Bank, NJ, pop. 11,840) was guilty of overreaching in the original BID plan. Opponents did not see themselves as part of the downtown. The BID service area was shrunk and the district plan approved. Similarly, Trenton, NJ (pop. 85,400), added to its board the leader of the opposition, a lawyer who later became the board's chairman. Given a useful and workable plan, BID knowledge, commitment, flexibility, persistence and face-to-face selling are essential elements in BID approval — and essential values for any form of downtown leadership to succeed.

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THE FUTURE OF BUSINESS IMPROVEMENT DISTRICTS: SMALLER AND MORE CREATIVE

Self-assessing business improvement districts have done much good for downtowns across the country. BIDs have provided a new and exciting source of revenue for revitalization, particularly in the last decade as they have proliferated (there are now more than 1,200 BIDs in North America, according to the International Downtown Association).

BIDs have cleaned up sidewalks, made streets safer and brighter, marketed downtown to shoppers and tourists, attracted businesses, created databases of downtown activity, improved public spaces and rebuilt streetscapes.

In the future, BIDs will continue to spread as a viable source of funding for revitalization. They will proliferate, especially in small towns and in neighborhood commercial districts. And, their managers will be more creative in their use of BID assessment dollars in order to meet local needs and fit local realities.

But there are challenges ahead, said Larry Houston, author of the newly published *Business Improvement Districts* (\$59.95, Urban Land Institute) at a session of the International Downtown Association's annual conference, held September 20-23 in New York City.

Trouble Spots for BIDs: Copycat Programs

Houston said that the "most insidious force working against successful BIDs" is the tendency to copy the program mix of other downtowns. "When business people know little about BIDs beyond the headlines in out-of-town newspapers, there is an understandable, but wasteful, inclination to assume that there is a one-size-fits-all formula for success," said Houston. In the process, leaders overlook local assets and limitations.

For example, while some BID districts like Times Square might need around-the-clock sidewalk cleaning, others like Grand Junction, CO, do not. In fact, some downtowns would do better to employ their clean-up crews in graffiti removal rather than sidewalk cleaning.

This also applies to security efforts, said Houston. While some downtowns have had success employing retired police officers to lead security, others have had better results with trained ambassadors who have no policing background.

"Misdirected enthusiasm for exogenous remedies carries with it the risk of wasted resources and painful changes in direction down the road. Eventually, the local realities prevail," said Houston.

Copycatting is also a problem for financing. Many BIDs claim in their promotional literature that the proposed assessment fee is "comparable to other cities," said Houstoun. This is a real red flag and means that the group has no "idea what is required to revitalize their downtown, so they used an assessment formula that reflects another community's priorities."

What downtowns need to do in setting the level of assessment is to ask themselves: "What will it take to do the job in our downtown?" Instead, said Houstoun, they usually ask themselves, "How can we set an assessment rate so low that no one will object?"

An example of a district that avoided this problem is the Manayunk Development Corporation (see DIX 10/15/97). When corporation Director Kay Smith and staff formed a BID, they worked up an assessment fee that would give them enough money to develop a master plan for the district (\$80,000).

This fee was twice the percentage usually assessed (10 percent of real property tax instead of five). Although Smith admits to some nervousness when the assessment level was announced to property owners, she says that they understood what was required to make the BID work and they voted it in.

Setting Goals

Other problems: In terms of security, BIDs need to set clearer goals about what they want to accomplish and what they can realistically achieve. Questions that need to be asked include: To what extent is a BID trying to reduce crime? Or is the BID more interested in reducing perceptions of crime and reassuring pedestrians? Does the BID want to concentrate on uniformed personnel or on lighting to make downtown look less threatening?

Houstoun also said that, going forward, BIDs need to start thinking about doing more to improve and provide quality public spaces -- the kind that Americans "spend small fortunes to enjoy in other countries" such as town squares, piazzas, public fountains and parks and sidewalk cafes. Places to sit, to walk and to rest.

BIDs need to think more about furnishing these spaces with rest rooms, food, entertainment, maintenance and security. But also they must get involved in creating these spaces and overcoming the poorly designed, badly maintained spaces that were built in the past. (Houstoun argues against the reopening of pedestrian malls to traffic, pointing to the success of such spaces in Miami Beach, FL, Savannah, GA, Burlington, VT and Denver, CO.)

BIDs need to go beyond "clean and safe" to spend more time on better lighting, better facades, better public spaces, flowers and more entertainment -- "in short, all the conditions Americans value so highly in their expensive trips abroad and sadly, that they find in few BID-run American downtowns."

And, yes, once they have made downtown a more beautiful and entertaining place to be, BIDs need to spend more time on marketing

Legislation and Research

Houstoun proposed that better state enabling legislation is needed for BIDs. The process is too long and too difficult in many states. Also some states allow local governments too little say in setting boundaries, deciding on the organization structure of the BID, etc.

Houstoun also thinks that enabling legislation that allows property owners to excuse themselves from the assessment -- such as the legislation in Massachusetts -- is a mistake.

BIDs also need to get more involved in research, measuring what makes cities and small towns "tick." But a problem with BIDs as data collectors is that BIDs also need to make their downtowns look good. This can cause a conflict when there are negative data. What to do? Houston said that it is in a BID's best interest to report the bad news along with the good, because "local realities will ultimately prevail."

What Lies Ahead?

In the decade ahead, "most of the expansion will be in smaller commercial areas," said Houston. Smaller communities and neighborhood commercial districts are getting more comfortable with the idea of BIDs as they see them achieving success in other small towns. An example of successful small town BIDs is the SIDs (special improvement districts) of New Jersey. There exist about 30 SIDs in New Jersey, many in small towns like Millburn (pop. 18,000) and Cranford (26,000). Also, neighborhoods like Grand Avenue in New York have been able to use relatively small assessments (originally \$33,000) to pay for the purchase of Christmas decorations. Small towns and districts are learning that BIDs aren't just for big city downtowns anymore.

Kudos, and a Warning

Houston congratulates BIDs that have been forward-thinking and, optimistically, hopes to see more BIDs following their lead (although not copycatting). He congratulates downtown Phoenix for performing excellent data measurement, Philadelphia for physically rebuilding its streetscape, Denver for bringing residents back to downtown, Red Bank, NJ for converting old buildings, Millburn, NJ for its successful business recruitment program, Bryant Park, NYC for reclaiming and maintaining a beautiful and usable public space, Baltimore for marketing and business attraction, and Times Square for creating new events.

"One important distinction is between those that are investing modestly in making the best of downtown as it is, and those that are aggressively working to improve the product," says Houston. "A successful firm is never satisfied with its product -- nor is a successful BID. Too many BIDs proceed as if they are satisfied. The competition will eat them up!"

The same is true for downtowns and Main Streets in general.

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EVERY FIVE YEARS, A FRESH START

By Lawrence O. Houstoun Jr.

The number of Business Improvement Districts (BIDs) in North America with initial annual assessment budgets of less than \$250,000 is probably 500 or more. Many of these small BIDs, if not most, were formed less than 10 years ago and thus have either undergone a statutory renewal process, are soon to do so again, or will be doing so for the first time.

Some BID leaders believe that renewal will be easily achieved, mainly by dusting off the old ordinance and resubmitting it for local government approval, sometimes with a hope that the assessment rate can be increased. Many don't bother to test the waters with the local government, the assesseses, their tenants, or the consumers, and are surprised as well as displeased when the path to reapproval proves rough.

Compared with the multimilliondollar BIDs, why do local people bother with such seemingly small amounts of revenue? First, \$200,000 times five years equals a lot of economic influence in a small district without another reliable, sustaining, noncategorical source of revenue. While most could usefully apply more funds, in context the possibilities are considerable. BIDs generally finance the first district marketing program ever.

Many correctly see BID funding as an essential precondition for planning and applying capital grants. It is all but impossible to find a grant source for continuing district management.

The greatest hazard associated with the keepour-headsdown approach is that it misses a priceless opportunity to learn of unsuspected potential opposition to renewal, not to mention missing fresh ideas regarding programs, budgets, service area, cost sharing, and BID management and governance that can come from those who are paying the bills.

Where does renewal opposition typically emerge? Opponents most often are those from the less valuable properties (who pay the least) and from properties at the edge of service areas. Despite their small value, they will receive considerable attention from the governing body. Rarely do opponents complain about the annual charges; it is not exceptional for the bottom fifth of property values to pay fifty cents or less a day.

More likely complaints come from those who feel left out of the process, those who claim they don't know about board meetings, don't know board members, or have seen little of the BID director. Sometimes they claim that others get greater service benefits.

Recently, two opponents complained about what they saw as conflicts of interest where board members received contracts for BID work (and as it turned out the bylaws did not prohibit conflicts or the appearance thereof). If there is some form of security program, some will charge that the municipality should pay for these charges. The last place BID proponents want these questions raised is in the BID hearing before the municipal council.

How can this be avoided? Begin by assuming that selling a renewed BID will not be a slamdunk. Surveying the constituents — including those who do not use the district's shops and services — is important, although sometimes costly. Ask: What do you like about the existing BID? What would you want in a new one?

Just two community meetings can enable participants to get BID perspectives not otherwise available, and BID planners to learn more about the downtown district's needs and opportunities than they could otherwise learn.

The reauthorization process should be led by a steering committee with broad representation of local commercial interests. The BID decision process needs to be well publicized; even the appearance of a secret process can derail approval. Municipal officials may not care much about how the board spends its money, but they are all experts on and concerned about democratic process.

Why take a fresh look at all the important elements? First, a considerable amount of change has doubtless occurred in the past five years. It is not exceptional for a new, small BID to have had three or four directors in five years. Board members change. Owners and operators change.

Economic conditions are probably altered. Some BIDs began as desperate measures to save the district; today, they may be better focused on opportunities rather than problems. Perhaps it is time to change emphasis; allocating half the budget to sweeping sidewalks may not have produced the essential new businesses, not so much, say, as financial incentives for store upgrades are likely to.

Was the first budget prepared to overcome the cost of inflation? Does the standing ordinance penalize adequately assessment defaulters? Do the bylaws adequately guard against political manipulation? Do they assure that the board and staff members are oriented to forprofit enterprises, or have they produced a notforprofit or a government philosophy or orientation? Would the BID function better under another state BID law? One state statute requires that an assessee vote every year, but there are other statutory options. For example, Pennsylvania and New Jersey BID laws offer a choice between government-run and not-for-profit-run BIDs. Should the state law be amended?

But the best reason to start fresh is to strengthen the BID constituency. As with the original BID, the more stakeholders who feel they have shaped the BID, the more people who will help sell it, hence community meetings and surveys.

Another good reason was given by a former Downtown Denver Partnership BID director. Reauthorization, he said, “keeps us on our toes.”

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DOWNTOWNS AND BIDS CAN DO MORE TO FACE THE RECESSION

By *Lawrence O. Houstoun Jr.*

The BIDs formed 20-30 years ago emerged from decades of urban centered recession and were intended to face protracted hard times in cities. Uniformed supplementary security, removal of long neglected litter and much of the marketing messages were designed to make visitors, office workers and shoppers less apprehensive, encouraging them to come, stay longer and spend.

Early BIDs were typically city based, large in acreage and revenues. They probably would not have been supported unless personal and property safety had been high on their agenda.

Over time, several things changed. Urban crime dropped off the media screens. Downtown areas enhanced by BID services looked better. And because there were more attractive things to see and do, there were more people on the sidewalks. The late urbanist William H. White wrote that the condition most reassuring to urban pedestrians was the presence of an abundance of other pedestrians. BIDs offered abundant and appealing experience opportunities to a consumer market that had come to seek something more than simply shopping.

Another gradual change concerned the location and size of the subsequent waves of BIDs. The overwhelming number of today's BIDs are small compared with the first ones, have budgets only a fraction of the size of large ones and are more often than not in suburban and other centers without

substantial fear of crime impeding shopping and private investment.

Today, a worldwide recession is in place. More businesses will be lost. Footfall will drop. Money for priority projects will diminish. Crime rates (or at least the fear of crime) will rise. The FBI attributes the current rise in bank robberies to the recession; 36% of city respondents told Pew Research that crime is a big problem. There are more panhandlers on sidewalks. The International Council of Shopping Centers predicts that 150,000 stores will close this year and that 15% of the existing retail base will be gone in two years.

So let's review actions that BIDs and most other downtown management organizations might consider in order to maintain insofar as possible optimum economic functioning.

- **Public space maintenance.** As ever, conserve BID revenues by subjecting cleaning programs to tough tests — is it essential, will it help meet important local goals, could some of these funds be applied to more urgent needs such as attracting more pedestrians?

- **Lighting.** Making sidewalks measurably brighter helps boost crowds and reduces pedestrian fear. Public lighting is important but so are bright store and restaurant windows.

• **Closed Circuit Television.** Long a feature in Britain, CCTV is being adopted in some small U.S. BIDs to protect parked cars and real estate and to help night businesses. Knowledge of its existence is believed to deter crimes and provide pedestrian reassurance. Restaurateurs love it.

Communication. The marketing message should subtly underscore that the district is safe. Give even greater emphasis to the theme that the district is successful. Stay in regular contact with owners and tenants and especially consumers. What is bothering them?

Reassure employees. Set up systems to escort employees to their cars after dark. If they are frightened, they will tell others.

Sell the nights. Put more activity on the sidewalks after work and in the evenings when shoppers are needed. Music and events such as First Friday art gallery tours can help. Unfavorable word of mouth proved devastating prior to BIDs.

Recruiting. Reconsider the effectiveness of the current business recruitment strategy, it's more important now, than ever. Clean sidewalks won't do it. More incentives, financial and marketing, will be needed to land strong new businesses and to focus real estate agents on the district's advantages. Fill empty windows with eye-catching displays for active stores, public events and BID activities. Move money from lower priority activities to this work; shuttered businesses lower morale and lead to defeatism when it is most dangerous. Encourage more residents to reside in the district, building a stronger consumer base among those who will spend the most locally. As revitalization specialist David Milder says, don't settle for marginal tenants; you'll wish that space was available when conditions improve.

Cooperation. Where maintenance funds are not equal to the challenges, organize more voluntary work by residents and employees. Partly to keep spirits up (this recession could be a long one), make sure the charters for committees and the board of directors include goals leading to more prosperous conditions. The best ideas and most of the work will come from those who are paying rents, salaries and taxes.

Plan ahead. Are there prospects for anti-recession stimulus projects? For projects that could be made real through tax increment financing?

Cost sharing. Look for opportunities to share with local government the costs of services most akin to municipal ones — e.g., landscape installation and maintenance — to free up funds for activities like business attraction and marketing that the BID must carry alone. The economic circumstances are changed and so priorities should be reconsidered. BIDs are better positioned to stave off bad times now than they were a generation ago. They have tested organizations to respond to problems and capitalize on opportunities. BIDs performing well are assured of sustained, non-categorical revenues they can control. In Britain, the recession has stirred new interest in BIDs.

A recent Philadelphia Federal Reserve District-Wharton School study indicates that places that have an abundance of experience opportunities — that is, attractive things to see and do — perform better economically. Amenities-based growth fits comfortably with BID investments in improved quality of life. A decade or more of targeted money, attention to appearances and a new reputation for safe streets suggest that most districts will not revert to the desolate conditions of yore.

On the other hand, marginal downtowns have more than their share of businesses that don't advertise, are not open nights, don't keep their lights on after dark and skimp on maintenance. These familiar elements will produce districts with more than their share of closings. Every lost enterprise, even poor ones, produces empty commercial space, another "For Rent" sign and fewer people on the pavements. BIDs need to emphasize the essentials of downtown success — convenience, amenity, and civility. With fewer consumer dollars available, BIDs must compete more intensively than ever before.

Baruch University professor Jerry Mitchell urges BIDs to partner with other organizations to hire more of the unemployed, provide internships and similar measures, "reinventing themselves as civic institutions, (more important) than merely serving as business promoters, street sweepers and crime fighters."

The next year or two are likely to be trying times for downtown organizations throughout Europe, the U.S., and Canada. More than ever before, they will have to be resourceful and learn from each other. The best strategy for combating recession is to do well what the best BIDs routinely do.

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SPECIAL IMPROVEMENT DISTRICTS

Self-Help Downtown

By Lawrence O. Houstoun, Jr.

While central business districts apply hundreds of techniques to increase their share of regional retail sales, the essential common denominator in virtually all these efforts is an adequate and assured source of annual funding for management and expenses. In this regard, the special improvement district (SID) is used in localities around the country as a device for structuring and financing downtown management services.

Central issues in formulating these districts are the basis of taxation and the legitimacy of the governance. New Jersey's District Management Act has emerged as a model, authorizing SIDs managed by business-led, non-profit corporations. These corporations provide an array of "mall-type" services and others peculiar to downtown environments. This article discusses the central issues involved in establishing a district.

Among the casualties of the land use revolution induced by the federal aid highway system is downtown retailing. The cheap land made available well beyond the city limits for homes and the new palaces of consumption produced a shrinking base of retail establishments in urban business districts, reduced earnings per square foot and diminished tax bases. It also produced fewer retail jobs, a negative public image and, most important, a shrinking reservoir of aggressive, creative merchants in urban business districts.

While each postwar decade produced its panacea—urban renewal, pedestrian malls, facade restoration and centralized leasing—none has been equal to the challenge of revitalizing the urban business districts, however worthy each technique may be. Literature, conferences and consulting reports produced a wealth of suggestions, many of them good, as to how to save the central market function of urban places without which the appeal of cities to both workers and residents is greatly lessened. This article will not aid in choosing from among a plethora of techniques for downtown revitalization. Rather, it is directed at the central question of how to pay for whatever remedies are chosen and what institutional arrangements are required to make this possible.

"Public-private partnership," the shopworn shibboleth of the Carter Urban Policy, has no better application than in the special improvement district (SID) as a device for structuring and financing downtown management services. (The term "special improvement" is interchangeable with others such as: business improvement, special tax, special assessment and special benefit district.) The term is most often applied to conceal the

substantial burden of risk that the public partner must assume in redevelopment projects. However, in the case of SIDs, the term fairly reflects a distinction between the downtown business community's interests, skills and perspectives and the municipality's powers of governance and taxation. In this complex blending of capacities, success requires attention to a host of details and the ability to overcome political opposition to perhaps the most controversial proposal that has affected downtowns in decades—taxing businesses.

To understand the unique position of special improvement districts in the economic revitalization of business districts, it is useful to sort out a few key terms. (Because they are in each state rooted in its own, distinctive statutes, the generic terms used here are not necessarily those applied in all jurisdictions.) The districts are governmentally delineated areas within municipalities where some form of government-enforced revenue-raising measure, e.g., assessments or license fees, is authorized to accomplish objectives that are not considered to be the responsibility of the jurisdiction as a whole. Traditionally applied to such physical improvements as the creation of water or sewer facilities and roads, in downtowns, they have been used to finance pedestrian malls and to provide various services, such as clean-up, security, transportation or marketing, under the direction of a body generally dominated by those who pay the tax and/or represent the intended economic beneficiaries.

The services, which will be discussed later, are here collectively referred to as downtown management services and are, to a degree, comparable to many of those financed in shopping malls through assessments controlled by common lease arrangements. A private, non-profit cor-

poration or a municipally-created commission generally governs these districts.

The district financing mechanism, the services and the governance device together represent the essential elements of a working structure for downtown management. Although there are other ways of financing downtown services, including contributions and government grants, the term district management will be used to refer to the combination of the three elements.

This article emphasizes those issues that are peculiarly associated with the revenue source—that is, district taxation—rather than various revitalization strategies that district financing can make possible.

The Politics of District Taxation

What induces that cauldron of ward politics, the city council, and an equally fractious body, the downtown "business community," to join forces to create a new entity that often rivals others and which, most appalling, produces another layer of taxation? Sometimes the motivation is a vision of opportunity, but more often it is a belated sense of impending economic doom.

Thus, Cumberland, Maryland, organized a district for the purpose of combating a new shopping center. The resulting pedestrian mall and parking deck were impressive counter measures, although they materialized too late to avert serious damage by the new regional competition. In Brooklyn, the Fulton Mall district was created in large measure because of a concern that, unless

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the heavy investment in transit improvements was accompanied by a commitment to strengthen the retail district, the objective of the federal grants would be lost. In Denver, the district was created for the more visionary purpose of providing an "entrepreneurial discipline" in downtown management to complement rezoning and other measures intended to convert a marginal 9 to 5 downtown into a vibrant, integrated 24-hour environment. Small districts have been formed to do little more than finance improved Christmas decorations.

In the more frequent examples, there is a general sense that "something" needs to be done and that this financing device will ultimately produce a formula for action. In cases such as Trenton, New Jersey, the concept has been marketed as a device whereby some of the services that make shopping centers successful (advertising, special events, design controls, special security and clean-up services) can be provided in a similar manner—that is, through a revenue-generating system from which none are exempt.

In the preadoption phase, the element of compulsion provides the device's greatest strength as well as its greatest vulnerability. Generally, support for a special assessment comes from that small group of merchants and bankers who have a great deal to lose by the decline of the central business district and who have been voluntarily contributing to the occasional event that requires fund-raising. This small group harbors decades of resentment against the majority of business people who contribute neither time nor money to the common good and thus provide the impetus for an equitable system from which none can escape. Yet, it is the compulsory feature that excites the most rabid opposition, ranging from those who have a primitive political aversion to taxation to others best described as simply cheap.

District Management Activities

What kinds of activities do district management corporations or commissions undertake? There are five areas of management activities.

1. Supplementary Public Services.

A tax district reflects an assumption that municipal government is unwilling to provide a level of local services required by an active business district because of the peculiar nature or the extent of services needed compared with other areas of the jurisdiction. The two most common of these are police and sanitation.

Brooklyn's Fulton Mall was confronted with two severe security problems in its beginning year. Shoplifting and a per-



A common service provided by special improvement districts is the establishment of urban design services to help upgrade

commercial areas like this one in Elizabeth, New Jersey.

ception that the street was unsafe harmed the district by day. A serious break-in problem among stores compounded the problem at night. Together with the city police department, daytime crime was combatted largely through improved coordination between the business operators and the police. The district manager became the conduit between the business operators and a single, designated, ranking police official.

Nighttime crime was more difficult for the department to counter because it required a great deal of time patrolling service alleys and other store locations not readily visible to patrol cars. The mall association invested heavily in night security forces to fill this gap.

Both strategies—plus a first class advertising and promotion campaign—were successful in improving the reality and perception of crime, thereby attracting more shoppers.

2. Non-government Services.

Certain services typically handled badly by governments are handled well by private sector people. Arranging advertising programs, attracting good merchants and mixes of retail enterprises and planning promotional events are three of these services. District management makes it possible for publicly-raised funds to be spent for these peculiarly commercial services and managed by people who understand them best.

3. Advocacy.

With district management comes the ability for a business community to speak with a single, more effective voice on issues of redevelopment, zoning, provision of city services, code enforcement, parking and other issues not within its control, but nevertheless of vital importance. A downtown manager will spend considerable time on such matters, as will the board or commission that estab-

lishes policy.

4. Organization for Self-Help.

District management provides an organizing capacity that can lead to various forms of cooperation beyond that which is financed by the assessment. These include organizing sanitation or security services at reduced costs to individual businesses, securing group rates for advertising and organizing sales and other events.

5. Research and Planning.

The board or commission should have the capacity to conduct research on market conditions, transportation and parking, the built environment, entrepreneurial capacities and needs etc. This capacity is required to give a foundation for policies that otherwise may represent simply the lowest common denominator of old prejudices.

While not classifiable as a service, districts continue to be used to finance downtown physical improvements including transit facilities, pedestrian malls and other street and sidewalk improvements and parking facilities. Another important use of districts is to defray the cost of parking to customers, clients and other visitors through various cost sharing devices.

The Balance of Powers

The New Jersey statute authorizing SIDs suggests the delicate balance of powers that can exist between government and the business leadership. On the one hand, the law provides non-profit corporations with broad spending powers free of public bidding requirements and/or political favoritism. The initiative in preparing the annual budget lies entirely with the business-led board of a non-profit corporation that the council "designates" as the operating entity or with a public commission that it creates or designates.



Festivals are increasingly an important part of downtown revitalization. Food and

entertainment draw crowds to New Brunswick, New Jersey's annual Oktoberfest.

Under the New Jersey law, the board is free to organize itself, set its own terms for membership and frame its own budget based on a business perception of priorities. It may hire its own staff without reference to merit system requirements and pay staffers any salary it chooses. It does not require as a condition of municipal approval a favorable vote of property owners, nor does it require district elections for membership in the corporation or for its officers, as do some states.

On the other hand, the New Jersey law reserves three principal powers to the governing body. First, it must adopt an ordinance, incorporating a finding of need for the district, identifying the affected properties and designating a non-profit corporation or creating or designating a commission. Second, one member of the governing body must be a member of the board or commission. Third, the council must approve, disapprove or modify each year's budget.

In effect, the council and the board or commission annually have the opportunity, if they choose, to terminate the arrangement. The council may disapprove the budget or the board may either not submit a budget or may dissolve the corporation. These reciprocal veto provisions often prove to be essential selling points to the frequently mutually suspicious business operators and city officials. Although authorizing ordinances generally specify a three- or five-year test period to enable the system to have fair trial, nevertheless, both parties annually may cancel the arrangement.

One of the principal causes of suspicion on the part of the district taxpayers is the prospect that the government will use this device to offset the cost of normal services. New Jersey's statute prohibits such substitution, although in fact it is not always clear precisely how ordinary levels of service may be mea-

sured. Moreover, in some cases, even the taxpayers may agree that such a service should be financed via the district even if it is in response to a reduction in services by the municipality. Because business leaders control the budget submission and the corporation, however, only one year's disputed use of the district's revenues by a municipality need be allowed before the veto may be applied. As with most elements of self-governance, however, a degree of mutual good faith and tolerance is required; where that is lacking, district management probably won't work.

Another issue typically of concern to business leaders is associated with control of expenditures, including staffing. In a recent CUED technical assistance project, it was found that the business leaders would not agree to form a district management system because it was apparent that the ward councilman intended to appoint the manager. In another city, the city council president allegedly threatened to cut the SID budget unless a political favorite was given a job.

Another governance issue affects how funds and staff time are allocated. In many CBDs, a major need is to attract new merchants with different merchandise, marketing approaches and, sometimes, to replace those who have left or may soon leave, or to balance those whose merchandise and presentations are not suited to an expanding consumer base. Attention to attracting new merchants—sometimes the most important activity in a successful business district—is not always popular with existing merchants. Thus, funds used for this purpose may be less than required because of perceived self-interest of those presently voting on district boards.

Similar issues may be raised by the role played by developers. On the one hand, developers may be major property holders and possess important in-

sights into how best to lift the district's prospects. On the other hand, those who plan new retail or office projects may be seen as opponents of current retailers or office owners.

Who Pays?

Another issue affecting district organizations involves the extent to which the system is intended to benefit property owners or existing businesses who are often tenants. This landlord-tenant tension can arise in the course of considering the formula for revenue collection. New Jersey offers the option of a license to tax business operators directly, as well as property tax assessment. The former, if applied uniformly, has the disadvantage of being regressive. It has the second disadvantage of limiting severely the amount of money that can be raised because of the tendency to set rates affordable by the smallest businesses.

Alternatively, municipalities are free to adopt a wide variety of assessment formulas reflecting some relationship between the amount charged and the benefits received. A straight surcharge on the property tax, for example, has several advantages:

1. Property owner and tenant can easily calculate a surcharge. In the predominance of cases, tax increases are "passed through" in lease provisions, making this an occupancy cost borne by the tenant. Thus, a 5 percent surcharge on a \$6,000 annual tax bill produces a rate for the smaller operator of about \$1 a day. It is easy to equate this with the services rendered by the district and with the generally much larger fees paid by shopping mall tenants. (A fee based on square feet or gross leasable area also has the advantage of being easily calculated and related to other occupancy costs and sales yields, although it is not so easily applied.)

2. The municipality regularly adjusts changes in the value of the district's properties, so that the district gains as conditions improve (or inflation increases) without having to take special steps to adjust to this incremental change.

3. Tax appeals related to the district are handled as part of the jurisdiction's general tax appeal procedure and the costs do not have to be borne by the district.

4. The question of degree of benefit arises frequently in the context of assessment formula. Some cities have developed elaborate formulas involving differential rates for buildings depending on their location in a hierarchy of streets and/or building sizes. In fact, the routine property tax assessment procedure already deals with the relative value of buildings in terms of their location and

size. The six-story building on the 100 percent corner pays more property taxes than the building on a side street away from transit, parking or access by office workers. Thus, a second set of property value criteria adopted for the district may exaggerate differences. Simplicity of formula has the additional advantage of greatly reducing the period required for negotiation within the downtown business community and between it and the municipality.

There are reasons, however, to provide an assessment differential depending on location. Where the SID has been established to support a transit system, it may be reasonable to adopt, as some cities have, a rate differential related to the distance of each property to the nearest transit stop.

There are other approaches to benefit proportionality that make sense in local situations and are not excessively complex. New Brunswick, New Jersey, for example, has adopted standards regarding the degree of benefits and the proportion of assessments. Three types of benefits and four classifications of benefiting properties have been identified. The major benefits that the special district is designed to produce are to:

- Strengthen the market for banks, restaurants, hotels and the full range of retail establishments by attracting more consumers;
- Strengthen the position of property owners by expanding trade for tenants and improving the image of the CBD as a desirable location to lease space for various commercial purposes;
- Strengthen the position of office and other employers in attracting and retaining employees by providing a more attractive central business district.

The four property classifications are as follows:

1. Class A—includes any business dependent upon walk-in trade, including banks, restaurants and other retail enterprises;

2. Class B—offers only office space for rent;

3. Class C—includes hotels; and

4. Class D—occupied exclusively by the owner for office purposes.

The rates of payment, reflecting the degree of benefits and the classifications of properties, are A(6%), B(4%), C(3%), and D(2%).

The state law authorizes district delineation by lot and block number, rather than by geographic boundaries. Thus, ordinances may specify only those properties having some non-residential use, such as offices, stores and restaurants, as district taxpayers. This feature eliminates the potentially controversial result of including wholly residential properties that lie within the business district.

The issue of how much can be raised depends, of course, on several variables including the value of real estate in the district, in aggregate and individually, and the relative prosperity of the businesses. Thus, the amount that each property owner or tenant pays is both a political and an economic issue.

On the one hand, too small a budget relative to the size of the district and its needs will have little real or perceived effect and may lead to an early dissolution of the arrangement. Thus, in a central business district with 700,000 square feet of retail space, an annual budget of \$180,000 is proving inadequate. The part-time "manager" cannot meet the district's various promotional needs and the advertising budget is too little. In this case, the district was defined too narrowly, failing to include blocks that are within the Census-delineated CBD.

In other cases, revenues are low because of concerns either by the smallest operators and property owners or the largest that the amount represented by a proposed formula is excessive. A rule of thumb has emerged in small, not very prosperous cities that very small retail

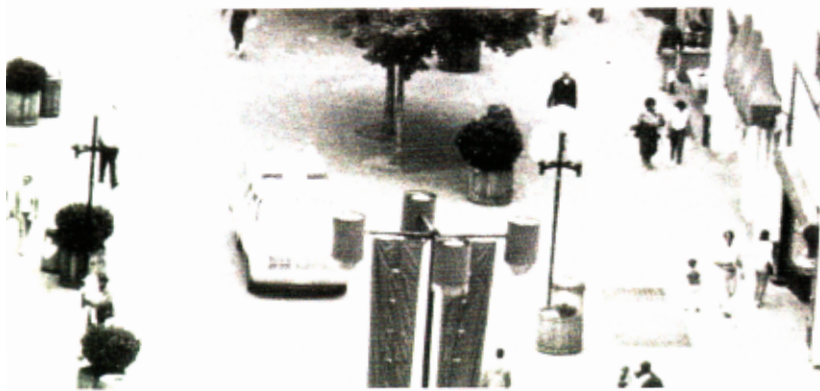
establishments should expect to pay at least a dollar a day in the early years. At the other extreme, it is difficult to sell a property tax surcharge in excess of 10 percent. In one small city, an effective rate of 10 cents per square foot compared favorably with the nearest shopping mall's 85 cents assessment. A program that has proven itself after a few years, however, should be able to raise 25 cents per square foot for district services in a small city.

For various reasons, including financial, it is generally not wise to define the purposes and participants so narrowly that only traditionally defined retail establishments are included. Everyone who depends upon walk-in trade shares a common interest in a safe, clean, popular downtown. This includes the major banks, law firms, dentists and accountants. This also includes those who, whether they recognize it or not, are dependent upon downtown's favorable image and shopping attractions to appeal to their employees. And, of course, attractive first-floor retail activities help lease up the class B and C office space above it that is so often underoccupied in downtowns. Thus, a fiscal base that ignores or minimizes the common stake of these interests in the activities and events that a district management program can provide is missing a great deal of its potential. The New Brunswick formula (described previously) reflects the extent of this common interest as well as the relative degree of responsibility among the actors for supporting the district.

The assessment or license fee is not the only potential source of income. Some districts take revenues from parking and others from leased space on land that the corporation or the municipality owns. Some common services can be operated profitably. Nevertheless, a 1981 survey of downtown organizations by the International City Management Association revealed that assessments—as opposed to dues, direct funding by governments, donations, etc.—are the preferred principal source of revenue for cities over a half million population. A more recent study in the era of evaporating federal aid would probably show increased use of the assessment device by smaller cities as well.

Who Leads?

Historically, department stores led retail decisions. Where and when the last such stores closed, the most important management force went too. Chambers of commerce increasingly undertook to serve regional membership patterns, leaving the downtown chores to merchant associations whose leadership weakened as downtowns lost their best



Cleaning and securing a pedestrian mall and other downtown sidewalks and streets is a frequent claimant on assessments

raised through formulation of special improvement districts, such as Central Trenton, Inc.

New Jersey Law Contains Broad Powers **The District Management Act**

The "District Management Act" adopted by New Jersey in 1984 was intentionally drafted to afford localities broad discretion in forming governance structures and arranging to finance them. In addition, it enumerated 17 powers that municipalities could adopt in authorizing action by a non-profit corporation or commission.

District Management Corporation Powers

The district management corporation shall have all powers necessary and requisite to effectuate its purposes, including, but not limited to, the power to:

1. Adopt bylaws for the regulation of its affairs and the conduct of its business and to prescribe rules, regulations, and policies in connection with the performance of its functions and duties;
2. Employ such persons as may be required, and fix and pay their compensation from funds available to the corporation;
3. Apply for, accept, administer and comply with the requirements respecting an appropriation of funds or a gift, grant or donation of property or money;
4. Make and execute agreements which may be necessary or convenient to the exercise of the powers and functions of the corporation, including contracts with any person, firm, corporation, governmental agency or other entity;
5. Administer and manage its own funds and accounts and pay its own obligations;
6. Borrow money from private lenders for periods not to exceed 180 days and from governmental entities for that or longer periods;
7. Fund the improvement of the exterior appearance of properties in the district through grants or loans;

8. Fund the rehabilitation of properties in the district;

9. Accept, purchase, rehabilitate, sell, lease or manage property in the district;

10. Enforce the conditions of any loan, grant, sales or lease made by the corporation;

11. Provide security, sanitation and other services to the district supplemental to those provided normally by the municipality;

12. Undertake improvements designed to increase the safety or attractiveness of the district to businesses which may wish to locate there or to visitors to the district, including, but not limited to, litter clean-up and control, landscaping, parking areas and facilities, recreational and rest areas and facilities, and those improvements generally permitted for pedestrian malls under section 2 of P.L. 1972, c. 134 (C. 40:56-66), pursuant to pertinent regulations of the governing body;

13. Publicize the district and the businesses included within the district boundaries;

14. Recruit new businesses to fill vacancies in, and to balance the business mix of, the district;

15. Organize special events in the district;

16. Provide special parking arrangements for the district;

17. Provide temporary decorative lighting in the district.

stores. It is this vacuum that district management has attempted to fill.

While the financing mechanism itself deservedly attracts a great deal of attention, the less obvious relationship of a dependable revenue stream to the essential element of leadership also warrants inspection. The potential availability of funds often serves as a magnet, attracting business people who otherwise would not give their time to downtown planning and direction. Once the assessment or other device is in place, additional businessmen and women are attracted. Where tax dollars flow, hearts and minds follow. Thus, the greater the prospect for actually achieving common enterprises, the greater the extent of participation among business people in

this measure of self governance.

The question of the operating body's political legitimacy and the request for establishing a district are issues sometimes addressed by law and sometimes left open for local interpretation. Connecticut, for example, requires an official referendum of property owners in the affected area prior to council action to create the district. Subsequently, an election of property owners is required to select officers for a commission. This commission is authorized by the council to manage the funds collected by the city for the district's activities.

In smaller cities, the concept of a "business community" may exaggerate the degree of cohesion and leadership that exists. Successful organization of a

district where there is not strong leadership may require the mayor or other interested party to assemble prospective leaders and provide sufficient staffing to permit a consensus and new leadership to emerge.

With what difficulty such consensus is achieved cannot be foreseen. In Seattle, to assure that there was widespread understanding and agreement, more than 60 meetings were held with business operators and property owners. It is not unusual for two years to pass while consensus is developed on a district's mission, financing and governance.

A major step in the process is agreement, formal or otherwise, on the allocation of officers and/or seats on the board of directors among various downtown interests. These may include retailers, property owners, professional service firms, non-profit organizations, government representatives and residents or consumers. The proper mix of interests must be tailored to the politics of the immediate situation. Thus, generalized guidance is unwarranted beyond the admonition not to restrict representation to retailers.

On the other hand, some small cities have so few strong retailers left that there is an understandable tendency to fill this gap with a disproportionate number of bankers, lawyers or others. This leaves decision making with those who do not comprehend best the principal economic activity of the central market.

These concerns—lack of sufficient leadership and of adequate financial support—are typically apparent in neighborhood or other business districts outside the CBD. A difficult organizational task is compounded in small areas where only 50 or 60 enterprises remain. Where, as a matter of public policy, a municipality decides that district management should be pursued, it needs then to invest fairly heavily in staff assistance during the organizational phase. Moreover, since it will soon become apparent that an assessment can produce limited resources for action, cities should consider adding incentives to encourage self-help. These may include offering the right of the corporation to advise formally on urban design issues, financing small capital improvements to improve appearance, priority use of loans and grants for facade and sign upgrading or other aids desired by local business people.

Will It Stop the Bleeding?

The growth of metropolitan areas, although a rising tide, generally has failed to lift the retail boat in central cities. For example, the CBD share of total New Jersey retail sales dropped from 2.6 percent to 1.8 percent between

1977 and 1982, the last published series. The continued decentralization of development creates new and attractive places to work, live and shop increasingly farther from central business districts, lessening the convenience factor that distinguished them in earlier times. In the face of these forces, is there a purpose to be served by strengthening the retail sector in CBDs and, if so, has district management an important role to play?

The answer to the first question is inextricably linked to the question of whether the business districts themselves should and will be expanded and improved. Virtually every American city is making some progress in improving its downtown, mainly by increasing its use as a center for office employment.

Those doing best at this are making corresponding improvements in the retail sector. In the less successful cities, the common complaint after office redevelopment begins is that "there's nothing to do" there; the district is a ghost town after 5 p.m.; poor or empty stores deter potential office lessors; fear of crime accompanies nearly empty sidewalks and similar refrains. In contrast, cities that have emphasized retail redevelopment—Milwaukee and Baltimore, for example—have found such centers to be showcases that also stimulate office and, more recently, residential development. If CBDs are deemed important, successful retail is essential.

How important, then, are special improvement districts in this equation? The answer involves a number of considerations, perhaps the most important of which is the necessity to provide an organizational structure to lead city retailing into a new market era. The combination of successful new office development and the changing composition of the work force offer an opportunity for CBD retailing to compete with regional malls for an important segment of the middle class market.

In 1960, a third of the population was in the work force; now the proportion is one-half. Thus, leisurely weekday shopping by women not in the work force represents a smaller share of the market today. The growing number of men and women who spend 50-plus hours per week in work and work related transportation have time to do some of their convenience and shoppers' goods consumption near work, and will do so if the workplace offers such opportunities.

A regional survey last year revealed that only 9 percent of New Brunswick's downtown office workers shopped there after work or on non-working days. In contrast, respondents said that they typically did their shopping for non-food items on Saturdays, Sundays and week-

Comparative Sales Statistics for Central Business Districts in New Jersey: 1982 and 1977

Geographic Area New Jersey CBDs	1982 Rank	1977 Sales Rank	Percent change in sales
Atlantic City	7	8	49.5
Jersey City	4	2	10.2
Long Branch	13	12	33.8
Asbury Park	14	11	-35.3
New Brunswick	11	10	-46.1
Perth Amboy	3	—	(NA)
Sayreville	12	—	(NA)
Newark	1	1	12.2
Elizabeth	5	5	27.8
East Orange	10	7	-52.7
Irvington	8	4	-26.1
Bloomfield	6	6	44.5
Paterson	2	3	7.4
Trenton	9	9	-2.8

Source: *Census of Retail Trade, Major Retail Centers, New Jersey, 1977, 1982*

days after 5 p.m. This business district has yet to exploit the local office-based market for Saturday shopping, although this is typically a strong day for other shoppers. Even more serious, virtually no stores are open week nights or Sundays, periods in which regional shopping malls and highway shopping areas are typically full of workers for whom these are the only free periods for consuming.

A district that has few stores open won't ring up many sales. A fairly strong local organization is required to induce retailers to open longer hours. Lacking this feature, retail sales will continue to follow the course of least resistance—out of town.

Even in central business districts, however, such amenities are not everywhere assured. In connection with a study regarding the future of Trenton's pedestrian mall, the Atlantic Group surveyed downtown office workers at their work-sites. Almost a third said they never shopped downtown. Asked what changes they would recommend to increase the attractiveness of downtown shopping, the largest group cited the need for more and better stores. This choice ranked well ahead of the answers that city hall observers anticipated such as better design, improved security and better transit. Where retailing has deteriorated into a collection of marginal stores and fast food outlets, the growth in nearby office workers will not result in increased sales unless other signifi-

cant measures are taken to capture that market.

District management provides a structured opportunity for business men and women to direct the economic affairs of the district. Few of these business people initially understand the functioning of the marketplace itself, as distinguished from the role of their individual enterprises within the marketplace. However, their combined perspective and experience, plus impelling self-interest, provides an irreplaceable force that cannot be approximated by the public sector partner.

Even in cities thought to be quite successful in redevelopment, a conceptual vacuum often restricts non-redevelopment actions to strengthen the retail sector. Redevelopment officials who are adroit in manipulating financial incentives and pro formas may never have seen the census of retail trade, read an advertising rate card or analyzed a consumer survey.

Thus, as with other aspects of successful retailing, the intangible forces are the most important. Finding a few more merchants is far more important than fixing a few good facades. Organizing a good direct mail campaign or an expanded hours project is more important than brick pavers and bollards. Most difficult of all for redevelopment officials to comprehend, a good tax increase whose proceeds are invested in effective downtown management can be better for business than lower taxes.

BUSINESS IMPROVEMENT DISTRICTS

By Lawrence O. Houstoun, Jr.

During the past 20 years, a major force has emerged in urban economic development that has engaged directly tens of thousands of business and property owners in cooperative efforts to increase profitability, improve property values, add jobs and produce desperately needed revenues for city treasuries. This movement, active in more than a thousand North American cities, is engaged in managing the public environment, business attraction and retention, marketing, security and other central services comparable to those required in successful office parks and shopping centers. Self financing Business Improvement Districts (BIDs) include some industrial areas, but they are mainly focused on reversing the negative economic forces that continue to batter central business districts.

Most of the national trends that have cost downtowns dearly in the past 30 years continue unabated. Some have worsened and some new ones have emerged. In the past three decades, for example, Philadelphia lost 25 percent of its population, most of it just outside the business center. There are now fewer people nearby and fewer who use transit whose typical radial arrangement favors downtown.

Ten years ago, the rapid expansion of office and hotel development convinced many that this nearby customer base would enable downtowns to hold their own. Today, however, many older buildings are largely untenanted; some have been mothballed. New management patterns and lower ratios of space per employee lessen overall de-

mand. Corporate consolidations mean many well-paying headquarters jobs have been eliminated and there's no end in sight. Bank retail outlets are being shut and services further automated. Federal, state and county governments contributed to the office diaspora by quietly moving regional offices to outlying sites. Many who used to make purchases near their downtown workplace simply aren't there anymore.

Downtowns are especially affected by the shift in wealth. Not only are more Americans poor than a decade ago, but there has been a seachange in the distribution of wealth. Median incomes have declined and half of all the after-tax earnings in the U. S. go to the wealthiest 1 percent. The things the wealthiest spend their money on—including auxiliary homes, additional cars, boats, travel, tuition—are not purchased downtown.

The publicly financed highway system that converts low value farmland into high value commercial and residential development is now so extensive that its impact on population and economic dispersion may never be complete, and plans for new and expanded roads continue. Those with higher incomes are enabled to live farthest away and increasingly they work and shop there as well. Those living nearest downtowns are among the poorest Americans.

The number of shopping centers continues to increase at about 2 percent per year and the new "big box" retailers are eating up what's left of the small department stores that had anchored business districts. Downtowns now contain a lot of vacant retail space that is too small, lacks adequate window display area, is poorly located with respect to parking or other shops and is otherwise unacceptable to national chains and most independents.

Fear of crime is an American preoccupation that extends even to leafy suburbs, but the cities bear the principal burden of the image that keeps customers home, day or night. A third of those surveyed throughout the Philadelphia metropolitan region say they "never" go downtown. The principal reasons offered were crime and parking. This pervasive fear has virtually nothing to do with the reality of crime in business districts, which typically have low crime rates. Research by a University of Pennsylvania professor finds that the more hours an individual watches television, the more likely he or she is to fear his environment, even in suburbs. Research con-

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Sharing Economic Development Costs

Shared costs and business leadership are the hallmarks of economic development being applied in between 1,000 and 2,000 central business districts in North America. Business Improvement Districts (BIDs) undertake capital improvements, supplement government services (such as security), provide various non-governmental services (including marketing and business attraction), advocate business policy positions, and undertake research and planning. Despite population and commercial dispersion, downtown districts are racking up measurable successes, ranging from improved property values to reduced crime. Success ingredients include low annual assessments paid by all benefitting properties.

ducted for Dayton, OH; Buffalo, NY; and elsewhere found that the less familiar respondents were with downtown, the more likely they are to fear it. The more they fear it, the less likely they are to visit, and so on.

In our three-tier system of government, federal support for local development is at a 20-year low and the states remain indifferent. Local governments have diminished revenues and neighborhood politics often oppose downtown improvements.

Are there positive trends? Fortunately, yes. Tourism, the arts, entertainment, dining and residential expansion are mutually reinforcing and doing well. Virtually all of the retail recovery following the last recession consisted of new eating establishments. One in every three meals in America is eaten outside the home. Philadelphia recently reported a 75 percent increase in the number of downtown restaurants open for business in the evenings. Downtowns are where a generation of young chefs are offering excellent food in attractive settings not found elsewhere.

Many downtown groups have recently recognized the importance of attracting residents who become shoppers and patrons of the arts and entertainment, an important factor in keeping downtown lively at night. The kind of cultural and commercial amenities that appeal to tourists and other visitors are the underpinnings of the residential market in and adjacent to downtown. These residents are the best customers—proximate, affluent and oriented to the arts and entertainment.

Perhaps the most hopeful sign, however, is the emergence of Business Improvement Districts, a device by which those with the greatest stake in downtown's prosperity assume responsibility for cooperative improvement. Terminology varies with state laws. BID is the accepted generic that includes Special Improvement District (SID), Special Benefit District, Special Services District and Special Assessment District. BIDs are based on the legal principle of the benefit district whereby only those who receive the benefits of physical or service improvements pay for them. A concept dating at least to eighteenth century New York City, they began to be applied to supplemental security and other-business related services in New Orleans, LA, 20 years ago. Expansion in the past seven or eight years has been phenomenal. There are now between 1,000 and 2,000 in the U.S. and Canada. Ontario has more than 200 and New York City, 35.

Briefly, BIDs consist of business leaders, with government and other downtown interests, planning and managing services and physical improvements to achieve each marketplace's economic potential. This is accomplished by a professional manager selected by a board of directors and by committees of business volunteers.

Organizing and Financing

Here are some frequently asked questions about BIDs.

How are BIDs formed? Rules vary somewhat among the states and provinces. In general, a group of property and business owners, often with government encourage-

ment, produce a plan for business improvement activities that is approved by the municipal governing body. Sometimes an affirmative vote of property owners is required; sometimes a BID ordinance, once approved, allows 30 days for 33-1/3 percent (or 51 percent) of property owners to object. If they do, the ordinance does not go into effect. In New Jersey, when the governing body finds need and approves the plan, the District may be formed without any property owner vote. Typically, the group works out a management structure and arranges to become a non-profit corporation which the city designates as the operating agent.

How are BIDs financed? The major source of funding for North American BIDs is property tax related—an assessment based on taxes paid or the assessed valuation of property. Other options include assessments based on the amount of space within each building, its front footage, its location or use. Generally, local governments collect assessments with normal tax bills and turn the funds over to the non-profit corporations, although some BIDs are government entities.

One supplementary source of revenue consists of Government contributions. These amounts vary depending on the willingness of the locality to provide money from its general fund. Another source is negotiated payments in lieu of taxes by benefitting non-governmental organizations who do not normally pay property taxes.

Still another consists of entrepreneurial receipts, including management of parking, corporate sponsorships, or revenues for services performed under contract with the local authority or commercial sponsors. Graffiti re-



To keep America's famous Boardwalk spanking clean, the Atlantic City BID-financed cleaning starts early each morning and continues throughout the day (above). Hundreds of diners are drawn to Miami Beach's Lincoln Road, day and night (left). The BID works hard at attracting shops, restaurants and office tenants.

FIGURE 1
BID Regional Household Survey: Buffalo, NY
Do you agree or disagree that Buffalo Place is a ...

...fun place to be	Agree/Disagree/Neutral	...good place to go shopping	Agree/Disagree/Neutral
All responses	65 / 31 / 22%	All responses	53 / 25 / 22%
Downtown workers	65 / 17 / 18%	Downtown workers	55 / 25 / 20%
City residents	64 / 13 / 13%	City residents	55 / 24 / 21%
Suburbanites	63 / 8 / 29%	Suburbanites	47 / 24 / 29%
...safe place to be	Agree/Disagree/Neutral	...good place for dining	Agree/Disagree/Neutral
All responses	66 / 16 / 18%	All responses	65 / 16 / 19%
Downtown workers	73 / 14 / 13%	Downtown workers	61 / 19 / 20%
City residents	64 / 19 / 17%	City residents	60 / 14 / 17%
Suburbanites	56 / 15 / 29%	Suburbanites	65 / 15 / 21%
...clean place to be	Agree/Disagree/Neutral		
All responses	83 / 5 / 12%		
Downtown workers	85 / 6 / 9%		
City residents	86 / 5 / 9%		
Suburbanites	77 / 6 / 17%		

Source: Buffalo Place

removal is a common contracted service. Some take revenues from permitted street activities, including vending, events and pay telephones. Some are seeking dedicated funds from local taxation. Finally, BIDs are sometimes authorized to incur debt, borrowing for capital improvements. Moody's rating service observed recently that BID bonds were generally rated higher than those of their cities.

BID Roles in Economic Development

What do BIDs do? In addition to capital improvements—typically, installing new sidewalks, special signage, street trees, pedestrian scale lights, decorative pavements, flags and banners—districts engage in five types of services. Most attention focuses on supplementing typical government services, including hiring uniformed security personnel and cleaning and maintaining parks and other public spaces. The successful restoration and management of Manhattan's Bryant Park resulted from a BID entirely devoted to that purpose. Atlantic City's BID keeps the original Boardwalk sparkling clean and attractively lighted. To speed the route from street to jail, for example, the Times Square BID financed an on-site facility for police to charge arrestees. BIDs usually have agreements with local government regarding their respective roles and the government agrees not to reduce its services as the result of BID commitments.

The second type of service consists of non-governmental services, ranging from sidewalk cleaning (property owners' responsibility by local law) to marketing, promotions, advertising and business retention and recruitment. For example, Dayton, OH, has reduced office vacancies by 23 percent, adding 120 businesses and 2500

jobs. A three-year public relations campaign there has reduced fear of downtown, formerly a leading deterrent to business attraction. Some BIDs contribute to social services for the homeless population. Millburn, NJ, saw retail vacancies drop to a four-year low as the result of a quality marketing program carried out in partnership with commercial realtors.

The third service category enables downtown businesses to speak collectively, developing and advocating unified positions on matters affecting the local economy, including redevelopment, and helping improve relevant government services through performance monitoring. As a subsidiary of Wilmington 2000, the business-led downtown promotion organization, the BID serves as a subsidiary, providing "safe and clean" services with uniformed personnel on the pedestrian mall and adjacent sidewalks. In Denver, the BID is part of a coordinated, business-led structure devoted to downtown economic development which serves as the united voice for property owners and businesses. Buffalo is advocating a new management system to effect business-friendly parking policies.

Fourth, BIDs provide a framework by which groups of businesses can cooperate on joint advertising and purchase of services at bulk rates, special needs common to many, but not all businesses. This service is common among small, retail-oriented BIDs, such as the one in Red Bank, NJ.

Finally, BIDs conduct research and they plan. They collect and analyze economic and demographic data, monitor progress, set and revise goals and develop multi-year redevelopment programs. Seattle, for example, has created a system to track changes in retail receipts. Many tally retail, hotel and office vacancy changes and public opinion. Buffalo, NY, counts foot traffic annually and surveys consumers in the region (Figures 1 and 2).

Accountability

How are BIDs accountable to the public? To begin operations, the local government must enact an ordinance delineating the boundaries within which services will be performed and benefitting properties assessed; setting the formula for assessment; specifying the functions authorized to be performed; designating a non-profit organization or a government agency to administer the program; arranging for collection of assessments; and describing procedures for adoption of the annual budgets.

Annual adoption of the BID budget by the city governing body represents a yearly opportunity for public oversight. In most cases, an elected member of the governing body or the mayor's representative is an ex officio member of the BID board, a feature that greatly facilitates communication and cooperation.

Typically, authorizing ordinances require readoption after five years, thereby scheduling an opportunity to review progress, hear complaints and consider whether changes are required.

How are BIDs accountable to the property and business owners who pay most of the costs? Downtowns are composed of diverse economic interests. The major types—large property owners and small merchants—are generally assured seats on the boards of directors. Election to these policy boards is typically for three-year terms with voting open to property owners and, usually, business operators. This democratic process enables stakeholders to change leadership when the board and the rank and file differ, as occurred in the case of Brooklyn's Fulton Mall recently.

Our research indicates that the boards of large BIDs (annual budgets above \$750,000) tend to be dominated by developers and major property owners, including office and hotel operations. Board members of small BIDs are predominantly merchants. Not surprisingly, in the first case, emphasis is placed on maintaining and improving the public environment; in the second, priority is given to services directly affecting retailing.

Is this a remedy only for severely distressed places or large cities? No. BIDs are often adopted in fairly prosperous centers, like Cranford, NJ, where leaders see an opportunity to make them more profitable. Moreover, they are working well in large cities, as well as small towns and neighborhood commercial areas. New York City's Grand Central Partnership has an annual budget of \$9 million. In Albany, NY, the Lark Street neighborhood BID has a budget of \$85,000.

Cost Impacts

How do BID assessments affect individual properties and businesses? Leases generally make the tenant responsible for assessments as well as property taxes. When organizing BIDs, it is possible to plan charges so that small operators pay about a dollar a day. Applying the same rate, the most valuable properties collectively pay a large share of the annual budgets. In Atlantic City, for example, ten properties pay 83 percent of the total. In Philadelphia, 15 properties pay a third (Figure 3). This reflects the considerable value disparity between the few, newer, larger properties and the generality of commercial properties. Nevertheless, larger property owners are among the strongest BID supporters because the appearance, public image and functioning of the downtown is of great concern to them. Major property owners often observe that this is the only device available for improving the public environment beyond their property lines, essential to attracting hotel guests, restaurant patrons and office employees. In Seattle, WA, and New Brunswick, NJ, the assessment varies by land use (office, retail, private parking, hotel, etc.) and in Denver by the distance of properties from the Sixteenth Street transit mall.

The North American system of imposing a charge on all benefitting properties has the advantage of assuring that business leaders will assume responsibility for the economic condition of the downtown—"Where their money is, their hearts and minds will follow." The success

of BIDs results, not simply from the money they bring to the table, but from the people they bring to the table. There is no substitute for this sense of business responsibility.

While cause and effect are everywhere difficult to associate in the public realm, there are a lot of signs suggesting that BIDs are producing what their business sponsors want. There is no better indicator than the fact that the business and property owners in more than 1,000 centers vote annually to continue and sometimes to expand their programs, largely based on the belief that property values are benefitted (Figure 4).

There are other signs. New York's Grand Central Partnership found that commercial real estate values had increased within its boundaries, the only recorded gain among eight comparable Manhattan commercial areas. Philadelphia, Baltimore and others saw reductions in reported crimes. Suburban Red Bank, NJ, managed to quadruple the number of businesses open Sundays, a key factor in competition with shopping malls. Surveyed pedestrians said they felt safer in Philadelphia after the sidewalks were cleaned and the uniformed security staff became visible. The district formed to replan, rebuild and maintain Bryant Park has converted this formerly fearsome center of Midtown drug deals into a popular center for outdoor dining and entertainment, days and evenings, raising occupancy rates in adjacent office buildings. The lunchtime and evening crowds say it all. Some BIDs manage parking, offering discount rates for those using garages, freeing curbside spots for high turnover users. Others are relighting the sidewalks with pedestrian scale fixtures offering brighter lights of a color more pleasing to pedestrians than the typical amber.

Opinion surveys reveal more positive feelings among property and business owners, the kind of morale-building that encourages investment, risk taking and property maintenance. Political leaders welcome the public revenues that derive from improved profitability. Certainly, downtown employees are beginning to notice BID-managed improvements. Centers renowned for their trash are now clean. More people feel safe. There is more to do and the recreational crowds are larger. P. T. Barnum, perhaps America's greatest public relations entrepreneur, observed "every crowd has a silver lining."

From Lincoln Road to Wall Street

Two case examples represent a traditional use of BIDs and a newer example. The first, Miami Beach, is a small resort city. While urban experts uniformly condemn pedestrian malls in the U.S., Lincoln Road is one of many successful exceptions. Lack of maintenance and periodic improvements almost finished it. Shabby, with few stores and many vagrants, some leaders in desperation called for return of vehicular traffic. As it turned out, agreement on a refurbishment plan and some effective marketing under the leadership of the experienced new BID

FIGURE 2
What Buyers and Sellers Think: Millburn, NJ
Residents Rate Downtown Qualities (Lowest Ranked to Highest)

1. Variety of stores
2. Traffic flow
3. Parking availability
4. Public events, activities
5. One-way streets
6. Variety, quality of restaurants
7. Appearance of buildings
8. Entertainment, movies, etc.
9. Quality of stores
10. Hours shops are open
11. Appearance of streets and public areas
12. Customer service

What Businesses Think Downtown Needs (Lowest Ranked to Highest)

1. Attract more good businesses
2. Additional parking
3. Improve traffic flow
4. Improve appearance of buildings
5. Public relations, press and promotional efforts
6. Special events to attract customers
7. Improve the appearance of public spaces
8. Organize businesses to be open for longer hours
9. Organize print media advertising
10. Organize direct mail advertising
11. Organize electronic media advertising

Source: The Atlantic Group, Downtown Millburn Development Alliance

FIGURE 3
Philadelphia: Who Pays What?

■ Top 15 properties pay 37% of total program cost.	
Their average charge:	\$171,159
■ Top 200 properties pay 87% of total program cost.	
Their average charge:	\$ 30,518
■ Smallest annual charge:	\$ 8
■ Highest annual charge:	\$306,082
■ Typical Market West office building:	\$102,774
■ Average hotel:	\$ 27,759
■ Average Chestnut Street property:	\$ 2,694
■ Average Walnut Street property:	\$ 1,027
■ Average residential property:	\$ 117

Source: Center City District

FIGURE 4
Denver: Impact of District Services on Property Values

	Location of Respondent Properties		
	On the Mall	1 Block off Mall	> 1 Block off Mall
Significant Increase	28%	17%	5%
Moderate Increase	42%	35%	17%
Insignificant Increase	11%	15%	22%
No Increase	11%	23%	47%
Not Sure	8%	10%	9%

Source: Property Owner Survey, The Denver Partnership, Denver, CO

director, Christine Burdick, was enough to attract quality stores, office tenants and restaurants, while retaining the broad pedestrian area. Even while BID- and city-financed reconstruction is underway, the crowds are back. Because there are no cars, buses or trucks, one can hear at a distance the sounds of hundreds of chatting diners in large sidewalk dining areas, as well as the appealing tones of solo musicians. The pedestrian feature is essential to accommodating outdoor restaurants' patrons and strollers. And, contrary to those who believe that beautiful streetscapes are essential to downtown economic recovery, Lincoln Road's customers come despite the unsightly (and temporary) turmoil associated with rebuilding and replanting. Lincoln Road is a destination again. That's what counts.

The second example is one of the most recently formed, The Alliance for Downtown New York. It is one of North America's largest in size and budget (\$8.6 million in the first year). Beyond the public housekeeping responsibilities typical of big city BIDs, the Alliance has an ambitious agenda that seeks to remake some of the most important features of the world's principal financial center.

First, in a kind of triage of office building treatment, the Alliance is analyzing its potential in three categories—buildings that can be improved for office use; those no longer suited for office use that have potential for residential or other uses; and those without potential that may become redevelopment sites, depending on their historic value. With Class B space still showing 20 percent va-

cancy rates, these prospects can't be left entirely to the market, according to Alliance President Carl Weisbrod.

There are plenty of new attractions. From virtually no resident population, no shopping and virtually nowhere to eat, Manhattan's Financial District now has 15,000 residents, a Rouse festival market, hotels, new restaurants, movies and a shopping center. With more residents and tourists, retailers report that Saturday has become number one in sales at the city's largest indoor shopping facility, a sharp contrast from a decade ago.

Second, the Alliance is gearing up to draw even more tourists to the place where the boats leave for Ellis Island and the Statue of Liberty and the World Trade towers dominate Manhattan's famous skyline. A new signage system, currency changing facilities and on-the-street hospitality personnel are among planned improvements. Residential and tourism expansion is making the once dead-after-five Wall Street area a 24-hour-a-day place to work, live and visit.

Third, the Alliance is planning and advocating in behalf of major transportation improvements. Until now, the Financial District has been famously rich in subways with some ferry service, but has been difficult to access from much of Long Island and the counties north of the city. A ferry link from the Queens Long Island Railroad terminal is one short-term goal. Extending commuter rail service downtown from Grand Central Station and extending Long Island rail service from Brooklyn to Downtown via existing tunnels represent bold strokes to overcome major economic development constraints. The Alliance already sponsors jitney connections to the existing ferry service. While many economic development organizations simply seek to market the status quo, the Alliance, faced with demanding competitive requirements, is upgrading its offerings.

Success and Limitations

There are at least five reasons why BIDs have been successful. First, there is no substitute for the collective self-interest of business and property owners to guide economic development. Second, for the first time, these areas have someone in charge, one or more professionals who watch the details of the commercial environment. If anything goes wrong, the downtown executive knows it and acts on it in behalf of the business community. Third, BIDs offer a predictable income stream making it possible to plan multi-year services or infrastructure improvements. Fourth, because all who benefit pay, the assessment represents a minor share of occupancy costs, typically 10 to 12 cents per square foot. Fifth, in most cases BIDs operate as non-profit corporations, free from government rules and politics, yet accountable to those they serve.

BIDs have been enormously successful at most of the tasks that they have undertaken. Only a half dozen or so have been terminated and these appear to be in very small

communities that lacked the financial and professional capacity to make an important difference. In the larger BIDs (budgets over \$750,000) the great preponderance of effort is directed at image improvement, conveying through clean sidewalks, supplementary security and streetscape features the public impression that things are better than ever, and perhaps better than they really are.

It is not, however, all slight of hand. Many BIDs are making a real difference by performing functions essential to economic development. They are changing economic conditions, not merely repackaging long-term decline. While it is sometimes difficult to mount programs that are 100 percent professional when politicians see opportunities for contracts, publicity and employment for favored people, once formed, they have been remarkably free of controversy.

Although generally a strength, the public-private partnership inherent in BIDs does occasionally lead to problems. The government partner approves the boundaries, budget, financing and authorized activities and often applies its bonding authority when capital improvements are required. Occasionally, the relationship to local politics can become too close. In one center, the majority in the city council, unable to cut taxes for homeowners, loudly cut the BID assessment on commercial properties as a show of political correctness. Despite the protests of the businesses, BID revenues dropped to a level that no longer support a full-time professional or a measurable level of services.

While BIDs have largely replaced Chambers of Commerce as downtown-focused marketers, there is an inherent conflict between their roles as cheerleaders and their roles as measurers of economic and social conditions. It's understandable that the agency that conducts research may not want to highlight some unpleasant truths in their messages for public consumption. It is not always clear, however, that all BIDs are facing tough truths directly and reprogramming their resources accordingly. A noteworthy exception is Buffalo Place. Survey results showed that they were getting low marks for the quality of shopping. Priorities were shifted to push business recruitment more than in the past (Figure 1). In fairness, BIDs tend to be relatively courageous among economic development entities in measuring change and exposing their work to public scrutiny.

It would be a mistake, however, to assume that BIDs are doing, or can do, all that is important with regard to downtown economic revitalization. In order to strengthen the downtown marketplace, BIDs and city economic development staffs typically recruit sellers. In the face of the trends cited earlier, however, retail attraction is an inadequate strategy. BIDs must aggressively attract buyers; a stronger market will attract sellers. First, BIDs must counter the adverse image of city centers portrayed in the media with messages appealing to residents as well as customers. For example, downtown has the widest

range of shopping choices. It is safe. Hundreds of new trailblazer signs take the mystery out of parking. The food is great. We have the museums and theatres. It's fun, and so on. Second, downtown's future as a marketplace cannot depend upon expansion of hotels, office buildings and shopping centers. Rather, it requires building a new, middle income consumer base within and adjacent to the business core. Residents will spend several times more money than office workers. BIDs can advocate and promote, even if they can't serve as redevelopers.

Managing BIDs represents a professional challenge comparable to that of a municipal manager or administrator. Hiring and keeping men and women who have the unusual combination of creativity, political skills and ability to provide day-to-day direction for the staff and the contractors who clean sidewalks is especially challenging in smaller communities. One small city in New Jersey has had four directors in six years. A few small towns have used consulting firms to provide staffing for the first year or two, thereby assuring that their programs and board functions are off to a fast, smooth start.

Even more daunting, however, is the process of putting the system into place. While state laws vary in the degree of difficulty they impose on localities, the underlying problem in the vast majority of cases is the inexperience of local people in creating a menu of services so appealing such that it attracts broad support. Unless skillfully handled, opposition can readily organize around the theme of "no new taxes." In New York City, where the pathway to approval is paved with delaying statutory concurrences, the average time required for planning and approval reported in our 1994 survey was 30 months. Nationally, we found that a year-and-a-half is typical, with many reporting two years or more. However, where the local planning group has experienced guidance, the process can be successfully completed in four to six months or less.

Organizing a BID can be contentious as well as slow. Where the process was ill-planned or carelessly managed, lawsuits and the threat of lawsuits are common. While there are no records of failed efforts to start BIDs, in New Jersey, where there are about 25 active ones, at least six are known to have been abandoned in the planning stage. Often this reflects conflicts within the business community.

Ten years ago, organizers had few models to which they could point in order to convince the doubters. With BIDs so common today, however, potential downtown investors, noting the absence of a BID, may conclude that such a place is a bad risk in that it fails to attract local business support. While the forces that have long buffeted downtowns remain formidable, the renewed business confidence that BIDs engender may by itself justify the costs. BIDs provide a test of popularity within the business community that is rare, if not unique, among economic development tools. The people who pay the rents and the taxes are also paying for BID services. That says a lot.



Once the site of New York's most famous restaurant, Delmonico's, 56 Beaver Street is among the commercial structures expected soon to become residential. The Alliance for Downtown New York, Inc., the BID operating in the Wall Street area, sees residential growth as an important element in revitalizing the local economy.

TRUE GRIT

By Lawrence O. Houstoun, Jr.

For 30 years, Americans have been told that manufacturing is less and less important to the nation's economy, that the jobs have flown away and the businesses have died. There is more than an element of truth in these generalizations. While manufacturing's share of gross domestic product shrank from 21.7 percent to 18.4 percent in the 1980-1990 decade, the work force declined from 21.9 million to 21.1 million in the same period.

In the nation's cities, the losses have been proportionately greater. Indeed, the decline of manufacturing is probably the single largest factor that explains the loss of jobs, businesses, residents, wage levels and fiscal stability of cities.

Having acknowledged the losses, it is nevertheless important to pay greater attention to what remains of this sector. In Philadelphia, for instance, there are still 90,000 manufacturing workers. Such firms are especially important because these plants tend to be close to working class neighborhoods whose workforces are still a good fit for production jobs.

The preponderant pessimism about manufacturing and cities may help explain why the businesses that remain have received so little attention, even in the cities where they are most important. Little of value is published on why some firms remain or on the specifics of why others leave, although there is no shortage of opinions on the lat-

ter. Further, the at risk firms appear to have needs unrelated to the loans, grants and tax incentives designed to attract businesses from outside the jurisdiction or to spur plant expansions among those still within.

By examining five clusters of such firms, all in gritty urban industrial settings in the East and Middle West, some insights resulted suggesting that:

- These city locations continue to provide important benefits for many firms.
- Although the businesses tend to see their problems as place-related, they also see these as surmountable difficulties.
- An encouraging number evidence a willingness to contribute time and money to work together to overcome the deficiencies of their urban environments.

There is also anecdotal evidence that failure to deal with accumulated place-related problems such as crime, trash and governmental neglect incites the frustration that induces some to move away. Despite this, governments rarely see the connection between economic development goals and the provision of the minimum elements of civility required by any firm worth retaining.

These five cases have the common feature of having produced collaborative efforts by groups of business owners and managers to improve their areas and to secure together improvements that no one of them can accomplish alone. For this feature, they have been termed Industrial Cooperation Areas (ICAs). The five ICAs are:

- PRIDE, (Port Richmond Industrial Development Enterprise), Philadelphia, PA
- Richmond Corridor Association, Philadelphia, PA
- Camptown Industrial Park, Irvington, NJ
- ICLL Industrial Park Association, Detroit, MI
- Bunker Hill Special Improvement District, Paterson, NJ

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Industrial Cooperation Areas

The preponderant pessimism about manufacturing and cities may help explain why the businesses that remain have received so little attention, even in the cities where these businesses are most important. By examining five clusters of such firms, all in gritty urban industrial settings in the East and Middle West, some insights suggest that: these city locations provide important benefits for many firms; although the businesses tend to see their problems as place related, they also see these as surmountable difficulties; and an encouraging number want to contribute time and money to work together to overcome the deficiencies of their urban environments. In these five cases, groups of business owners and managers have worked together to improve their areas and to secure improvements that no one of them can accomplish alone. For this feature, they have been termed Industrial Cooperation Areas.

ICAs: Where They Are, What They Do

The five Industrial Cooperation Areas provide a picture of comparable settings and diverse responses. The common elements of these environments can be summarized as follows:

- A concentration of small and medium size manufacturing and distribution firms in areas originally defined by a rail spur.
- The areas are old enough to be adjacent to working class neighborhoods and most still have a good percentage of walk-to-work employees.
- Trucking is essential, although the street layouts dating from horse and wagon times often make maneuvering difficult. Access to an interstate highway is essential.
- While some still have multi-story manufacturing buildings (notably Philadelphia), most operate in one-story structures. Land acquired for nineteenth century uses is often cramped for today's spreading buildings, truck areas and employee parking.
- Despite all the problems, many viable firms remain and prosper.

In the main, these areas receive little attention from economic development agencies. Financial incentives designed to lure firms have little relevance to inducing firms to stay. Indeed, a common complaint among industrial plant owners is the disparity between the sometimes staggering subsidies paid to attract new firms and the lack of attention given to those who have long paid city taxes, but are demonstrably neglected on such fundamentals as police protection, street repair and trash removal.

To what extent do the business operators in these areas have common problems and priorities for improvement? In three of the areas, similar surveys were used at the onset of planning to identify what the owners felt were the issues most important to pursue. Two areas in Philadelphia, only blocks apart, and a third in New Jersey have expressed both common and disparate needs. Asked what conditions were "getting worse," for example, the two nearby Philadelphia areas ranked their responses differently (Table 1)

Asked what improvements are needed "a lot," one Philadelphia area had security as its top need, while the neighboring district did not list it in its top four needs (Table 2). No need turned up in the top four of all three areas.

Taken together, eight area needs in Table 2 reflect common views of urban industrial America, even though the rankings differ. Of interest is the strong concern for improving the appearance of these gritty urban places. On one level, this is expressed in a willingness to share cost of regular cleaning and to maintain the constant fight against graffiti. Beyond these, however, districts are also

supporting master plans that include such intended improvements as these in the PRIDE report:

- Plant new trees.
- Improve building appearance and signage.
- Clean and paint railroad bridges.
- Create gateway signs.

Case Studies

Case 1: Port Richmond Industrial Development Enterprise (PRIDE), Philadelphia, PA

Port Richmond Industrial Development Enterprise, Inc. (PRIDE) was formed by Alan Woodruff, CEO of Haskell-Dawes, and other owners in 1998 with assistance from the Philadelphia Industrial Development Corp. and the Pew Charitable Trusts. With 55 businesses in a eight-block area, the district borders a hospital, residential blocks and an elevated rail line. The economic life line of the area is Interstate 95 whose access points are confusing and, despite a new ramp, still limited for large trucks connecting plants to suppliers and customers from as far away as Georgia. This is the oldest of the five areas with some remaining multi-story brick facilities and everywhere nineteenth century streets and sidewalks that delay truck use (docking one can take a half hour).

To shape their priorities, steering group members interviewed all the business owners, with some of the survey results discussed earlier. The PRIDE businesses see crime as a major issue and are operating a contract security program. Businesses contribute to this and to the contract cleaning service, although City funds still cover most of the costs. PRIDE subsequently engaged a consulting team to produce an industrial master plan primarily to deal with physical problems, make improvements to the area's appearance and create some of the advantages seen in suburban industrial parks. The plan identifies:

- Priority actions to overcome physical and operational constraints to business retention and growth;
- Opportunities to exploit highway access and the skilled labor force;
- Improvements needed for greater truck mobility;
- Land reuse strategies for manufacturing, parking or greenspace;
- Physical improvements to improve streets, sidewalks and public space; and
- Improvements to increase security.

Following are the four elements of the PRIDE plan:

Table 1
Conditions "Getting Worse"
(in order)¹

PRIDE Area

1. Crime
2. General appearance
3. Cleanliness
4. Businesses leaving

Richmond Corridor Association Area

1. Businesses leaving
2. Cleanliness
3. Crime
4. General appearance

¹This question was not asked in the Irvington area survey.
Source: The Atlantic Group

Table 2
What Improvements Are
Needed "a Lot"

PRIDE Area

1. Added nighttime security
2. Graffiti removal
3. Area cleaning
4. Improve vacant lots

Richmond Corridor Association Area

1. Area cleaning
2. New businesses
3. Improve vacant lots
4. Marketing: better image and business attraction

Camptown Industrial Park

1. Added nighttime security
2. Remove, reuse vacant buildings
3. Improve vacant lots
4. Greater security for parking (tied with) brighter lighting

Source: The Atlantic Group



Port Richmond Industrial Development Enterprise, Inc. (PRIDE) engaged a consulting team to produce an industrial master plan primarily to deal with physical problems, to make improvements to the area's appearance and to create some of the advantages seen in suburban industrial parks. Following plan recommendations, the PRIDE area, which is a major trucking destination, will seek improved access and will create trailblazer signs to connect with I-95 north and south bound. PRIDE will also be cooperating with police in a concerted enforcement effort to stop costly graffiti vandalism.

1. Identity and Orientation: A New Philadelphia Address

A key component of the district's improved image will be a unified sign system that will mark the connections between the PRIDE industrial park and the regional highway network so that visitors can efficiently locate the district and its businesses.

The steps:

- Develop standards for business and building identification.
- Design and install wayfinding signage system (trailblazer directional markers, I-95 directional signs, arrival signs, district street identification, parking lot identification, and loading zone identification).
- Develop district signature banners.
- Develop district graphic treatment and illumination for rail bridges.
- Identify and remove obsolete signage through the district.
- Develop profile of desirable PRIDE business types. Develop Overlay Zone ordinance language to support desired uses.

2. Expediting Business: Loading Trucks, Parking Cars

Truck loading must often happen in the street. This blocks busy streets and requires more work than does a well-designed, truck-accessible, loading dock. A preferred truck access route will minimize contact with residential neighborhoods. Over half of the PRIDE businesses report a serious current parking problem that will worsen with future expansions. The steps:

- Evaluate loading areas and develop a specific plan for resolution of conflicts at each location.

- Develop truck routing plan to reduce disruption to residential streets.
- Ensure that sidewalk curb radii and sidewalk design at corners can accommodate tractor-trailer turning where necessary.
- Acquire land and build a central truck staging area.
- Relocate wooden telephone/power poles where they obstruct movement of tractor trailers on intended access routes.
- Create several secure central employee parking lots.
- Create several additional side street parking lanes.

3. The Look of Success: The Physical Environment

Unkempt areas lacking adequate lighting with dirty, vacant lots and bleak views from the sidewalks are associated with high crime areas. Employees and visitors worry about their cars and are willing to walk only short distances. Down-at-the-heels appearance produces fear that has an unmeasurable but certain negative effect on business, if only because it limits the labor pool. The steps:

- Develop a simple, paint-based identity kit, establishing color standards for walls (including graffiti patch over) and a transition detail at 10' paint line.
- Select an alternative to galvanized chain link as district-wide standard.
- Develop a matching fund incentive program so that when PRIDE businesses replace present fencing, they pay no more for district standard fencing and gates.
- Select standard specifications for sidewalks to guide replacement projects.
- Select standards for district "street furnishings" such as trash cans and pedestrian lighting along sidewalks.
- Develop a district wide planting plan to include street trees where appropriate, in-sidewalk planting strip at the edge of parking lots, and ornamental planting at building entrances.
- Improve vacant and underutilized lots.

4. PRIDE After Dark: The Nighttime Environment

Dumping, vandalism, prostitution, break-ins and car thefts are frequent occurrences in and around the PRIDE area. Nighttime security patrols, initiated in April 1999, have reduced criminal activity. The district will now transform the nighttime environment into a place where workers and nearby residents can feel secure. This means: increasing lighting levels; lighting some building facades; illuminating business identity and other signage; and, locating special lighting at trouble spots.

Specific recommendations include:

- Install pedestrian-scale lighting. Mount lights on existing poles on larger east/west streets. Mount lights on building walls of smaller north/south streets.
- Illuminate the surface of buildings at certain key locations.
- Illuminate business identification signage.
- Illuminate visitor/employee entrances and loading areas.
- Illuminate railroad bridges.
- Light the sidewalks on the underside of the rail bridges.
- Select lighting fixtures for each lighting task to become the design standard throughout the PRIDE area. Lighting for public streets and sidewalks should match fixture types already stocked and maintained by the city Street Department. Fixtures to illuminate signs and individual properties should be standardized to create a consistent appearance throughout the district and to facilitate discounted vendor pricing.

With relatively small contributions from the business owners, PRIDE has managed to launch its safe and clean program and meet some other needs principally with financial support from the city. Although it is not clear that the new administration in City Hall will continue this generosity, there are not yet plans for a business improvement district to produce a greater degree of self sufficiency.

Case 2: Richmond Corridor Association

The Richmond Corridor Association occupies almost two square miles in an area of Philadelphia that has been an important rail and shipping center for well over a century. Bisected by Interstate 95, the principal north-south highway along the East Coast, there is a modern, active port facility on the Delaware River side and active rail spurs connecting to the principal north south railroads, as well. The south and west sides of the district border the same working class neighborhood as the PRIDE area.

Nick Nehez, CEO of Gryphon Co., paint manufacturers, convened several of his neighbors in 1999 to consider how to improve their area. The group has grown, has received support from the Philadelphia Industrial Development Corp., and the Pew Charitable Trusts, and is working with a consulting team to produce a master plan for the area. In addition to the transportation advantages, the group sees the area's assets to be the safe neighborhood; good, nearby work force; fast permitting and low costs of plant construction or expansion.

The RCA firms responded well (42 percent) to a Business Retention Survey in January 2000.

Fifteen firms had fewer than 25 employees and the two largest had 125 and 186. Sixty-six percent of employees are Philadelphia residents. Asked to rate the area in terms of its value to their businesses, about a quarter rated the area low, while more than 40 percent rated the area favorably.

Firms were asked to indicate the prospects for their remaining in the area and for expanding. A large share expect to remain: 65 percent say there is a greater than 75 percent chance they will be there in five years. Twenty-three percent said there is a better than 75 percent chance that their business will expand.

Asked of those who may move what factors would influence their decision, only six of 15 mentioned taxes (in a city where high taxes are thought to explain every urban ill). Three mentioned crime or had police complaints. The balance included appearance of the area. Most respondents didn't mention either crime or taxes.

Of those who do not contemplate leaving, the most commonly cited reason was the perceived need to stay close to the existing labor pool. One responded: "Could not get a better deal anywhere," although another said "too old to move."

Asked of those who located in the RCA area in the past ten years why they picked this place, answers included "convenient," "material supplier nearby" and "it was a very good deal."

The plan for the RCA area includes a business attraction, retention and expansion element that responds to the RCA board's principal concern, loss of neighboring manufacturing businesses. Part of the program will require an active communication element to reassure potential locators that the area is safe and the work force good. Being considered is a large sign facing I-95 featuring the successful business operators at this location with brief but prominent mention of the area's assets. The primary message is that this ad is not simply something paid for by the city, which might be expected to say that all areas are good. It will reflect what is probably the area's principal asset--the businesses that have come together to improve and to market the place. Who is a better testifier to a place's economic benefit than those who run their businesses there?

An important element in the RCA program involves steps to capture new businesses and business related activities (such as parking) on underdeveloped land including city controlled acreage and land under the elevated interstate highway. Replanning streets, reparationization of land and use of property controlled by the gas utility are among the objectives. RCA will have a data base comprised of its land inventory and a roster of businesses, now totaling almost 100.

Mark Keener, the design consultant who heads the RCA advisory team, speaks of "growing an

industrial strength community" in which there is mutual support among businesses and between the industrial and the residential community. His vision is to create through wayfinding and identity signs, landscaping and enhanced buildings a sense "this is a place that will endure" and in the process attract more strong firms.

Keener is also working on the small scale impediments in truck movements throughout the district, identifying where curbs and other barriers need to be modified. In addition, he is seeking new truck routes that will capture the advantages of a new I-95 on-off ramp, while remaining sensitized to the need to protect schools, churches and residents.

Case 3: Camptown Industrial Park, Irvington, NJ

Irvington, NJ, is a fiscally fragile working class community whose industrial area adjoins one of Newark, NJ's most impoverished neighborhoods. Irvington managed to get itself designated an Urban Enterprise Zone under New Jersey's innovative and generous state law. The UEZ identified the industrial area as a priority target for organization and special benefits.

A lively group of manufacturing business owners was identified who found that they shared a desire to improve many aspects of the place where they were operating their firms. Despite the generally shabby and sometimes threatening appearance of the area, easy access to Interstate 78 and proximity to New York City has made the location a favorable setting. Still, owners complain that prospective employees don't show up for job interviews when they see where they would be working. Some firms have cut work shifts and others feel they have to hold meetings with customers at remote sites.

In the first phase, the industrial business leaders agreed to pursue four goals and 17 implementation steps (Table 3). At this writing, the group is in the process of forming a business improvement district that will enable them to use its own funds for such actions as:

- Contracting for area mobile security nights, week-ends and holidays;
- Contracting for area cleaning including vacant lots, sidewalks and alleys;
- Creation and installation of directional and gateway signs; and
- Contribution to an Enterprise Zone-administered marketing fund.

As the group becomes a self-administering non-profit corporation under state law, it will also plan and advocate for additional assistance such as pursuit of state funds for demolition of obsolete buildings and environmental clean-up.

Case 4: "An Industrial Park" in the City, Detroit, MI

ICLL stands for the streets that comprise Detroit's first ICA — Intervale, Cloverdale, Lyndon and Livernois in West Detroit. The brainchild of manufacturer Sid Taylor, CEO of SBF Automotive, the organization's full name speaks of the members' aspirations: The ICLL Industrial Park Association. Taylor and his peers asserted what leaders in the other four districts have in mind, the transformation of their 100-acre setting from a deteriorating, disparate collection of older production buildings into a modern "park," the equal of any in the suburbs.

Formed in 1997, the ICLL board (called "team members:") includes four members representing manufacturing firms; a sergeant from the Tenth Police Precinct; two bank representatives; four economic development agencies; Wayne State University; Wayne County and a resident.

ICLL's slick, six-page newsletter reports on recent successes:

- 85 volunteers participated in the May "clean sweep" day, starting with an 8:00 AM breakfast and wrapping up at 4:30. An accumulation of illegally dumped trash was removed with business and resident help.
- With the Hudson Webber Foundation support, an architectural firm completed "an in place industrial park plan". The document that will guide city infrastructure improvement work that includes specifications for a much needed truck turnaround site, plus landscaping and signage.
- The ICA worked with the police precinct to create a trained, two member police bike patrol. The objective is to "have police officers out in the community to interact with residents and businesses as part of community policing," the newsletter asserts.
- Illegal dumping has been drastically reduced and convictions of guilty dumpers has risen.

Taylor has been effective in securing city assistance for infrastructure improvements, underscored by the photo of and statement by Mayor Dennis Aracher in the organization's attractive newsletter. ICLL is actively considering formation of a business improvement district to assure the predictable availability of funds to accelerate creation of the industrial park.

Case 5: Paterson, NJ

The Bunker Hill Special Improvement District in Paterson, New Jersey, is an island of industrial self help in a community created by Alexander Hamilton to be the young nation's manufacturing center. Once the "Silk City," Paterson later was a major center for the construction of aircraft engines needed for World War II. Paterson retains some of

its manufacturing, much of it in the mile square Bunker Hill area where 120 businesses formed a business improvement district five years ago to deal with common problems.

Under New Jersey law, non profit corporations can prepare plans for common services and improvements which, when approved by the City Council, permit an assessment on benefitting properties to finance approved costs. Under the leadership of former CEO John Fressie of the Bascom Corp., this procedure was followed, making Bunker Hill one of the oldest industrial improvement districts among the 1000 or so commercial BIDs in the country.

With five years experience under their belt, the corporation's board has recorded the following achievements:

- With a nighttime and weekend security force and vastly improved cooperation with police, break-ins and other formerly prevalent crimes have been substantially reduced to the point where occasional drag racing is now listed as a remaining security issue. The mobile service costs \$89,000 annually and provides coverage 108 hours a week by an experienced service provider.
- An effective contract cleaning program picks up litter daily as well as removing occasional illegal dumping. This costs \$33,000 per year.
- A small but growing landscaping program has put handsome Bunker Hill signs and attractive plantings at the major entryways, with more planned. Landscaping along railroad tracks is next. In addition, Passaic County financed a tree planting project and the district has installed banners to reinforce its identity.
- Working with the local utility, lighting has been made brighter in several previously dim locations. With some firms operating two and three shifts, this added reassurance has been important.
- After years of depending on volunteers, the board last year hired a part-time manager.
- The district successfully applied for funding from the city's Urban Enterprise Zone to reconstruct one badly deteriorated street. The board is currently exploring the possibilities of a daycare program.

The \$168,000 budget and assessment level has not been raised since the district was formed. Manager Tom Lonergan says the district's problems are now relatively few as crime has been reduced, the area is well maintained and the overall appearance made fit for successful businesses. More lighting would be a help, he says, and the board would like to end dumping. "It's working," says Lonergan who splits his time between the Bunker Hill district and the city's downtown commercial BID.

Some of the difference in accomplishments sug-

Table 3
Irvington Industrial Area Goals, Implementation

Goals	Implementation Steps
Function like an industrial park Form non-profit corporation.	1. Form business improvement district to share costs. 2. Manage security, cleaning, identity projects. 3. Adopt name, logo; communicate with all owners. 4. Contribute to marketing.
Improve safety Reduce crime, graffiti, prostitution	5. Safety committee. 6. Scheduled liaison with police. 7. Contract: After dark, mobile patrol—radio connection to police (\$).
Improve image Clean lots, sidewalks, etc. Redevelopment, reuse buildings	8. Contract for area cleaning (\$). 9. Apply redevelopment authorities; plan reparationization; developer solicitation, selection. 10. Tax incentives. 11. State financial assistance for state demolition clean-up aid.
Reduce fear Create positive identity	12. Add lighting at parking lots. 13. Gateway trailblazer signs and landscaping (\$)
Promote economic growth Add strong, new businesses	14. Marketing (\$).
Encourage expansion of existing businesses	15. Examine detailed needs of possible expanders and factor into Redevelopment Plan.
Use business growth incentives	16. Apply various UEZ benefits. 17. Seek state plant modernization aid

Key: \$ = BID funding
1) UEZ Urban Enterprise Zone, state authorized and city administered

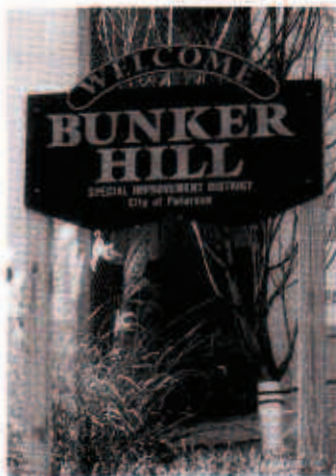


Business losses in Irvington Industrial area.

Table 4
Progress and Priorities, Industrial Cooperation Areas

	PRIDE	RCA	ICLL/Detroit	Irvington	Bunker Hill
1. Contract Security	■		■	●	■
2. Contract Cleaning	■			●	■
3. Appearance Improvements	●	●	●	●	■
4. Lighting	●	●			■
5. Street, Sidewalk Improvements	●		●		■
6. Business Attraction		●	●	●	
7. Community Projects		■	■		
8. Anti Dumping			■		■
9. Incorporated	●	●	●	●	■
10. Advocacy	■	●	■		■
11. Business Improvement District			●	●	■
12. Grants	■	●	■	●	■
13. Police Partnerships			■		■
14. Employment Programs			■		●
15. Day Care					●
16. Newsletter			■		
17. Staff					■
18. Master Plan	■	■	■		
19. Network Purchasing	■				
20. Land/Business Data Base	■				

Key: ■ = Ongoing or completed ● = Planned



The Bunker Hill Special Improvement District in Paterson, NJ, is an island of industrial self help in a community created by Alexander Hamilton to be the young nation's manufacturing center. A small but growing landscaping program has put handsome Bunker Hill signs and attractive plantings at the major entryways, with more planned.

gested in Table 4 is the result of Richmond Corridor and Irvington having been around less time than the other three. Bunker Hill began by planning a business improvement district, assuming that unless the cooperating businesses were able to raise funds themselves, they would make little progress. As it is, the non-profit corporation has thus far raised more than a million dollars, principally for security, cleaning and beautification.

There are still only a few BIDs serving manufacturing and distribution complexes (Table 5). Some state laws authorizing districts are so slanted at commercial areas that industrial BIDs are at best in cloudy legal territory. New Jersey's law is among the most user friendly, offering great flexibility in terms of assessments, governance, authorized services and improvements.

Elements of Success

ICAs are setting ambitious courses for themselves, with 20 project and organizational activities already achieved or on their lists of intended activities. Bunker Hill in Paterson, NJ, with more than five years of working experience behind it, has the greatest number of accomplishments. It has, moreover, its own financing through the business improvement district which has produced more than \$800,000 during that period, mainly devoted to contract safe and clean services. Further, the new

part time staff person should produce more financial support for capital improvements.

What are the factors that contribute to the successful organization and operation of ICAs? In the five cited cases, these seemed to be the common elements:

- **Shared Concerns** - There must be a sense of common needs. These can range from positive visions of opportunities to accumulated anger about rampant graffiti or grievances regarding actions or inactions of the city government.
- **Cooperation Potential** - There must be some recognition of opportunities, such as area security, that can only be realized by cooperation among all participants.
- **Common Turf** - Closely related to these is a sense that the individual businesses occupy territory that is demonstrably common. While many old city residential neighborhoods have names and a strong sense of place, this is not always true for industrial areas. Defining the fledgling organization's jurisdiction is an early and important step in organization.
- **Leadership** - There must be at least one business owner who is willing to get the ball rolling. This was John Frennie in Paterson. In the PRIDE area, Alan Woodruff (Haskell-Dawes, Inc.) was among the small group that responded to the Philadelphia Industrial Development Corp's suggestions about the possibilities of cooperative activity. There must be someone who is willing to take the added time to be a leader and the group must be responsive to that person as the leader.
- **Want to Stay** - There must be a considerable number of owners who want to keep their operations in place or who, for whatever reasons, cannot reasonably move away. A good deal of the energy of these groups will come from those who are new (arrived less than ten years ago) or are currently owned by relatively young persons. These owners contemplate long tenure and the opportunity to realize substantial improvements in the business environment.

Writing of a pioneering industrial initiative in Philadelphia, manufacturing expert Gregg Lichtenstein says, "There is growing sentiment that something is missing in the current model of economic development." Lichtenstein says that many businesses don't trust the advice of economic development service providers because they perceive them as "motivated to sell the particular solutions they are offering." Moreover, few programs are geared to helping existing firms remain and prosper.

Government-designed and managed economic development remedies are often wholly adequate to remedy capitalism's ills. Part of what's missing may

Table 5
Industrial Business Improvement Districts

Red Hook Business Improvement District,
Brooklyn, NYC
Security, marketing, identity,
appearance—City grant: \$87,000

East New York Business Improvement District,
Brooklyn, NYC
Security

Williamsburg Business Improvement District,
Brooklyn, NYC
Security Patrols, CCTV

Magnolia Industrial Group Property and Business Improvement District,
Long Beach, CA
98 properties, 24 blocks—Security

Stockyards Industrial Park Business Improvement District, Chicago, IL
100 businesses,
100 properties—24-hour security

Bunker Hill Business Improvement District,
Paterson, NJ
Security, cleaning, beautification, public relations

be business-planned and initiated actions, such as these five cases reflect.

Another missing piece may be gleaned from the observation that the ICA firms typically defined their problems as place related. In meetings and in survey responses they complained of crime, dirt, poor street lighting, inadequate or poorly maintained streets, inadequate directional signage, illegal dumping, abandoned cars and vacant buildings and they decried the loss of businesses influenced by these conditions. More important, they feel so strongly about these conditions that they are engaged in their remediation. Place-related issues are not typically the concerns of economic development organizations.

Value Added?

In view of the extensive network of federal, state, regional, county and municipal level governmental, quasi-governmental and non-governmental economic development agencies and organizations, what added value can ICAs bring to the table? While this will vary reflecting the priorities of their private sector boards of directors, these four benefits appear to be generic and worthy of consideration because of how they differ from traditional public remedies.

- No amount of jaw-boning by economic development professionals from distant offices can prove as persuasive to a site-seeking business prospect as the straight-from-the-horse's-mouth testimony by one or more manufacturers happy with the location his or her firm has occupied for ten or 20 years. The existence, moreover, of an organization of like-minded business people who devote time and money to collaborative improvement of business prospects adds convincing weight to the assertion that this place is a good risk. If an area doesn't pass this test, the grants, loans and tax incentives won't be needed.
- The improvements guided by an ICA over the years to make the area function better and to improve its curb appeal will reflect business judgements tempered by recognition that the benefits must be worth the contributions made by the same business people. The underlying assumption of ICAs is that the business rewards will exceed the business costs. The practical results of these investments may be expected to prove more relevant and useful than many of the economic development improvements created using other people's money—local, state or federal.
- Industry expert Gregg Lichtenstein is a proponent of the synergy resulting from bringing together what he regards as typically isolated industrial entrepreneurs. The opportunities resulting from regular ICA-style association include: shared expenses, pooling resources, buying and selling from one another and sharing information and ideas. These reflect an important dimension of capitalism in dense, urban settings, agreeably lost in the isolation of suburban locations. Cities offer the opportunity to create new or improved methods, products and services through the stimulation of one good mind interacting with another in regular association. ICAs can be useful to the extent they foster such fertilization.
- ICAs represent group commitment to improving the product—the place—in which these firms operate. Much of economic development today represents simply marketing places, hoping no one will notice the deficiencies. Place improvement is a more important and lasting contribution to local economic advancement and is probably the most important role ICAs play.

Readers are asked to inform the author of other Industrial Cooperative Areas: L.O. Houstoun, The Atlantic Group, 68 South Main Street, Cranbury NJ 08512 (609/655-5328) – cbsandtag@aol.com.

BUSINESS IMPROVEMENT DISTRICTS

By Lawrence O. Houstoun, Jr.

Business Improvement Districts (BIDs), now a 30-year phenomenon in the United States and Canada, represent a major force in urban economic development. Nevertheless, BIDs remain largely outside the organizations and literature of mainstream economic development. Although there are more than 1,000 of these entities in North America devoted to business attraction and retention in commercial areas (with a few in industrial settings), they rarely have significant working attachment to government or non-profit economic development organizations.

BIDs also function in Australia, New Zealand, and South Africa and BID-like systems exist in hundreds of communities in the United Kingdom. BID legislation has recently been enacted in Ireland and plans are underway for district activities in a half dozen places in Dublin alone. This article defines BIDs, through illustrations of BID activities, indicates the contribution they make to local economic development, and identifies tested methods for strengthening them.

Defining Bids

Led by non-profit boards of directors dominated by business interests, there are probably 10,000 private sector volunteer men and women – developers, retailers, office managers, hoteliers, restaurateurs – directly engaged in planning and governing the services and physical improvements. These are business people making business decisions to improve business districts.

A BID is a device by which two or more owners of businesses or properties cooperate to share responsibility for funding and managing programs designed to improve profitability and property values, removing obstacles and capitalizing on opportunities. Private sector interests set cost-sharing formulae approved by local governments. The property assessments (in some countries business taxes) are collected with the power of local fiscal authority. The fees thus applied are inclusive, multi-year, and compulsory. They are affordable because ratepayers set the rates and because all benefitting properties (or businesses) share the costs. BIDs can be seen as an expression of cooperative capitalism.

The BID philosophy embraces two seemingly opposite convictions. First, BIDs are correctly seen as evidence of business self help. Almost all BIDs are launched by private sector people and are governed by boards that are preponderantly business and property owners.

At the same time, BIDs operate best in partnership relationships with organizations having corresponding and complementary objectives. The partnerships element is less widely recognized by BID leaders. As BIDs mature and aspire to greater results, especially those operating in small centers, it is important that they join forces with municipalities – for example, to create needed infrastructure or to solve parking requirements. Similarly, BIDs can, through reciprocal working arrangements with economic development entities, strengthen existing businesses and attract new ones. (See Table 1)

Partnering for Economic Development

The 1,000 plus business improvement districts in North America are serving economic development purposes in city and small town commercial centers and in industrial areas. While business recruitment and customer attraction are common themes for these business-led non-profit corporations, many are also engaged in redevelopment and property improvement, all in the interest of enhancing sales and boosting property values. A compulsory charge is applied to benefitting properties to support budgets that range from \$20 million to \$40,000, based on agreements between the property owners and the local governments. Invented in Canada, BIDs are prevalent in the US, New Zealand and Australia.

Ethnic Commercial Area – The South Broadway commercial area in Yonkers, NY has a melange of Asian, Hispanic and other merchants in the two-mile long strip between Downtown and the Bronx border of New York City. The BID concentrates on business and customer attraction.

Economic Development and Redevelopment

Sometimes maintaining an attractive urban environment and a good marketing program is not sufficient to meet the needs and potential of a commercial center. Taking the initiative to organize a BID-financed economic visioning process or the preparation of a redevelopment concept plan can be influential. Many state laws authorize BIDs to buy, upgrade, redevelop and sell real estate. Use of this authority usually works best based on a partnership with economic development and redevelopment agencies and non-profit corporations, where they exist. In some circumstances, BIDs have managed to succeed even where such entities do not exist. For example, a New Jersey BID created a second district overlapping the first in order to finance infrastructure needed to attract a new anchor

commercial center. A BID in a small city in Montana purchased a five-story building with EDA financial assistance, rehabbed it, created and sold commercial condos and used the balance of the space for its own office.

Some state laws authorize BIDs to float bonds to finance capital improvements. Many BIDs use their own funds to leverage state and local investments in physical improvements, including streetscapes, lighting, and parking improvements. BIDs often lead in creating vision or concept planning, leading to redevelopment. Several BIDs have led planning for minor league baseball stadiums.

Small BIDs can achieve impressive economic results. The dollar value of construction investment (the value of permits issued) in the (Maplewood, NJ) Village Special Improvement District continues its strong showing. Since the SID (Special Improvement District used in New Jersey) was started in 1997, values have risen significantly, an indicator of the success of the district measured in terms of reinvestment and the confidence that store and property owners now have in the area's long-term profitability. (See Exhibit 1)

A determined group of industrial business and property owners in Philadelphia created a BID which is retaining businesses through several measures. An earlier visioning process helped set the course of this group, followed by persistence and patience. To give the area improved identity, attractive gateway and building signs have been installed with 75 percent matching funds from the District (see photos). The BID's persistent advocacy has produced \$1 million worth of city-financed infrastructure improvements. Among the essential changes was rebuilding curbs and drains to enable modern trucks to make deliveries via nineteenth century streets. An early visioning process helped set the course of this group.

The Philadelphia BID functions without its own staff person. Volunteer businessman Alan Woodruff says that the next project will be to improve “the look” of the place to business prospects. A subsidized facade program will be pursued this year. BID advocacy has freed up a property now controlled by the city for which Woodruff believes they have an interested user.

In other examples of BID activities, the industrial BID in the Bunker Hill section of Paterson, NJ, keeps the place clean and employs a private firm to assure day, night and weekend safety. Landscaping has converted the old warehouse-railroad area into something resembling a suburban business park.

The Atlantic City, NJ, district has gradually transformed dozens of vacant lots into attractive temporary parks. They remain for sale, but they enhance the commercial environment while redevelopment awaits.

BIDs in Australia and Austria are being used as tourism promotion instruments. The old city of Salzburg has its own BID whose director, Inga Horney, relies on a business tax and municipal contributions to keep the crowds coming and happy.

The district in central Morristown, NJ, has been a significant force in leading redevelopment, including organizing municipal support for a parking garage that stimulated added redevelopment.

Responding to complaints about crime, the Hollywood, CA, district employs armed, off-duty police employees, a technique that has brought back shoppers and diners.

Most BIDs work to attract strong new businesses. Exhibit 2 identifies techniques that have proven successful.

Business recruitment, this central and essential BID responsibility, can and should be accomplished in partnership with economic development entities. Although BIDs typically operate in geographically more limited areas than do municipal, county, regional or state economic development agencies, working partnerships are nevertheless possible.

Strengthening BID Performance

With the experience of having worked with more than 60 BIDs over 15 years, a series of approaches have emerged for keeping BIDs fresh and growing. These approaches help avoid the great waste of resources that can occur when the boards and managers ignore opportunities for improving local economic conditions and/or collaborations with economic development organizations.

Fresh Start

The best BIDs use the opportunity presented in most BID statutes to rethink the BID as part of the process of seeking re-approval by the municipality every five years. As part of that process, the Washington, (DC) Downtown BID adopted several new programs including planning a bus circulation system. With the added services, the BID board proposed and the city approved an increase in the rate of property assessment.

The Business Improvement District for Rosslyn is designed to enhance property values, increase business profitability and improve the appearance, convenience and day and night appeal of the commercial district for employees, residents, shoppers and visitors.

Goals

The five-year reauthorization point is also a good time to reconsider and, when appropriate, reset district goals. One BID in a large Virginia office district adopted the following overall goal:

The Business Improvement District for Rosslyn is designed to enhance property values, increase business profitability and improve the appearance, convenience and day and night appeal of the commercial district for employees, residents, shoppers and visitors.

A detailed subordinate set of goals is represented by the following part of the BID plan prepared for a shopping district in Philadelphia:

Goal: Make Chestnut Hill “Business Friendly”

- Create Welcome Package for new businesses (Services, Events, Parking, Security)
- Develop events appropriate for professional firms to show that they are an important part of the business district
- Hire consultant to look at current parking system and “bring it all under one roof”
- Create more parking lots in the lower hill area
- Install off-premises directional signs for Bethlehem Pike businesses that can’t be seen from Germantown Avenue
- Employ hospitality persons/hosts to welcome and guide visitors
- Gear events for children, families

In implementing BID goals, reauthorization planners need to review services that have been provided for the previous four or five years to see the extent to which certain problems have been wholly or partly solved or negative conditions reduced. Perhaps efficiencies have been introduced. Some funds might then be redirected, for example, from sidewalk cleaning to landscape maintenance, as was the case with Center City District in Philadelphia.

Collecting Missing Revenue

Most BID laws do not authorize assessments applied to tax-exempt properties. Where some or all of the services provided will actually benefit such properties – especially health and educational institutions – smart BID leaders include these entities in their initial planning or re-planning for reauthorization. Tax-exempt property representatives will usually acknowledge responsibility to share in the costs of improvements. Even if these contributions are less than what would be paid if the properties were taxable, the costs shared voluntarily represent a decided improvement over zero payments. The best arrangement is an agreement to make annual contributions for five years on the basis of a voluntary multi-year agreement (VMA). BIDs can often add 10-20 percent to their total revenues by closing this often overlooked revenue gap.

A second possible source of funds beyond assessments can come from service agreements with federal, state or municipal governments. The federal government has clear procedures for BID agreements leading to payments for various cleaning or security services. Federal agencies will not, however, pay for marketing, considered a private sector benefit. In Trenton, NJ, the BID secured an agreement with the state government for an annual payment of \$180,000 to reflect the BID’s safe and clean program benefits for state employees.

How Much Is Enough Money?

BIDs come in all sizes, ranging from assessment-based annual budgets of \$25,000 to ones with revenues of more than \$12 million, the latter often including payments for bonds floated for capital improvements. At the lower end, very small BIDs typically are managed by local governments or pre-existing non-profit corporations, such as community development corporations, which assign BID duties to a person with other responsibilities. In a place with, say, 250 commercial properties, BIDs should try to attain revenues of at least \$200,000 per year. This will (just) afford a good professional manager while also providing funds for purchased services such as those related to business and customer attraction – the mainstay of most small BIDs.

BIDs can achieve their goals via three routes – purchasing services and improvements, activities performed by staff and advocacy by the board of directors. The first type is exemplified by employing supplementary security personnel to deter crime and reassure pedestrians. The second, especially in a small BID, is illustrated by time spent by the manager engaged in business recruitment. The advocacy role can be illustrated by proposing a new tax policy that, in one instance, resulted in conversion of a dozen obsolete office buildings into new hotels and apartments.

Enough money is determined by those who organize and manage the District; enough is whatever amount meets local priorities. This can be as little as \$40,000, in at least one instance.

Transparency and Democracy

BIDs need to be careful to keep their affairs open and accessible, especially to the assessees. Some boards mistakenly believe they will avoid problems if they operate pretty much behind closed doors. Some don't publish newsletters and others don't periodically sample stakeholder opinions and wishes.

Many BIDs authorize their boards to select members to fill all vacancies, failing to establish annual elections at which any member of the corporation may be elected to a seat and all can vote for open seats. When a difference arises regarding some policy or program, the absence of what people regard as essential democratic procedures can exacerbate the dispute. Better to keep the system open and responsive.

Pruning the Dead Wood

Some BIDs fail to grow and adapt, thereby losing the essential public support that they had when formed. One BID in an upstate New York town never progressed beyond the original, simple service of sidewalk cleaning. Needed improvements in the public realm were ignored. The same person had been chairman of the board for a decade during which he was unwilling to allow the BID to grow beyond the original limited mission.

In contrast, another New York city was stuck with poor board leadership, the result of early compromises accepted in order to secure BID support among a few larger property owners. A movement was organized to elect business and property owners to the board with more ambitious goals. In Brooklyn, more than a decade ago, the Fulton Mall Improvement Association witnessed such a stakeholder revolution, completely recasting the priorities of the BID.

Conclusion

BIDs are beginning to be recognized by a few economic development organizations as useful adjunct tools. The New Kensington Development Corp. in Philadelphia, for example, is planning such a district to provide financing for services not otherwise affordable. Earlier, the Manayunk Development Corp. in the same city adopted a BID solely for the purpose of leveraging state and local funds for physical improvements. Seven years later, the MDC managed to snare almost \$10 million for capital projects ranging from relighting a bridge to pedestrian lights to creation of crosswalks.

Such partnerships may be part of the organization's original planning or they may emerge from re-planning at the point at which the BID prepares for reauthorization. Either way, the combination of self-help initiative and partnership relationships can contribute significantly to both the district's economic successes and those of cooperating economic development organizations.

With broad authorization for action, BIDs are being used to share the costs of transportation improvements, they are saving downtown movie houses and they are being applied to the costs of redevelopment infrastructure. The statutory objectives of BIDs – improve business opportunities and commercial and industrial property values – are fundamental economic development objectives. While BIDs have not yet exploited their full potential in terms of the type or the scale of economic interventions of which they are legally capable, they are here to stay and growing daily in numbers and economic impact.

The statutory objectives of BIDs – improve business opportunities and commercial and industrial property values – are fundamental economic development objectives. While BIDs have not yet exploited their full potential in terms of the type or the scale of economic interventions of which they are legally capable, they are here to stay and growing daily in numbers and economic impact.

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BUSINESS IMPROVEMENT DISTRICTS REACH EUROPE

By Lawrence O. Houstoun, Jr.

The first year of BID operations in London are focused on the same essentials as the early activities of the US and Canadian BIDs – cleaning, supplementary, security, and marketing.

Born in Canada and also flourishing in South Africa, New Zealand, Australia, and the United States, Business Improvement Districts (BIDs) have recently established a beachhead in Europe. New legislation will soon launch a BID in Dublin, Ireland, and a dozen have started in England. Authorizing legislation has been enacted in Hamburg, Germany, and there is a tourism-oriented BID in Salzburg Altstadt, Austria.

Adopting and Adapting the BID Concept

This article reviews the current progress of BIDs in Europe, identifies some of the similarities and differences with US BIDs, and reviews the likely advances as various European countries adopt and adapt the BID concept. The BID phenomenon is not a creature confined to North America nor is it now confined to English speaking countries. There are promising pioneers and committed BID interest on the European continent, including Hamburg, Germany, and Terrassa, Spain. A tourism-oriented BID, Salzburg Altstadt, is financed by a hotel tax and government matching funds. Rather, the BID phenomenon is associated with the edges of modern capitalism. There is a point beyond which it is unrealistic or unworkable to expect governments supported by general taxation to perform all the activities considered necessary by the for profit sector within limited commercial or industrial geographic areas. Moreover, there is considerable benefit in harnessing the collective self-interest of cooperating

capitalists who assume a degree of responsibility for the places in which they function and which affect the profitability of their individual enterprises.

An International Definition of Bids

In its fundamentals, a BID in every country consists of:

1. An organization devoted to the economic advancement of the area in which it functions;
2. Services and improvements that enhance business profitability and property values;
3. Management capacity; and,
4. Tax or assessment-based revenues that are multi-year, inclusive and compulsory for the benefitting businesses or properties.

The United Kingdom has more than 200 entities that have functioned well for more than a decade, providing BID-type services in commercial areas large and small, akin to BIDs in all but the existence of sustainable financing. While this movement – Town Centre Management – has been remarkably successful at raising voluntary contributions from local authorities and businesses, these programs have suffered from financial uncertainty and, because they were almost universally underfunded, their limited effect.

Like American BIDs, Town Centre Management has introduced a rare element among economic development tools; that is, it gives expression to a sense of business responsibility for the economic welfare of the places that directly affect degrees of business success or failure and it does this through

an instrument that capitalizes on another rare expression, cooperation among capitalists. While BIDs operate in the middle ground between individual entrepreneurs and government, it is nevertheless essential that they maintain a “for profit” attitude in determining investment priorities. This is not a matter of right wing political theory. Rather, it reflects decades of experience with BIDs in remarkably diverse circumstances, including the countries where the formula has already successfully taken root.

The eighteenth-century economist, Adam Smith, identified the force of economic self interest as the foundation of capitalism and generation of wealth. He also observed that this force is magnified with the cooperation of self-interested entrepreneurs. With BIDs, the whole is greater than the sum of the parts, a form of “cooperative capitalism.”

British Transition: From Free to Fee

At the urging of the Association for Town Centre Management and others, the Blair Government agreed to enact legislation to end “freeloading” by non-contributing businesses. In late 2004, authority was available for businesses and local authorities in England to form partnerships with the assurance of a compulsory levy subject to a referendum among benefitting businesses (authorization in Scotland, Wales and Northern Ireland is in the works). Lacking a property tax, the UK levy consists of a surcharge on the existing business rate.

Two pilot programs preceded the legislation, providing services based on fairly large grants-in-aid, although the key issue of the acceptability of a compulsory levy remained to be tested. Based on the BID election results, however, it appears that an inclusive fee is as popular in these first BID locations as it has been in the US states where a petition by property owners is often required for local approval.

In London a half dozen were waiting at the starting line when the BID law first took effect with active

and diverse programs planned by local businesses. Although a few proposals were defeated in the voting, the winning plans produced approval levels of 75-80 percent in the balloting. The switch from free to fee, at least in the early examples, has been smooth.

Approvals, Mostly

BID approval in England requires affirmative votes by more than half of the qualified business voters and more than half of the value of the business (somewhat akin to US state laws that require petitions by half of the properties by value) (see Exhibit 1). Only one of the first group of English BIDs lost on the negative votes of the highest rateable value (Runnymede). Voter participation rates varied widely from Altham, the highest, to Maidstone, the lowest. Both voted no.

Of interest is the proposed BID in Altham, an industrial area. Although it was voted down, it evidences interest by this business sector that was not expected a year ago when those knowledgeable about English industrial areas were questioned on BID prospects there. A predominately industrial BID is also being planned in the Blexley, London area. Following are some examples of the English BIDs.

1. Kingston

In late 2004, The Kingston on Thames BID was approved by 66 percent of those voting, representing about two thirds of the “total ratable value.” In a January 2005 publication, Stuart MacDonald observes that the favorable Kingston vote “was pushed through by the votes of mainly small and medium-sized businesses and offices” with “many of the major retail chains resisting the establishment of a new tax.” He notes that the 1 percent levy more than doubles the current voluntary town centre management expenditures and will generate £4 million (about \$7.5 million) over the five-year life of the BID. (*Stuart MacDonald, CLES Bulletin, 2005, Manchester, England*)

As the first to have a successful BID referendum, Kingston received a congratulatory message from Local Government Minister Nick Raynsford. The BID, he asserted, will boost the local economy by providing a “cleaner, safe, more pleasant environment to shop, work and socialize,” an example for “businesses around England which could soon benefit from similar schemes.”

The BBC quoted the owner of a Kingston fabric shop, “Everyone is reluctant to pay, but unless you pay, nothing is going to get done ... We are open until 8:00 pm on Thursdays, but not too many old ladies are going to walk down this street at 8:00 pm.” Kingston’s plan includes hiring “town centre Ambassadors” to fight fear and deter crime.

2. Heart of London BID

The Heart of London BID plan reflects research performed during the tryout period. This district includes the West End theatre district where 44 percent of the businesses operate at night and contribute 48 percent of the BID revenues. The West End has 22.5 percent of all dining jobs in London, 7,900 bar jobs and 13,300 entertainment jobs. Nevertheless, offices are the number one business type.

Pre-approval research turned up the pedestrians’ number one complaint – chewing gum. The BID is trying to convince the Wrigley company (manufacturer of 90 percent of British chewing gum) to add a penny a pack to be devoted to cleaning. This BID, which resembles America’s Times Square in its commerce and crowds, was designed to help overcome identified weaknesses including:

- Poor ground-floor experience,
- Failure to meet high expectations of visitors,
- Incoherent or uninspiring architecture,
- Strong brand names matched with mediocre product,
- Failure to harness power of events, film premiers,

- Lack of public facilities (public toilets),
- Through traffic,
- Low per person spending, and
- Unmanaged environment.

The area’s strengths upon which the BID will build include some impressive ones:

- Recognized international location, destination,
- Central London location, and
- Good transportation connections.

The Heart of London BID plan reflects research performed during the tryout period. This district includes the West End theatre district where 44 percent of the businesses operate at night and contribute 48 percent of the BID revenues. The West End has 22.5 percent of all dining jobs in London, 7,900 bar jobs and 13,300 entertainment jobs. Nevertheless, offices are the number one business type.

All staff members and equipment carry the Heart of London brand. BID revenues for the first full year will be £930,000. Of this, £568,000 will come from the special BID tax rate and the balance from core funders and voluntary contributions. The BID did not tax businesses reporting less than £50,000 revenues which, while it limited the BID’s potential somewhat, it also eliminated a large share of those who would be eligible to vote. Occasionally a US BID will provide services to properties not assessed, most often owner-occupied residential properties.

3. Better Bankside

The BID south of the Thames is the home of the Tate Modern Museum, the Financial Times, Millennium Bridge and the Globe Theatre and is also the site of a vast concentration of overhead railroad tracks where suburban commuter lines converge. The BID planners pledged to “make the area railway arches and bridges cleaner and more friendly.” A re-lighting program has begun. Another

pledge is to “increase planting around business premises and in the streets and open spaces,” to improve the area’s appeal to the growing number of tourists, plus employees and residents.

4. Holborn

The Holborn BID prepared carefully for the required vote. In an attractive promotion piece, a hotelier says of the organization that it “gives the Renaissance Chancery Court Hotel something that no other organization or body in Holborn can provide; the power to directly and positively influence the area for the benefit of our guests, our staff and our neighbors...” The Holborn BID is using England’s new “anti-social behavior orders” to deal with chronic offenders, including public drunkenness and vandalism.

5. Paddington BID

The diverse business district that includes the giant Paddington rail terminal includes merchants from many parts of the world. Ash Amin, proprietor of Photo Sprint, said “Praed Street was really run down. The Partnership (during the pilot phase) has already made a big difference and I believe the BID will build on this. That’s why I support the BID.” Paddington’s promotional materials made clear the planned governance structure (Exhibit 2). Almost half of the number of businesses are retailers, although they represent only 10 percent of the revenues. Still, the board predominantly reflects the value of the businesses; offices constitute more than 40 percent of the values and hold five of the 13 total seats on the board.

6. Liverpool

The BID proposal failed narrowly in Liverpool, a major city with serious downtown revitalization aims. Carl Speight, the projected BID’s General Manager, said, “... (D)elivery of these activities would increase both customer satisfaction levels and experience, leading to new customers, repeat visits and improved business performance. Our business

plan had really good feedback from the majority of businesses that we were able to speak to... Our key partners continue to believe that the BID represents the right way to enhance business performance and we will be seeking a repeat ballot during May.”

Some of the national retailers in England have complained about the BID charges and have apparently voted against some BIDs, wanting a broader base of financial support. While there was no national business opposition to BIDs, in some cities the organized property managers had been opposed. Favorable promotion by developers through the Urban Land Institute probably contributed to the relatively smooth sailing. In general, big US firms have been more supportive than small ones.

Some US-UK Differences

English BIDs anticipate continuing to receive fairly large revenues from government and private sector contributions after the involuntary tax is applied. In contrast, only 1 percent of the Philadelphia BID’s revenues come from voluntary contributions and no city funds are available for operations. Some very small US BIDs, however, do receive local government funds and a few US BIDs have been able to retain “membership” (i.e., voluntary) payments from downtown organizations, but this is rare.

While a matter of degree, there is greater emphasis in the English legislation on a tight partnership between the BID and the local authority. Most US state BID laws authorize non-profit corporations (NGOs) and for the most part these operate without much aid or interference by local government. Some states, however, define BIDs as governmental entities, with correspondingly more control over the membership in the board of directors and even staffing.

Following are some other differences between the US and English BIDs:

- A major difference is the tendency outside of the US to tax businesses rather than assessing properties.
- By launching some services in advance of the voting, London BIDs demonstrated BID potential.
- The London BIDs invested more in their campaigns to sell the business plan to fellow ratepayers than has been the case in all but a few US BIDs. The available informational materials were thorough, well-designed, and the cases well-argued. The quality of public relations suggested that the sponsors left little to chance. The resulting high approval ratings rewarded this investment.

Prospective BIDs in England invested heavily in sophisticated public relations materials to sell the BID plan to those who would be the beneficiaries and share the program costs.

The London districts had funding prior to approval that enabled them to prepare public relations strategies and to adopt logos that would give the BID services clear identities.

Two potentially important questions remain to be worked out in the UK. Where there have been active programs organizationally associated with and financially dependant on local authorities, will these ties and government financing continue as the BIDs acquire their own funds? Further, will corporate voluntary contributions continue when the BIDs have universal taxation?

While US BIDs occasionally have minimum payments (to assure, for example, that parking lots and others without improvements pay their share reflecting the added value brought on by BIDs), a waiver such as Heart of London's for small enter-

prises is rare or nonexistent among US BIDs. US charges are low; it is not unusual for commercial properties to be assessed as little as \$.50 per day to be certain that all pay their share. While BID property assessment formulas vary considerably in the US, the equivalent of 15 percent of property taxes or \$0.10-\$0.15 per square foot are common charges.

Having a "baseline" service agreement with the local authority is a requirement in the UK legislation, meaning that all BIDs must produce this in the planning stage. In the US, not all state laws require such an agreement and the need for this has diminished considerably in the past decade. In the early days, US BID laws and many BID planners assumed that BID services would echo those of local government and planners were fearful that BID-financed services would be used as an excuse to reduce government services. In fact, US BIDs and local governments rarely perform the same services.

Marketing, for example, is a rare government responsibility. Cleaning sidewalks as a government service is almost unknown in America (it is by law the property owner's responsibility). The typical unarmed "Ambassador" is unknown as a municipal police service. Further, the early examples of such agreements were typically so complex and hedged with exceptions that they proved worthless.

One major difference concerns the legislative origins. The US, Canada, and Germany have federal government structures, meaning that authorizations for BIDs are adopted by laws passed by sub-national governments, e.g., in Britain and Ireland, national legislation uniformly defines BID law.

Left to local discretion in England is the term of BID authorization. Within a five-year limit, local authorities may set periods prior to a fresh re-authorization of as little as, in one case, two years and three months. US laws do not always require a statutory authorization period (e.g., New Jersey).

Some American localities set the fifth year for reauthorization even when not required by state statute. One seldom used state BID law requires a fresh vote every year. The assurance that the BID authorization will be reconsidered after a specified term is often a selling point to skeptics who fear they are entering into a perpetual entailment. Few American BIDs have experienced difficulties with reauthorization requirements and many benefit from replanning their programs and reviewing their BID charges. Philadelphia's Center City District has been reauthorized four times (because of changes in territory and financing) and in each case objections were substantially fewer than in the prior vote. Washington, DC expanded services and increased the assessment rate.

Similarities

The English BID legislation – the shift from free to fee – underscores a lesson learned in the United States. Voluntary funding has severe limitations. First, such programs are lucky if even half the benefitting properties or businesses contribute to the programs. This results in less management capacity, lower wage staff and less money for services and improvements. Second, managers of voluntary programs have been known to spend a third of their time fundraising, time better spent on producing benefits. Third, the finances are based on a fundamentally inequitable basis. After a few years, contributors are increasingly resentful of the non-payers and contributions shrink.

A second similarity is in the pattern of services. English BIDs are doing pretty much what BIDs do in Canada, the US, and other countries – lessening fear of crime, helping visitors, keeping the place tidy, and competing with out-of-town commercial centers in the world of public relations and marketing.

In the course of planning BIDs, the most aggressive opposition generally comes from those who believe strongly that the local government, not the private sector, should assume full responsibility for whatever needs exist. Others say they fear that the BID funds will be used to offset service reductions by local government. BID planners are challenged to make the case that BID services are entirely supplemental, that they are warranted in order to produce essential economic results that are available faster, to a greater degree and/or are different from those supported by general taxation and provided by local authorities.

The planners are at pains to make clear that commercial and industrial conditions and needs are markedly different from residential. The need for security, for example, is greater in places with concentrations of factories or stores. The need for cleaning is far greater in places where 5,000 pedestrians per hour jam the pavements. Dublin, Ireland, with its breathtaking shopping crowds, is such a place.

What motivates business people to support business benefitting services and a compulsory charge? While there is no solid research on this subject, some observers in England and the US agree that there are probably nine motivating reasons (Exhibit 3).

Sponsors of the larger US BIDs (\$1 million and up) appear to put more value on the desire for a specific benefit (8) and the expectation that the BID will be free of municipal interference (3). The sponsors of small US BIDs often reason that “Nothing else has worked.” (6) and “Multi-year tryout then reauthorization” (4). While less often expressed, the “Low cost” (9) reason probably convinces many to take a chance and support (or not oppose) BID plans even when unconvinced of the proposed BID's economic benefits.

One clear lesson from the early English BID experience is that the scale of commercial area services and improvements will be greater than before, many reaching that of the largest district budgets in the US and Canada. The importance, therefore, of experience sharing with information flowing among the continents deserves cooperation by the Association for Town Centre Management, the International Downtown Association, the International Economic Development Council and the Urban Land Institute (ULI) in joint educational activities. Rather than relying on the time and money costs of international travel, with consequent loss of benefits among the smaller BIDs, these potential partners should explore the televised educational BID meetings sponsored by the University of Wisconsin's Extension Program.

The dynamics of the English approval process through special balloting is somewhat similar to the "remonstrance" or "objective" system used by Pennsylvania and New York states. In these jurisdictions, owners may register their objections with the municipality. After the governing body approves it, the BID plan is sent to all affected owners. If half object or the owners of half of the assessed valuation object, the BID plan is defeated. As in England, there is somewhat more burden on the part of the objectors to rally opposition; usually the supporters are better organized. In these two states, supporters do not vote. The majority of the property owners are typically indifferent and do not go to the trouble of registering their objections. A lot of this supportive indifference is probably traceable to the low cost.

Research

There has been remarkably little useful research on US BIDs. One exception is the study of crime patterns in and around the City Avenue District in Philadelphia and the adjacent suburban town. The data indicate that crime diminished after the BID's uniformed Ambassador program was launched with police cooperation. Fears of displacement of crime from the BID-served area to adjacent neigh-

borhoods proved unfounded; there was a comparable decline in reported crimes outside the District, as well.

Information and comparative data about BID services and managers has been collected by Jerry Mitchell for US BIDs. (*Jerry Mitchell, Business Improvement District and Innovative Service Delivery, November 1999, CUNY*) Large BIDs tend to collect data on pedestrians, real estate, businesses, employment, crime patterns, etc. Among small BIDs (that is, most BIDs), such research is rare.

With respect to the often asked question as to proof that BIDs improve business sales, property values and revenues, the author (Urban Land, "Are BIDs Working?") suggested that the variables of changing economic trends, the gain or loss of major concentrations of office workers, and other exogenous factors make the identification of the BIDs' role difficult to isolate reliably.

That doesn't mean that some BIDs have not published data of improved local conditions, suggesting that it was the BID (and presumably the BID alone) that caused the favorable changes. Coincidence, of course, is not causation. In England, the research undertaken by several new BIDs, guided by London's Circle Initiative prior to the approval vote, suggests that this important element will continue to guide planning and future program changes.

Scotland, Wales

Governmental devolution has recently empowered these ancient lands with legislatures and significant executive branches. While not so advanced as London's BIDs, Wales is preparing regulations and has allocated £10,000 to Swansea to advance BID development there. Scottish Enterprise is exploring a "pathfinder" project, perhaps on George Street, Edinburgh. The Scots are considering an option that had proven contentious in England – including property owners as well as businesses in the compulsory revenues.

The approval process in Scotland's pending BID legislation requires that 40 percent of the eligible voters actually do vote; a majority of this electorate must approve the proposed BID. The 40 percent participation requirement was also a threshold requirement for adoption of the new Scottish legislative body.

German BID Progress

Mario Bloem, a Hamburg based consultant, launched the campaign for BIDs in Germany at a 1998 conference in Dusseldorf at which American speakers included representatives of the Urban Land Institute (ULI) and The Atlantic Group. Inspired by the track record of BIDs in North America, the government of Northrhine-Westphalia (the largest state in Germany) hired Bloem to do a research study on BIDs, including an analysis of legal and constitutional considerations if BIDs were implemented in Germany. The study, published in 2001, triggered a broad discussion in Germany leading to a series of conferences on BIDs in 2002 and 2003 in various German states. In 2003, the governor of the state and city of Hamburg, Ole von Beust, declared that Hamburg would become the first in Germany to work on BID legislation. This produced support by the chamber of trade and commerce; the legislation was passed by the parliament in December 2004.

Hamburg was the first German state because several factors came together. The author of the first study on BIDs, Mario Bloem, has his office in this city; the chamber of commerce there became a strong BID advocate; and the governor who took the risk of pushing the new legislation (a comparison of BID laws is in Exhibit 5).

Bloem reports that two BIDs are being organized in Hamburg and he believes this leadership will encourage adoption in Bremen, Wiesbaden, Giessen, Marburg, Saarbrücken, and Hanover. He sees the most likely features at the beginning to be supplementary cleaning, marketing and lighting. In his view, the most popular features to sponsoring

business leaders are expectations of minimum interference by local governments, business leadership and control of the budget, and the fact that everyone will share the costs, not just a few. Of the two BIDs in the making in Hamburg, Bloem sees their elements as shown in Exhibit 4 (the proposed BIDs lack names at this point).

A 2005 conference in Munich of real estate experts and developers produced some skeptics on the future of BIDs in Germany, although urban developer Alexander Otto, head of ULI in Germany, spoke favorably about the concept.

Dublin is growing fast and the crowds in the shopping streets are impressive, a potential challenge for BID services in several popular retail centers. The Dublin Central Business Association (DCBA), the initiators of the BID movement in Ireland, is impatiently awaiting authorization to proceed. A national election delayed anticipated action last year. The planning process has lasted five years in all, three years building business consensus and two more years directed at achieving a BID law. DCBA head Tom Coffey predicts that 4,000-5,000 voters will be involved in the approval process.

"I welcome the Business Improvement District model. In my opinion, the BID offers a good opportunity for the general upgrading of inner-city districts. In view of tight public budgets, it is important that the private sector takes responsibility for a cultivated and well-kept environment in the shopping streets. After all, one must consider the growing competition of large-scale hypermarkets in the open countryside. To achieve sustained customer retention, the retail traders in the inner-city must offer their customers a pleasant shopping experience – which includes attractively-designed streets and plaza and also an encompassing range of services. Therefore, I am quite pleased that Hamburg will take on the leading role of introducing the BID model in Germany and I hope that this concept will take hold here, as well."

Ireland

Dublin is growing fast and the crowds in the shopping streets are impressive, a potential challenge for BID services in several popular retail centers. The Dublin Central Business Association (DCBA), the initiators of the BID movement in Ireland, is impatiently awaiting authorization to proceed. A national election delayed anticipated action last year. The planning process has lasted five years in all, three years building business consensus and two more years directed at achieving a BID law. DCBA head Tom Coffey predicts that 4,000-5,000 voters will be involved in the approval process.

Initially “clean and green” programs will be operated with local business groups in Dublin overseeing the work in key service areas and the DCBA serving as the overall citywide coordinator, facilitator, and administrative agent. A private entity, the BID board of directors will be representative of the diverse commercial interests. In anticipation, DCBA has formed the Dublin Center City BID Co Ltd. and BIDs Development Co. Ltd. DCBA also is fighting the origin of chewing gum, an expensive commodity to remove from pavements.

Irish BID legislation is now expected in 2005. Other likely Irish BID candidates include: Waterford, Carlow, Killkenny, Cork, and some suburban Dublin communities.

Conclusion

The circumstances in Britain that have produced the first BIDs lead one to anticipate a steady growth in numbers of places with BIDs, with many as well-financed as the largest in the US and a potential wellspring of innovation and refinements.

Countries that have greater dependence on government may move toward BIDs later than those with less such dependence. Because BIDs contribute to wealth creation, however, we may reliably anticipate that BIDs will flourish in these settings, too. European BIDs will doubtless have somewhat more government participation in BID decision making and BID financing than is typical in North America and, in ways unforeseen, may create new hybrids in terms of benefits and governance. Yet, the fundamentals will be there. If they quack like BIDs, they probably are BIDs

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COUNTING COUNTS

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It is remarkable how many Downtown districts financed by assessments to provide business improvement services proceed from year to year with little understanding of the changing local economic environment or their effect on it. While many assessment-financed organizations are born in a storm of anti-tax controversy, it is rare that the annual budget process is influenced by constructive debate or shaped by quantifiable evidence. In cities that routinely spend one percent of construction costs for public art, few spend even two or three percent of improvement revenues for information.

Expensive market surveys, often misused and frequently unusable, account for much of what passes for Downtown research. Small, inexpensive measurements, however, are frequently overlooked. When this is the case, district priorities tend to reflect an uninformed view on the current situation and the lowest common denominator of Board opinion. The bills are paid, but the patient never gets well.

Fortunately, there are also many positive examples. From the depth of economic doldrums in the 1970s came the strategically significant objective to rebuild Buffalo, NY's image in the region and its self-image in the city. When Buffalo Place Executive Director, Richard T. Reinhard, said in 1989 that "are residents like, enjoy and use" the Downtown area for which he is responsible, the conclusion was backed by a professionally administered area telephone survey. Reinhard noted that the survey also "identified areas where we need to concentrate our efforts", including the retail sector. The resulting program changes included this year's

carefully orchestrated and researched business attraction program.

Reinhard's staff annually publishes pedestrian counts as an indication of how well Buffalo Place is doing at drawing office workers outdoors (the counts are up). In addition to measuring relative successes, these data support the business attraction program by supplying essential information to prospective retailers. Reinhard also surveyed all property owners and tenants regarding their opinions on Downtown generally and Buffalo Place's work in particular (promotions are good; retailing weak).

A survey of community organizations yielded views on priorities for the annual budget. A year after its organization, Philadelphia's Center City District (CCD) is asking the businesses who pay the bills to rate sidewalk cleaning and safety programs. Why don't all district organizations ask their constituents to rate their work? Indifference and fear of criticism are two apparent reasons. New Brunswick, New Jersey's district surveyed office workers last year and found that few knew of the costly extra security personnel that was supposed to encourage more shopping, or of the parking validation program. They did know, and like, the well crafted tabloid newspaper (an IDA award winner) that brought information and commercial advertising to 60,000 homes and Downtown workplaces. Because the two most expensive assessment-financed programs were not influencing shopping patterns, the district's public relations program was redirected.

As a first step toward a retail improvement program, Philadelphia's CCD and the Planning Commission count street level vacancies (they are up). Last year, CCD also interviewed patrons of the city's army of sidewalk vendors and the vendors themselves. Pedestrian counts were used to illustrate the comparative economic potential of existing and proposed vending sites. The results helped shape a vending reform program that will open certain public plazas for selling, while limiting vendors elsewhere.

Even small districts need to monitor real estate and other economic trends and to test public reactions to existing and proposed services. Without relevant, timely, understandable data, districts risk losing critical support among consumers, business leaders and politicians. Without the compass that research provides, Downtown organizations don't know where they are or where they need to go.

Even such fairly abstract concepts as Downtown's "image" and degrees of program implementation can be quantified to guide planning and replanning. There are between fifteen and twenty factors, depending on local conditions, that influence the overall image of Downtowns, thereby influencing shopping, leasing, visitor days and investment patterns. Given number values that reveal a pattern of problems requiring the highest priorities for remediation, scarce resources can be conserved for the highest priority needs. Pre-budget analysis can indicate simply and numerically how much effect each of last year's investments produced. This process can render more realistic next year's schedules and expectations and better informs Board members and public officials.

Sometimes cities don't use survey results that already exist. Despite the popularity of Trenton, New Jersey's pedestrian mall, established in a Downtown poll, the City and State recently removed the twenty-five year old facility. The latest trend in urban planning- "restreeting" – proved more persuasive than the opinions of the mall's business and consumer users.

Data collection should support specific policy goals. Districts seeking to fill vacant offices or stores or to improve retail mix need to monitor rent levels and concessions. Despite widespread agreement on the need to increase the number of persons living Downtown, few districts know much about those who already live there, including why they chose this neighborhood. Levels of population and households can be estimated annually, while the decennial Census provides a mine of information on the share who walk to work or use transit, their occupations, incomes and housing tenure. These proportions change little from decade to decade. Sound, relevant information can puncture myths and conserve scarce resources. Organized, not necessarily expensive, research is a key ingredient in successful Downtown management.

FOR BETTER DISTRICTS, BETTER LAWS: SIX TESTS FOR STATE ENABLING LEGISLATION

By Lawrence O. Houstoun, Jr., Principal, The Atlantic Group, an urban development consulting firm in Cranbury, NJ, and the current President of Downtown New Jersey

Self help takes many forms, but one, special district financing, has become a kind of last resource for Downtowns with no one to turn to but themselves. Behind every district that produces a form of tax revenue for downtown improvements is a decision by local government. Consequently, a special improvement district represents a partnership between the business and property interests and the municipal or county government. The nature and extent of that partnership vary greatly and there are important lessons to share among districts and among states regarding successes and failures.

Behind every municipal authorization, moreover, there are one or more state statutes governing the creation or operation of tax districts in downtowns. This article is intended to raise several questions related to these laws:

1. Is there a particularly good state law or elements of several which can be shared with bill drafters in order to produce better statutes, new or amended?
2. Are there generalized values, objectives or tests that can be applied to help sort out good and bad provisions of existing or pending laws?
3. Is it useful and possible to create a kind of clearing house on this subject, just as there has been in the field of land planning and regulation?

From Infrastructure to Services

State laws authorizing special improvement districts for downtowns are rooted in much earlier laws directed at financing public facilities, such as water

and sewer systems, which required assured payment, generally to retire bonds, based on an assessment or other guaranteed revenue stream.

In recent years, this legislation for infrastructure improvements has been extended to pedestrian and transit malls and has been drafted to assure that their maintenance as well as their construction is provided by some designated institution. In some cases, the municipal governing body assumes this role, in others a City Commission may be established. Because of the importance of public debt for capital projects as an issue of governmental decision, responsibility was typically placed very close to the local government itself.

In the past decade, districts increasingly took on a variety of economic development roles because of local desires to assure that a facility, such as a pedestrian or transit mall, produced or was supported by an economically viable commercial area. Maintenance of the transit guideway, such as replacing granite blocks when necessary, is a short conceptual step from providing cleaning and snow removal services to assure that a transit mall or pedestrian way functions effectively. Laws such as Colorado's went a step further and authorized "marketing of district activity" and "management of public events." Denver's successful transit mall has capitalized on these legal opportunities, producing a kind of moveable feast where transit, retail and dining coexist in a memorable city setting. Much of the same thinking guided the legislation that governs Brooklyn's decade-old Fulton Mall.

In the later stages of this legislative progression, bonding authority was not included and state statutes reflected the current emphasis on shopping center-type services rather than the earlier preoccupation with physical changes in the public spaces. New Jersey's

statute, a transition law originally designed to enable towns to close streets and convert them into pedestrian malls, was amended to accomplish three new objectives supported by district taxation:

1. To make clear that downtown management services, such as business attraction or supplementary security, could be accomplished in circumstances where no pedestrian mall was intended;
2. To provide the option of operating the district through a business-led non-profit corporation, rather than a public body; and
3. To ease the process of local adoption.

The latter objective was based on the difficulties experienced in nearby states where state laws required the application of burdensome procedures and tests that far outweighed the significance of creating a district intended only to finance and manage downtown services. Many of these procedures resulted from legislatures making too few changes in existing laws that authorized issuance of bonds or condemnation of property.

Six tests and Local Options

From that experience, six tests emerged that may guide analysis of existing or proposed state legislation that does not contemplate public debt or eminent domain:

1. Local adoption procedures should be simple and without impediments beyond those required for other tax matters. As a general rule, a "finding" of need by the municipal Council should be adequate, given normal public notices, some preordinance planning and the assurance that there is an institutions available to manage the district or that one can be created by the city without undue
2. The law should assure or permit the preponderance of persons serving on the policy making body of the district to be business people from the district. This is not to say that resident-consumers and local officials should not also have a role. Police, parking, city administrator and other public sector participants may also be essential. New Jersey permits localities to designate a non-profit corporation to manage the district and requires that one member of the board be an elected member of the governing body. This coordinating device has often proven valuable. Nevertheless, much of the utility of improvement districts is related to the ability to apply business judgments to business districts. State legislation should encourage this kind of leadership, which harder to assemble, which is hard to assemble in a typical government commission.
3. State law should authorize a broad array of choices in applying tax policy. Municipalities should be free to adopt any equitable formula and the simpler the better. New Jersey law authorizes surcharges on the property tax or licenses. The first is without restriction and the latter includes some potential for progressive "taxation."

complications. Specifically, state law should not require a special election within the district; it is sufficient that any municipality might choose to hold one on its own imitative. Similarly, public notice requirements should be comparable to others affecting revenue-raising.

State laws that require an affirmative vote by the majority of the districts' property owners or business operators reflect a prejudice against district taxation and impose a substantial financial and time burden on the business leadership to market the concept. Municipal governing bodies regularly face issues f far greater complexity and controversy without imposing a plebiscite.

Some statutes, in contrast, authorize only a single method of taxation, as for example, a rate charged against the square footage of commercial space. Among the difficulties with this formula is the plea among small owners that large fractions of difficult to measure commercial space unused or have long been without a tenant. Establishing a formula that is fair and widely acceptable can be contentious issue that is not improved by limiting options under law. Connecticut permits different tax rates for different classifications of properties, such as commercial or residential.

4. The district governing body should be free to adopt any locally accepted procedure for appointing board members and electing officers. State law should not require district-wide elections, a procedure that has been known to take 10% of district revenues and a comparable amount of time from its staff and Board.
5. State laws should authorize a wide array of powers. Connecticut simply permits districts to perform any service the municipality may provide. There are three principal types of powers that can be offered as options for municipal adoption beyond infrastructure improvements. These are:
 - a. Downtown management services. Under this heading are all of the services that are traditionally associated with improving and maintaining the area as a place to shop, dine or operate businesses. Sixteen such powers are authorized under New Jersey law, ranging from security and parking to rehabilitation and street furniture.
 - b. Transportation services. Beyond subsidies for parking (e.g. validation and reduced rates) or the maintenance of a transit mall, this category deals with services such as the purchase and/or operation of shuttle buses or such minor capital costs as construction of transit shelters.

- c. Regulation. A wide variety of regulatory options can be delegated by the municipality to the district. Two that are authorized in New Jersey law include street vending and the design of facades and signs.

6. Legislation should permit municipalities to identify the properties to be taxed by lot and block number and to exclude classes of properties such as residential. Pennsylvania does not allow this procedure, forcing the district to serve a constituency they would not have chosen to include. Conversely, municipalities should be free to include residential properties if they choose.

As a general matter, state law should avoid the common trap of trying to settle every policy detail in the state capital. There is no need for a state agency to oversee districts, nor is there need for legislators to preclude decisions best left to municipal ordinance drafters. This is a good example of where a state should authorize a local benefit and then stand out of the way.

Reflecting this philosophy, the New Jersey law includes this finding “...that municipalities should be given the broadest possible discretion in establishing by local ordinance the self help programs most consistent with their local needs, goals and objectives.”

Certainly, far more comprehensive research and professional judgment is required before identifying a national model or models. In the meantime, these six tests deserve consideration in weighing new or revised district taxation legislation where the primary purpose is services and where issuance of public debt and authority to condemn are not contemplated. Lacking national standards or models, state downtown associations should consider their own situation and, where warranted, advocate workable State legal frameworks for decision making.

BIDS: AN INTERNATIONAL VIEW

Lawrence O. Houstoun, Jr.

More than 30 years have passed since the first Business Improvement District (BID) was formed in Toronto, Ontario. There are now believed to be more than 1000, including dozens newly formed in England. BIDs are revitalization tools widely adopted in the United States, New Zealand, South Africa, Austria and Germany. While some BIDs are formed in older industrial areas -- principally to improve property security -- in the main they are adopted in commercial centers to make retail and service companies more profitable and to improve commercial property values. BIDs are tools of self sufficiency and cooperative enterprises. They assume varying degrees of private sector responsibility for the economic success of the commercial centers upon which they are dependent.

BIDs have these characteristics. First, they are organizations, usually non profit corporations (NGOs). They are planned and run by boards of directors comprised of private sector people plus some public sector participation. These organizations are formed to improve the economic functioning of designated areas. They are created by private sector people with an attitude of constructive dissatisfaction, people convinced that with cooperative effort the district can become a better place to do business.

BIDs are financed by agreed upon charges, either business taxes or property assessments (US), that are:

- Multi-year
- Inclusive of beneficiaries
- Compulsory

BIDs serve areas having common assets, opportunities and needs. They are authorized by local law. No BID is identical to any others, but all share these characteristics.

With private sector people in the lead, fees are affordable and supported by those who will pay them. Some degree of public-private partnership is common.

The multi-year provision eliminates the annual begging obligation common among voluntary organizations in the US where many local Main Street managers, for example, spend half their time soliciting funds to pay their salaries and meet other expenses. BIDs, in contrast, can make multi-year commitments to service contractors and to BID staff. BIDs have less overhead; a higher proportion of revenues goes to services and improvements. BIDs tend to have more experienced, capable managers.

BID charges are very low and are perceived as fair and affordable. They avoid the “free loader” controversies common to organizations without a compulsory charge.

US BIDs have revenues ranging from \$50,000 annually to \$20 million. Pavements in large BIDs in large urban centers typically are as clean as those in single-owner, enclosed shopping centers. Large BIDs frequently employ well trained, uniformed personnel on foot or bikes who can by radio summon an ambulance or police help, provide directions to visitors or meet other needs of pedestrians or drivers. They provide a useful public presence without being armed.

The third major investment by large BID is marketing that serves the entire area as a place to work, visit, shop or dine; Individual enterprises continue to promote their own businesses; BIDs sell the area to investors, shoppers and prospective residents.

Why do business people support BIDs? Typically they appeal because:

1. Charges are low
2. They offer a promising program to improve business, enhance property values
3. Business people manage and control the budget
4. Everyone shares costs, not just a few
5. Nothing else has worked
6. Voluntary contributions (or government support) dropped off after three or four years
7. Planners want a specific benefit – e.g., security, cleaning, new lights, etc.
8. A BID creates a strong “voice for business” that may not have existed before

How do local people decide what should be the BID role and what is local government’s?

1. BID services should supplement, not replace, local government services
2. BID services may be provided:
 - a. Where local government will not, cannot or should not provide them;
 - b. Where the BID requires more services, requires services in a different fashion, or requires services sooner than local government can provide them

BIDs and local governments should clarify their respective service responsibilities in a formal “baseline” agreement, part of or supplemental to the BID Business Plan.

Beyond safe, clean and marketing, what are some other examples of useful common opportunities that BIDs can undertake?

- A large BID was formed for the purpose of renovating and managing an urban park known as a drug market. This now clean and safe place has become the site of New York’s Fashion Week, attracting thousands of visitors.
- Another large BID identified the need for, organized the planning and provided some financial assistance for a Downtown bus system that moves shoppers, tourists and employees among destinations not well served by the overall transit system.
- Where employers operate late at night, some BIDs provide an escort system, connecting workers with transit or parking. Some run valet parking services for restaurants and theatres after dark.
- The Downtown Washington DC BID was a pioneer in helping social services agencies treat the problems of the homeless population.
- A Florida BID attracted several restaurants, residential tenants and a gym to a nearly abandoned area by simply positioning musicians on the street corner several nights a week for more than a year. Crowds gathered and additional tenants followed the crowds.
- Salzburg, Austria, has a successful BID entirely devoted to advancing tourism in the popular older section of the city.
- In London, England, one BID is using public art and additional lighting to brighten a principal street always in shadows because it passes under a large railroad viaduct. The same BID purchased and distributed hundreds of chairs to restaurants to encourage more side walk dining.

North American BIDs have not yet produced as much innovation as the flexible laws permit and urban challenges impel. Yet, there have been some encouraging examples. Here are some illustrations:

- A neighborhood BID raised funds beyond its assessment revenues by sponsoring popular special events, including an annual art exhibit that attracts tens of thousands. Private vendors pay fees to the BID for permission to sell their wares. This BID made a deal with the City, enabling the BID to repair and maintain two parking lots and to retain the parking fees. Audits revealed that the lots have been more profitable under BID management than they were under City control.
 - A suburban BID found that only 20 plus businesses were open on Sundays. The BID manager launched a campaign to induce more operators to stay open. The BID invested heavily in advertising to make sure potential customers understood the changed policy; paid musicians to play outdoors throughout Downtown during Sunday store hours; organized promotions with discounted prices. With 82 now open on this shopping day, Some of the early skeptics admitted that Sunday had become their second most profitable day.
 - A small town BID faced the potential loss of its cinema. The operators said that the cost of renovations were beyond the owner's capacity. The theatre, offering popular second run films, was an important anchor, operating almost every day of the year, day and night. The innovative BID had funds for commercial facade improvements. It successfully convinced the owners to match the BID funds and to keep the theatre operating.
 - In one small city, the BID created a popular annual holiday, celebrating a rare victory by colonial General George Washington. Celebrations and portrayals go on for days. The same BID, offered empty retail space by the owner, invited a half dozen gift, florist and antique shops to set up temporary stores in the pre-Christmas weeks. The trial was so successful that three of the shops remained as year round tenants.
 - Plagued by multiple daylight burglaries, a suburban BID developed a computerized message system to alert other merchants as well as police when robberies or threats occur.
 - Some BIDs have created elaborate systems of sponsorships by which local firms pay for and have their names attached to colorful banners designed to identify the BID service area. Some offer advertising space on their newsletters and create events sponsored by local businesses.
 - Successful small BIDs invest some time and a little money in research—asking business and property owners what they want from their BID and annually asking consumers what they want from their commercial center. In one town, surveyed consumers said the biggest problem requiring change was Downtown's in convenient hours of operation. In contrast, retailers said they thought the biggest problem was insufficient parking.
- Until recently, it seemed that only countries where English is widely spoken had BID laws. There is strong interest among communities in Catalonia, Spain where a BID conference was held earlier this year. Several recent BIDs have been formed in Hamburg, Germany, suggesting that a Continental BID movement is forming. Dublin, Ireland is crafting a district to make this downtown even more popular. American BIDs and consultants have been and remain willing to be helpful.

A New Zealand BID is called a “separate rate” (SR) after its revenue source, a surcharge on the general business tax that enables business associations to provide services. Business tax funding, like property assessment funding, provides BIDs with sustainable, assured resources. The largest city, Auckland (1.8 million population), has 15 SRs. (Philadelphia, with a similar population, has eight BIDs.) About 30 town center organizations throughout New Zealand use SR funding. Most, however, are “BID-like organizations” in that they are funded by city grants, not a special tax.

Six preapproval BIDs are operating in a Scottish pilot program and there is active interest in Wales, Norway, and Portugal, according to a recent summary by the London based Association of Town Centre Management (ATCM).

English BIDs, even small ones and industrial ones, are starting with impressive organizations and have operated during the planning and approval period with a high degree of professionalism. Pre approval support from local Councils in England helps explain this. In America, most local legislative bodies take a hands off position. In part the difference between the experience on either side of the Atlantic is traceable to the extensive support of BIDs by the Blair government and by several NGOs, including the Association of Town Centre Management and the British Urban Regeneration Association. In contrast, there has been no support for BIDs from the Bush Administration and almost none from the States beyond passing the authorizing laws that make BIDs possible

English BID proponents have created persuasive informational materials used and plans for selling the BID concept, remarkable in a country where until recently there were few or no examples at hand. The small BID in industrial West Bromwich, for example, systematically assured that every owner who would ultimately pay the BID charges was subject to a peer-on-peer contacts; an overwhelming vote of support resulted

While attracting strong new businesses is a common BID goal, typically more is said than actually accomplished on this subject. The Downtown BID in Albany, NY, however, has adopted clear goals, assembled supporting tools and produced a clear, attractive and convincing set of marketing materials.

Use of closed circuit television(CCTV) as a crime deterrent is still unusual in the US. An industrial area BID, however, has installed this tool. Cheaper than patrols, the system is being watched by other BIDs to determine whether it has wider applicability. In South Africa, BIDs often employ armed public safety employees to counter the impression and reality of crime in commercial centers. A California BID whose reputation for purse snatching and other crimes has for several years employed off duty, armed police to offset what appeared to be a situation that required radical methods. In the US, the annual cost of an armed police officer (including salary and benefits, equipment, supervision, etc.) runs about \$60,000.

BIDs come in all sizes and operate successfully in diverse environments. Occasionally a BID fails of adoption or fails to complete its Business Plan. Common elements in these cases are lack of commitment or capacity on the part of the Steering Committee or failure to sell the proposal through face to face contacts by the advocates (Liverpool, England corrected this deficiency in its second try and was then approved by a wide margin).

The success record of BIDs in providing planned services is testimony to ability of these organizations to meet the needs of business people and property owners in countries throughout the world. The test of success comes annually when the representatives of the people who pay the BID charge vote to adopt the annual budget. A study by the London School of Economics some years ago captured the essence of BID success: owners anticipated that the economic rewards would exceed the BID charges.

ARE BIDS WORKING?

by Lawrence O. Houstoun, Jr.

Are downtowns demonstrably better because of business improvement districts? It depends on how you define success.

The change in conditions, conveniences, and comfort wrought in once-scruffy Times Square is part of a movement to reestablish middle-class standards of cleanliness and security in commercial areas across the United States and Canada through the creation of business improvement districts (BIDs). After five, ten, and in some cases 20 years of experience, it is fair to ask whether BIDs are working. Are downtown prospects better because of them, and, if so, in what ways?

Three years ago, the Atlantic Group conducted a survey of 24 BIDs in New York City (there are now more than 30) and a comparative survey of six others from across the country. (See "Betting on BIDs," June 1994 *Urban Land*.) Earlier, the firm had surveyed BIDs throughout New Jersey. On the basis of survey data and extensive anecdotal information, BIDs can be grouped in two major categories:

- BIDs with annual budgets of approximately \$50,000 to \$250,000 (small BIDs). These tend to focus on retail, offering services such as promotions, special events, joint advertising, seasonal lighting, and business attraction and retention programs, including marketing and sometimes incentive financing. Board membership includes a large number of retailers.
- BIDs with large operating budgets, often of \$1 million or more, and in some cases with capital budgets of as much as \$30 million (large BIDs).

These tend to concentrate resources on improving and maintaining the public environment, with major outlays for labor-intensive sidewalk cleaning and supplementary security. Board members tend to be managers of hotels, owners of office buildings, real estate brokers, and those who control significant amounts of commercial property.

The survey revealed that smaller BIDs saw security and public-area improvements as their area's greatest needs. Correcting these problems requires services and capital projects that few small BIDs can afford. BIDs with large budgets, on the other hand, expressed satisfaction in those areas, where they already were spending a large share of their resources. Instead, they saw their area's biggest need as filling commercial vacancies. Few large BIDs had undertaken systematic business attraction programs at that time.

Brighter Philadelphia

In the past decade, a crop of professional BID managers has emerged in programs operating in the larger districts in the United States and Canada. These new professionals are directing multimillion-dollar enterprises in sometimes highly politicized communities and in economies that are perennially precarious.

Center City District (CCD) in Philadelphia has an annual budget in excess of \$7 million, devoted primarily to round-the-clock sidewalk cleaning; providing uniformed, radio-equipped supplementary security personnel (community service representatives); and paying off a 20-year, \$21 million bond issue for capital improvements to the pedestrian

environment. Sidewalk cleaning for the 80-block district is provided by a private contractor whose employees wear CCD's attractive uniforms and operate mechanical sweepers that sport CCD's colors and logo.

Determined to get the basics right, CCD spent the first four years launching and perfecting the cleaning and security systems. The security system produced a significant change in city police procedures, unifying precincts to coincide with district boundaries and creating a joint operations headquarters to facilitate cooperation between CCD's uniformed personnel and the police department. By the fifth year, CCD was ready to begin one of the most ambitious BID-funded streetscape programs in North America. The center city district had relatively few of the vacant lots, parking lots, and buildings with vast expanses of blank walls found in many of America's downtowns; still, public sidewalks were badly littered and shabby, creating a stark contrast to the new buildings constructed in the mid-1980s, the unique historic area, and the centrally located Pennsylvania Convention Center.

The subsequent streetscape project was designed to take maximum advantage of the convention trade, while enhancing the environment for tourists, office workers, and shoppers. With CCD's assessment-financed \$21 million bond issue and \$5 million in matching funds from the city, construction started in late 1996. Earlier, the block in front of the CCD—police department joint headquarters had become a test site for new trees and curbs, directional maps for pedestrians, and lights. In contrast to the towering “cobra” style streetlights, the new, closer-to-the-pedestrian light fixtures provide lighting for sidewalks that is two to three times brighter.

CCD also is creating state-of-the-art tree pits and special irrigation facilities, assuring greater longevity for street trees, and the district will soon take on maintenance of all center city trees, new and old, employing former welfare recipients.

In what promises to be a first among North American cities, CCD is installing colorful, understandable directional maps and signs at frequent intervals that

will show pedestrians at a glance how to reach their destination and approximately how long it will take to walk there. This last touch, borrowed from Switzerland, gives visitors the confidence to start out on a pedestrian journey, for example, from the Bellevue Hotel to the Convention Center, knowing that there is time to enjoy the journey on foot. With more than 400 shops and services catering to the walk-in trade within ten minutes of the convention center, the rewards to the tourist (and to the local economy) will be significant.

Financing this urban face-lift could have cost the district some of its remarkable popularity. With steadily declining property values (15 percent over five years), CCD's assessment revenues have dropped correspondingly. Assessment charges have risen about 4 to 5 percent per year—a change endorsed by property owners—to support an annual budget that rose from \$6.3 million in 1991 to \$7 million in 1996.

Pennsylvania law requires a remonstrance vote before initiation of a BID or any changes in its financing or boundaries; if owners of more than a third of the assessed properties or a third of the total assessed valuation object, the process stops. Of more than 2,000 properties eligible to vote each time, fewer than 12 percent objected in the first remonstrance; fewer than 2 percent objected when the streetscape bond issue was proposed; and only one owner objected when the boundaries were expanded recently to include 59 properties on East Market Street, site of about half of the downtown retail space previously cleaned by a voluntary association.

Like many cities, Philadelphia's central business district includes some people who sleep and beg on the sidewalks. CCD consulted experts to suggest what, if anything, the city, the district, or others could do about this pervasive social problem. On the basis of the study, Paul Levy, the executive director, convinced city officials that a disproportionate amount of public money was being spent on temporary shelters and that insufficient money was available for treatment, training, and job placement. The city has agreed to do everything it can to switch its orientation to rehabilitation. Specially trained CCD community service representatives, the Homeless

Action Team, try to motivate street people to accept substance abuse treatment, mental health services, and shelters, with some success.

CCD also serves as a resource for the Private Industry Council and the state department of welfare, providing paid work experience for formerly homeless job-training graduates who remove graffiti and maintain sidewalks and landscaping. The resulting improvements to the public realm accrue without charge to the assessed properties. Many of the larger BIDs exhibit a similar entrepreneurial spirit.

Is the BID working in central Philadelphia? Professionally managed with strong business support and without political interference, CCD would star in any city. Crime is down and hotel occupancy is up, as is retail overall. Retail occupancy in the blocks catering to higher-income consumers suggests that CCD's heavy promotion of Wednesday night shopping is paying off, although occupancy in the discount-dominated blocks is off. As it is in most of the rest of America's urban markets, office occupancy is down in older buildings.

Portland: Coping with Street People

The Association for Portland (Oregon) Progress (APP), headed by Ruth Scott, organized the Clean and Safe District almost ten years ago. Her agency has become a leader, particularly on the troublesome issue of people who sleep or beg on commercial sidewalks.

In 1986, APP took over management of the sidewalk-cleaning program. Funded by the city and APP, the program hires formerly homeless, recovering substance abusers to sweep downtown sidewalks. The program's budget was expanded to \$300,000, and it now employs about 20 individuals in minimum-wage jobs that represent a first step toward self-sufficiency. Employees who stay clean and sober have an opportunity to advance to the heavy-duty cleaning crew or other positions managed by APP. Jobs are the "carrot." The "stick" is an ordinance making it a misdemeanor to "aggressively panhandle." Panhandlers cannot block the sidewalk or harass pedestrians.

In 1988, APP also developed the "Real Change NOT Spare Change" education campaign. APP's social service providers' experience was that many of their clients spent the money they acquired begging to purchase alcohol and drugs. The message was simple: giving to panhandlers supports the habits that put many of them on the streets—if you want to help, give to the organizations that provide services.

The Portland Guides—unarmed, radio-equipped, uniformed security personnel who patrol downtown streets—have a dual mission: to act as goodwill ambassadors for visitors and as "eyes and ears" for local law enforcement agencies. After a noticeable increase in panhandling, APP developed a "panhandling team" to discourage begging by trying to deprive panhandlers of their market. Guides actively discourage giving to panhandlers, verbally encourage panhandlers to move from high-profile corners, and stand on both sides of a panhandler and encourage people not to give. If guides witness an aggressive panhandler, they act as complaining witnesses.

The Portland police support the APP's efforts. Officers will issue citations for aggressive panhandling. The Multnomah County district attorney has assigned a deputy to work on downtown issues; part of the budget for the position is supported by APP. The incidence of panhandling in downtown Portland was down 60 percent in the last year. Aggressive panhandling is almost nonexistent.

Scott has been with APP since 1985 and headed the organization at the time the BID was approved. APP, a 501(C)(3) business association, operates the BID with an overlapping board whose members include two elected city representatives. APP's total annual budget is approximately \$5.5 million; \$2.4 million of that is derived from assessments within the BID called the Clean and Safe District.

Common Problems; Diverse Attacks

Although BIDs learn a fair amount from each other, there is considerable diversity in their approaches to problems. Here are some approaches to security—some involving services and some involving advocacy:

- The Allentown, Pennsylvania, BID contributes \$77,000 annually to pay off-duty police officers to patrol downtown.
 - The West Palm Beach, Florida, BID has developed a partnership with local police, producing a 50 percent drop in narcotics-related crime. K-9 units reduced loitering and panhandling.
 - The Trenton, New Jersey, BID at first paid for off-duty police to patrol the shopping area. After two years, however, it negotiated a change in the level of service agreement with the city that resulted in more regular police foot patrols in the district with some unarmed security personnel.
 - Riverside, California, has adopted additional laws to improve the public environment, including making it unlawful to obstruct the public right of way; to sit or lie down on public sidewalks; and to urinate or defecate in public.
 - The Vancouver, British Columbia, BID hires youth as uniformed summer “Downtown Ambassadors” to aid tourists and businesses by providing information, guidance, and a wide range of assistance.
 - Times Square, New York City, BID officers made 82 citizen arrests in the first nine months on duty; crime in the area is down 21 percent since the BID was formed.
 - The Grand Central Partnership, New York City, security program contributed to a 27 percent crime drop; in the sector nearest the station, crime dropped 83 percent.
 - Philadelphia’s Center City District surveyed downtown workers, shoppers, employers, and visitors, finding that 48 percent consider downtown safer since uniformed security personnel went on duty. Police say that crime fell by 14 percent.
- Here are some approaches to keeping downtowns clean in order to compete with shopping malls and office parks:
- The Mesa, California, BID and many others move fast to remove graffiti.
 - The Riverside, California, BID performs graffiti removal under a contract for services with the municipality.
 - The Times Square BID is responsible for a dramatic improvement in cleanliness at the “Crossroads of the World.” The mayor’s report card shows Times Square now to be 93 percent clean, compared with 54 percent before BID cleaning services. The BID last year scraped and painted 320 light poles, 48 switch boxes, 71 fire hydrant caps and bases, and 68 sets of guard poles and arranged with store operators to reduce the amount of trash awaiting pick-up on the sidewalks.
 - Philadelphia’s Center City District sidewalks are pressure-washed several times a year. A CCD survey shows that 78 percent of 2,000 respondents—shoppers, store owners, visitors, and downtown employees—say the district is cleaner since around-the-clock cleaning began.
 - The Atlantic City BID collects 14 million gallons of trash from its boardwalk and streets annually.
 - BIDs, either through their own initiatives or through advocacy, engage in a wide variety of locally important downtown projects, including improvement of parking conditions.
 - The Association for Portland Progress (APP) argued successfully to restrict a proposed rate increase for metered parking and convinced the city council to adopt a policy for evaluating future rate increases. APP also developed a marketing campaign built around the fictional character “Les Park” to let customers know that the area has abundant parking.
 - Calgary, Massachusetts, organized a discount parking system (\$1 for four hours) on Saturdays.
 - West Palm Beach organized the “free and easy” parking program (no charge evenings, Saturdays, and Sundays) and a trolley-style bus to bring customers from remote sites.

- Buffalo, New York, has granted BID security employees power to write parking tickets.
- The Trenton, New Jersey, BID operates a parking lot close to stores and runs a validation program to serve retailers.

Similarly, BIDs initiate diverse programs for marketing and economic development.

- The Times Square BID is one of many throughout the United States and Canada that hold “A Taste of . . .” festivals to promote restaurants.
- The Red Bank, New Jersey, BID organized a campaign to encourage more stores to open on Sunday. With special advertising and promotions, plus free parking, the number of stores that open rose from 22 to 82 in a few months. Many retailers now say that Sunday is their second-best day in total sales volume.
- Philadelphia’s Center City District won an international award with its “Make It a Night” program to draw shoppers on Wednesdays after normal closing hours. Special promotions are created, parking is discounted, and there is music and other entertainment on sidewalks. Stores report increased foot traffic, number of sales, and amount per transaction.
- The Millburn, New Jersey, BID produced the lowest retail vacancy rate in five years. The BID created an award-winning marketing kit to be used by real estate agencies, which lacked demographic and other important information needed by prospective tenants. The kit includes a quarterly report describing vacant properties, rents, size, and so forth. Millburn also has an aggressive program to help businesses get all the permits necessary to open new stores and created a below-market-rate business loan program to help new and expanding businesses meet fit-up, facade, and sign costs. Nine commercial banks and the county economic development corporation participate. Millburn also conducts an annual consumer survey to test preferences, satisfaction with downtown progress, views about competitive downtowns, and the direction downtown should take with regard to redevelopment and parking improvements.
- Denver, Colorado, retailers reported sales of \$400 per square foot as a result of the BID’s marketing, security, cleaning, and promotions. Property owners see substantial benefit from district services in terms of property value. Seventy percent reported significant or moderate increases.
- New York City’s Grand Central Partnership published data by the independent Gordon Office Market Report that illustrate the effect of BID services—cleaning, security, and marketing—on properties in the area. Of eight commercial districts studied in Manhattan, only the Grand Central Partnership area recorded gains in average asking rents.
- The Red Bank, New Jersey, BID surveyed 200 merchants after the holiday season. As the result of promotions (including a Santa parade that included giant balloons from the Macy collection) merchants reported an increase in the number of sales of three to one; an increase in transaction amount of five to one; and an increase in customer foot traffic during the holiday season of 1.7 to one.
- The Phoenix, Arizona, BID reported that the area is producing significantly more sales taxes for the city—up 26 percent over a three-year period—reflecting increased profitability. Restaurant and bar revenues led the way (40 percent), with retail at 21 percent and hotels at 3 percent. Data from the city finance department were released by business leaders, who noted that these gains benefited residential taxpayers.
- Buffalo Place, in Buffalo, New York, regularly conducts a professional telephone survey of people in the region. Results include the following: 65 percent agree Buffalo Place is “a fun place to be”; 66 percent agree it is a “safe place to be”; 83 percent agree it is a “clean place to be”; 65 percent agree it is a “good place for dining”; and 53 percent agree it is a “good place to go shopping.” Using these data, the BID is placing greater emphasis on retail attraction.
- The Cranford, New Jersey, BID has an assessment that typically costs businesses approximately \$1.50 per day. During the recession, commercial properties held their values while residential property values declined.

Issues and Concerns

One common concern about BID has to do with the suspicion that hard-pressed city governments will shift the cost of some services from general taxpayers (a more formidable voting block than business owners) to assesses. This issue raises the question of the degree to which government and BID activities are the same, as well as how to protect BIDs against potential cost shifts.

The issue is raised most often in the earliest phase of considering whether to organize a BID—the “what if time, when every possible negative outcome is questioned. At this stage, there has not yet been an opportunity to determine whether the BID would provide services comparable to those provided by the local government. In fact, relatively few BID services actually supplement city services. The largest cost among the larger BIDs, for example, is sidewalk cleaning. Few cities provide this service; it is typically a requirement by law that owners keep sidewalks free of trash, snow, and ice.

The second-largest cost among large BIDs is supplemental security. Here the issue is less clear. Typically, uniformed, radio-equipped, unarmed BID personnel serve in part as walking eyes and ears for police and emergency service units. Their uniformed presence is widely viewed as a deterrent to crime and reassurance for pedestrians. Often, however, their primary function is to provide hospitality services. Another common BID service is marketing, something the public sector rarely does well, if at all. And much attention is devoted to advocacy, such as whether the city should adopt new zoning, sign, and facade standards or new street cleaning techniques (few BIDs clean streets).

Assuming that BID activities, such as security, do supplement city services, some will worry that the municipal burden will be shifted in whole or part to assessment-financed programs. Where state law or property owner interest requires that the BID proceed on the basis of a services agreement with the city, this becomes a ready device for clarifying the municipality's expectations of the BID and the BID's expectations of the municipality. Nonprofit Buffalo Place, Inc., has

service agreements with the city and county. The Baltimore BID (an authority or “body corporate and politic”) has an agreement with the city covering

- police protection;
- street and alley cleaning;
- trash collection and landscaping;
- maintenance of public areas; and
- marketing and promotion.

In small BIDs, the situation may be much simpler. The Elizabeth, New Jersey, BID struck an agreement with the city (one page in length) ensuring that the police department would continue to maintain an officer at a key corner for both traffic and security reasons.

Some BIDs, including those of New Orleans and Brooklyn, New York, have 15 years or more of experience behind them, and one might expect some pattern of problems to have emerged over that time. However, there is no perceptible pattern, although some isolated situations may indicate issues that might be troublesome in the future.

In at least one case in a large city, control of the board of directors is in the hands of the mayor and observers feel that the emphasis is more on politics than business improvement. Another BID was pressured by the city council to include within its service area blocks that it would have preferred to leave out; the BID accepted the modifications as a cost of council approval. In a different city, the city council president threatened to block the BID's budget if his preferred candidate was not employed as BID manager (the candidate was not employed and the budget went through without dissent). BID managers have been fired because they or their board leadership were seen as having backed the losing side in a mayoral contest. One BID director, who was responsible for programs that attracted highly favorable national attention, found himself embroiled in a controversy related to the subcontracting agency that handled programs for the homeless. Among the costs of the flap were the cancellation of new federal funding for that program and the loss of previously impeccable treatment by the press.

According to the International Downtown Association, the only known examples of disbanding of BID's occurred in a half-dozen small communities where the problem appeared to be inadequate funding. Nevertheless, change occurs. The Fulton Mall Improvement Association (Brooklyn, New York) had a dispute within its constituency, with some wanting to refocus the image on discount retailing. Through the annual election process, the dissidents became the establishment, with major changes in the nonprofit board's membership. There are no known cases of scandals involving misuse of BID funds in the United States.

The future of BID's seems fairly secure. Their numbers continue to grow, and the responsibilities of their sponsors continue to increase. The charge to individual owners and operators is a minor cost of business (typically \$0.10 to \$0.20 per square foot or 4 to 10 percent of property taxes), and there is no other known way to achieve such continuous results at any cost. Business and commercial property interests control policy and, as in the case of Philadelphia, express continued support.

Prospects and Limits

Still, there are limits to what BID's can be expected to do in overcoming the enormous problems besieging central business districts. Four major concerns help illustrate this point. With noteworthy exceptions, relatively little progress has been made in improving the appearance of downtowns enough to attract large numbers of middle-income shoppers, tourists, clients, and commercial tenants. BID's can claim that that threshold has been reached when hotel guests are enthusiastic about taking walks after dark or when office workers stop insisting on parking at their workplace. Robert McNulty, head of Washington, D.C.-based Partners for Livable Places, argues that all the other efforts being made downtown will be lost "if the place still looks like hell." While there are dramatic exceptions, ranging from Manhattan's Grand Central Partnership to suburban Cranford's Special Improvement District, in general few BID's and municipalities have agreed to pony up the costs of what is predictably a major public works project.

Second, downtowns must continually adapt to changing physical conditions and opportunities. Redevelopment is not something that only downtown Chicago or Boston requires; even small towns like suburban South Orange, New Jersey, need to convert old lumber yards or parking lots into townhouse sites. Of all the types of redevelopment needed, residential redevelopment is most important. It creates the customer who is most likely to shop, dine, and go to the movies downtown, and it remedies some of the image problems that no concentration of street trees can adequately hide. A few BID's recognize this need; fewer have acted.

Third, where BID's are unlikely to gain the authority to act, they must nevertheless advocate aggressively. Downtowns need strong advocates who do not require annual or quinquennial approval from elected officials.

BID's advocate most effectively when coaching public agencies on technical subjects, such as how to make downtowns more secure or cleaner. When the subject is controversial, such as locating a new stadium where it can benefit the downtown economy, it is often wise to have independent business interests lead the crusade. Denver and Houston, where strong business organizations preceded the BID, retain separate but related organizations for such purposes.

Fourth, BID's need to become more entrepreneurial in order to expand business services while capping fees. A natural source of financing, often through an affiliated nonprofit entity, is parking management. The Manayunk (Pennsylvania) Development Corporation and Summit (New Jersey) Downtown, Inc., support extensive marketing programs financed by parking fees.

BID's represent a latter-day counterweight to the American tendency to ignore, devalue, and often denigrate our city and town centers, despite their irreplaceable cultural attractions and entertainment offerings and their continued significance as centers of commerce. It is noteworthy that BID's are primarily the creatures of businesses and property owners who share the belief that they can achieve greater profitability through cooperation than any one of them can accomplish alone. The means to profitability include

many investments in intangibles—pleasant street vistas, a sense of security in walking after dark, the pleasures of convenient shopping, and diverse options for dining. All are important, and corporate assessee find all to be good for the bottom line.

Even where statutes make the BID a public entity rather than a nonprofit corporation, the sense of pursuing private sector goals is strong. Although politics may produce short circuits in the energy source, BIDs that take the government form do not seem to be seriously impeded in their work.

Measuring Success

Are downtowns demonstrably better because of BIDs? It depends on how you define success. No one suggests that commercial areas are worse off because of BIDs. Even when services are so-so, the costs to assesseees are trivial. In some cases, BIDs may only have slowed decline resulting from economic forces far beyond local control. In other cases, there is evidence of BID-induced economic revival. Under still other circumstances, especially in the suburbs, BID sponsors seem to be achieving their desire to make already stable areas increasingly profitable. Where economic conditions have improved, local observers tend to credit the BIDs. Often, there are few other initiatives to share credit.

The evidence overwhelmingly supports the contention that BIDs are working, usually quite well. However, causes of changes in economic conditions are often so complex that serious researchers avoid the subject. When indicators reveal improvements, such as in hotel occupancy rates, additional important influences, which may include national trends and improved convention business, may help explain the favorable trend. In Times Square, for example, others are also working on redevelopment, including New Forty Second Street, which oversees theaters, and the 42nd Street Project, which leads redevelopment planning. On the other hand, if downtown conditions do not meet national norms of safety, cleanliness, and attractiveness, they certainly cut into convention bookings, induce business travelers to choose hotels farther away, and persuade tourists to shorten their visits.

Probably the most stringent test of success is reflected in the fact that more than 1,000 business-dominated boards vote regularly to continue (and frequently to expand) local programs whose costs they share. So common are BID-financed services and improvements that a firm contemplating siting a new branch might be skeptical of a commercial area that lacks one. Beyond question is the momentum now achieved by private sector leaders in their common efforts to reinstate the middle-class values of civility and cleanliness in America's established centers of commerce.

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GOTHAM GETS CIVIL

by Lawrence O. Houstoun, Jr.

New York's 40 business improvement districts are playing a vital role in making the city a better place to live, work, and visit.

In a country that largely has ceased to think of itself as urban, New York City remains an urban icon, incomparable in its scale and density. There is, for example, more office and retail space within a fifteen-minute walk of Broadway and 42nd Street than in any other area of similar size in the world. And that accounts for only one segment of one of New York's five boroughs. Twenty million visitors from around the world come to Times Square each year. Each day, 1.5 million people pass through the Times Square business improvement district (BID). If America is down on cities, why do so many people come to such an intensely urban place?

Despite all the congestion (Times Square and other BIDs in central Manhattan record peak pedestrian volumes of up to 6,000 people per hour), New Yorkers believe Gotham is becoming a better place to live and work. Earlier this year, the New York Times puzzled over the reasons for these positive survey findings and decided that many were due to the decline in crime and the evident willingness of Mayor Rudolph Giuliani's administration to crack down on "quality-of-life" offenses. The Times also credited the widespread existence and evident success of BIDs, now operating in 40 of the city's commercial centers. BID-financed clean sidewalks, omnipresent supplementary security personnel (SSP), and more attractive streets are now so

widespread that even traditionally skeptical New Yorkers acknowledge the improvements.

New York City has had BIDs for more than two decades. The BID birth rate has accelerated considerably since the state passed general enabling legislation, the city created an administrative unit to guide BID formation, and the successes of each new BID generated interest in other commercial areas with similar needs. New York may be large and costs may be high, but not all of its BIDs are multimillion dollar enterprises (see Figure 1). The BID movement has long benefited relatively small commercial areas, of which the city has so many that it is hard to imagine how many BIDs there will be in a decade or two.

A BID is a legal device by which commercial interests within an area can band together, plan business services and/or public improvements considered important to their economic vitality, and share costs through a tax or assessment paid by all. (The concept of "benefit district" can be traced to 18th-century New York law.) State laws vary on how costs may be shared, whether the BID is run by municipal authority or a nonprofit corporation, and other considerations, but the concept is comparable in legislation adopted throughout North America. (See "Betting on BIDs" in the July 1994 issue of *Urban Land* and "Are BIDs Working?" in the January 1997 issue.)

The growth of BIDs in New York City is all the more remarkable since the statute makes no effort to

speed or simplify the planning and approval process. Business groups typically face a long gestation, although the city's department of business services lends a hand throughout, producing results and, with rare exceptions, remarkably good press. About \$48 million is being spent by business and property owners in four boroughs (only Staten Island has no BIDs) as a result of plans initiated and designed by private sector leaders. The typical assessment is in the range of \$0.12 to \$0.20 per square foot, somewhat higher than in other U.S. cities.

New York law authorizes nonprofit corporations to manage BIDs. While BIDs can engage in income-producing enterprises, the backbone of each commercial area's program is the assurance that there will be predictable income based on an assessment formula that in turn is based on the assessed value of each property. Decisions are made by boards of directors, principally reflecting the interests of those who pay most of the assessments, as well as statutory guidelines.

This article looks at six well-established BIDs, including the city's oldest, that illustrate the diversity of investment priorities as well as common activities.

Fulton Mall

Fulton Mall is one of downtown Brooklyn's major retail districts. It serves 2.3 million borough residents plus 80,000 office workers and college students and faculty. The Fulton Mall Improvement Association was formed more than 20 years ago as part of an agreement among the city, property owners, and the federal government in connection with federal funding to create a major transit and pedestrian facility along a large section of Brooklyn's Fulton Street. The establishment of an assessment-based system to maintain the urban environment and historic retail center was an important consideration in the decision to invest heavily in improving its subway, bus, and pedestrian facilities. The oldest of the city's BIDs, Fulton Mall was created by a special act of the state legislature because New York then

lacked a general enabling legislation. (The city categorizes Fulton Mall as a special assessment district.)

The Fulton Mall Improvement Association, the BID's management entity, is headed by Executive Director Jill Kelly. It contracts with a private firm for street-sweeping services seven days a week. In the spring and summer, the crew repairs, refurbishes, and paints the mall's street furniture. The association also plants annuals and perennials within the service area each year, in keeping with its goal of a maintaining a "green" mall. (A private contractor cares for the area's plants and trees.) The association is responsible for day-to-day upkeep of the sidewalk brick pavers and for snow removal.

The association is implementing a three-phase security program, including a street visibility/foot patrol program that employs retired law enforcement personnel; nighttime security services provided under contract by a security firm to patrol the district in a vehicle with one armed security officer; and surveillance cameras, which will be phased in over several years, beginning this year with six remote-controlled cameras.

The association also engages in print advertising, radio advertising, and special projects for the local community. It produces a quarterly newsletter and a map of the area's retail stores.

MetroTech

The MetroTech BID represents one in a long series of steps to reinforce Brooklyn as the city's third downtown, after midtown and downtown Manhattan. (See "Downtown Brooklyn: Turning the Corner?" on page 28.) The idea arose in the 1980s from Polytechnic University's need for an attractive environment for its students and faculty and for research facilities modeled after those in Silicon Valley. Now a \$1 billion, 5 million-square-foot development of new and renovated buildings, MetroTech is seeing the completion of a 384-room

Marriott hotel. Brooklyn's MetroTech Area District Management Association serves 25 city blocks, or approximately 60 acres, including a 3.3-acre park surrounded by MetroTech Center, a high-tech office and educational complex.

The group contracts with a private firm to provide supplemental sanitation services. A five-member sanitation crew cleans the district seven days a week, sweeping sidewalks and street edges, removing stickers and posters from lampposts and street signs, clearing intersections and catch basins of snow, and providing seasonal tree maintenance and continuous graffiti removal. In addition to emptying city litter baskets, the contractor maintains and empties 33 additional "Smartbaskets" mounted on light poles. BID special events bring area constituents to MetroTech and encourage MetroTech employees to visit nearby educational and cultural institutions and merchants. Environmental enhancements funded by the group include additional streetlights, trees, and storefront improvements. The BID also collaborated with architecture students to recommend design changes for low-cost improvements to streets and stores. Other activities include an adopt-a-block program with area corporations and the addition of signage and other design elements.

Through a grant from the City University of New York, MetroTech cosponsors small business workshops. It also helps property owners attract new businesses, with the goal of diversifying retail to better serve the needs of workers, students, and shoppers. BID marketing also strives to build awareness of the BID's retail offerings beyond downtown Brooklyn and aids merchants through advertising, promotional events, and other activities.

Michael Weiss, director of the MetroTech Area District Management Association, is comfortable with providing "the basics"—safety and sanitation—but says that "the best is yet to come." More development is coming to the area, along with

more jobs and more people. Weiss sees an important future for the area as "a 24-hour-a-day, seven-day-a-week" center.

While there are elements of competition among some of the Manhattan BIDs, MetroTech and Fulton Mall have collaborated on a marketing program, jointly planning and financing business attraction materials.

Downtown/Lower Manhattan

The Alliance for Downtown New York, Inc., a not-for-profit corporation led by President Carl Weisbrod, brought the BID movement to Wall Street. As is appropriate in the world's premier financial capital, the BID, formed in 1995, has one of the largest assessment-based budgets in the country—almost \$10 million, with an assessment charge equal to roughly \$0.09 per square foot. Its mission includes advance planning for transportation improvements and encouraging conversion of older commercial towers into residential units.

Lower Manhattan, home to the city's major insurance and financial companies, also is a historic landmark area that is evolving into a residential community. (See "In the Public Interest: Reviving Lower Manhattan" on page 92.) The BID's sanitation program includes a 40-person workforce that operates seven days a week, sweeping curbs and gutters, emptying trash receptacles, removing posters, and cleaning sidewalks and catch basins. The security program has a brightly liveried team of 40 more employees, whose main purpose is to provide visitors, residents, and workers with a heightened sense of security. The force also offers directions and other public assistance.

Promotion and marketing focus on strategies to promote lower Manhattan, to retain existing businesses, and to attract new businesses. The BID also advocates for a variety of private and public projects designed to enhance the area and has

contracted with the John Heuss House to provide outreach services to homeless individuals. The alliance also helped conceive and pushed for adoption of the Mayor's Lower Manhattan Economic Revitalization Plan, tax incentives aimed at promoting investment in residential use of obsolete office buildings. A full-time Benefits Hotline helps property owners and prospective tenants understand and take advantage of these programs. Finally, the BID is conducting a study of the area transportation system and operates a free jitney service that connects the World Trade Center, Battery Park, and the South Street Seaport.

125th Street

Like everything else in New York, problems can be of monumental proportions. Central Harlem's 125th Street is the main shopping district for local residents. When the 125th Street BID was formed less than three years ago, there were 1,100 sidewalk vendors in only three blocks, producing congestion rivaling that of rush hour at the city's bridges and tunnels.

Barbara Askins, the BID's director, worked through a thicket of hostility among vendors. Her program emphasized positive remedies along with regulation. The city created an open-air market on 116th Street with sufficient critical mass to work economically for vendors. "We looked at vending as entry-level entrepreneurship," Askins says, noting that some former street vendors are now operating stores in rented facilities, paying rent and taxes.

The BID was launched during a period in which 125th Street was being compared unfavorably with other commercial centers in New York City because of the amount of trash on the sidewalks. The group quickly got the sanitation problem under control. Under contract with the BID, a private firm now provides street and sidewalk sweeping, trash receptacle maintenance, and snow removal. Sanitation crews work seven days a week.

The BID has an ongoing campaign highlighting area attractions in conjunction with the Harlem Commonwealth Council, the Harlem Community Development Corporation, the Apollo Theater, and other local institutions. Banners display the BID's new logo, and the group produces a newspaper highlighting businesses and business-related issues.

Security lighting is planned at 81 locations, with fixtures installed on 125th Street buildings between Morningside and Fifth Avenues. The BID, like small BIDs elsewhere, also decorates the area's streets and buildings with lights during the winter holiday season and hosts children's programs and activities sponsored by local businesses and organizations. "We have also created what we call our own mini- Bryant Park," Askins notes, referring to the midtown park redesigned, maintained, and operated by its own BID (see "Bringing Back Bryant Park" on page 112). Harlem's oasis is a cleaned up and active plaza that had been largely abandoned.

With a budget of only \$275,000, this is one of New York City's smaller BIDs; nevertheless, it shows how such a group can solve problems of great local importance. The assessment formula includes factors such as street frontage and assessed valuation. Askins says that other areas in Harlem have expressed interest in starting their own BIDs based on 125th Street's experience.

14th Street/Union Square

Manhattan's 14th Street/Union Square area has emerged as one of the leading locations for retailers, health care, higher education, off-Broadway theater, and restaurants. Led by acting director Jim Whelan, the 20-year-old 14th Street/Union Square District Management Association points with pride to the fact that its swift removal of litter, debris, and graffiti has produced the highest ratings from the mayor's office of operations. Sanitation services are provided under contract seven days a week. The BID also provides sanitation services in Union Square Park and maintains 55 BID-installed trash receptacles

throughout the district. It collects an average of 110 trash bags each day—amounting to 40,150 trash bags and 1.2 million pounds of garbage a year—and also removes snow from crosswalks and catch basins.

Under BID contract, Partners in Grime removes graffiti from property facades, store gates, and street furniture twice weekly. The contractor services 204 sites and removes approximately 25 pieces of graffiti on each visit. The BID also works closely with the New York City Police Department to identify different types of graffiti, understand the best methods of graffiti removal, and target trouble spots with heightened law enforcement.

The BID sponsored the kick-off of “NY ‘95 Restaurant Week” in Union Square with the creation of the world’s largest salad and advertisements profiling the neighborhood’s many restaurants. The BID and the local development corporation (LDC) present an annual economic development symposium to keep residents, businesses, and members of the real estate industry abreast of developments in the area. The BID and the LDC also present a series of musical performances in Union Square Park each summer.

Times Square

Five years ago, Times Square was a striking example of all that had gone wrong in U.S. cities. Con artists, pickpockets, drug dealers, and prostitutes dominated the sidewalks. The area had become an epicenter of x-rated movies and pornography stores where anything and everything was for sale, including the rights to the famous ball on the old Times headquarters building that signaled the arrival of each new year. Crowds at this annual bash were diminishing as the area’s reputation sank. Today, while redevelopment is still a work in progress, the progress has been impressive. After the BID-managed public environment improved, private investment quickly followed. (See “The City as

Stage: Entertaining Retail Meets Manhattan” on page 88.) Gone are the sidewalk con men, illegal peddlers, trash, and fear. Civility, albeit a bumptious civility, reigns.

It is not excessive to suggest that Times Square is America’s number-one downtown. In Times Square, one can find virtually all of the assets, problems, and programs encountered in BIDs elsewhere. The Times Square BID was organized in 1990 by a group that included Arthur Sulzberger, Jr., deputy publisher/chairman of the New York Times, to address quality-of-life issues that had long plagued the area. The planning group was formed just as the state government condemned the massive 42nd Street redevelopment site, planning for which had been underway for a decade. The timing could not have been better. But first, people on the sidewalks had to feel safe.

Toward that end, BID President Gretchen Dykstra employs 45 uniformed, radio-equipped, and unarmed public safety officers (PSOs) plus eight administrative and supervisory personnel. The \$1.8 million security budget averages \$51,000 per block patrolled. The force is primarily a foot patrol, although the unit also uses an electric Cushman golf cart, a bike, and a jeep. “We don’t employ people to fight crime,” Dykstra explains. “That’s the police department’s job.”

Dykstra is a strong believer in picking and training her own PSOs, producing a combination of skills that she says she could not expect to find among off-duty police or private security officers. She has found through experience that the best supervisors are retired police officers whose work was close to the street. Former NYPD Lieutenant Robert Esposito currently runs the security program as well as sanitation services. In addition to handling and reporting emergencies, much of the PSOs’ time is spent answering questions about Times Square facilities, stores, hotels, and restaurants.

The Times Square BID began providing tourism services in summer 1992 with two sidewalk steamer-trunk kiosks. Thanks to the Urban Development Corporation, BID staff later established a small, highly visible tourist center in an old cigar shop at the corner of 42nd Street and Seventh Avenue. With some support from the transit authority, the center stayed there until September 1994, when it was moved to the Harris Theater and then to the Selwyn Theater. Soon it will be located permanently in the lobby of the Embassy Theater. BID staffers in the visitor center answer an average of 19,000 questions per month; PSOs answer another 57,000 street-side inquiries.

Several additional BID-supported measures also contributed to favorable public approval ratings. These include initiation of “Operation Affidavit” (in conjunction with the NYPD, this allows police officers to arrest unlicensed peddlers based on affidavits filed by BID officers; illegal peddling is down by 85 percent since 1993); increased efforts to discourage three-card monte games (resulting in an 80 percent decrease between 1993 and 1995); and a computerized watchman system at 45 locations, which documents twice-daily visits by PSOs and records street and building conditions requiring immediate attention.

Much of the BID’s economic development function consists of keeping track of performance and potential. Data published include the big-picture items (there are approximately 5,000 businesses and 400 properties) and smaller indices (at least 1.5 million snapshots are developed at Times Square one-hour processing shops each year). The group’s promotional materials and public relations activities are among the most attractive and creative of all North American BIDs’. With \$130,000 allotted annually for printing, design, and promotion and \$150,000 for tourism expenses, the organization makes sure that the world knows about its assets, new and old.

When the BID began operations, New Year’s Eve in Times Square was becoming less and less of a grand event, and the BID board instructed staff to work to save and enhance the tradition. Last year produced the largest New Year’s Eve party in history, drawing massive crowds of out-of-towners who spent millions at local businesses. More than 225 television stations nationwide picked up a pre-event satellite video news release the BID had produced about the new ball and the new Times Square. Dick Clark’s TV ratings on New Year’s Eve included 3 million more households than had tuned in the previous eight years. Mayor Giuliani participated by signaling the lowering of the newly refurbished ball and later hosted a party in the BID offices. An economic impact analysis showed a \$39.5 million advantage to the city from the event.

Some—Dykstra included—point out that the Times Square BID is not the sole reason for the area’s recent renaissance. She is quick to note that New York’s revolutionary changes in police tactics and priorities have made the difference in the area’s substantial reduction in crime and credits Mayor Giuliani for his leadership in this regard. She recalls that the midtown enforcement office has been hammering away at code violations for a quarter century. “And, of course,” Dykstra notes, “the financial and political will of the state, city, and in particular, the 42nd Street Corporation has been key.”

Still, had Times Square remained in its former state, it is hard to imagine that Disney would have leased its “100 percent” corner or that 42nd Street would attract crowds for G-rated films and legitimate theater. While the reestablishment of middle class norms of safety and cleanliness may not be enough to draw vast crowds, it is equally hard to imagine that they would have returned without the groundwork done by a well-run BID.

The Times Square BID is a pioneer in maintaining standards that are not merely acceptable to large crowds but add to the attraction of the place. The group knows what it takes to build crowds, capture the tourism dollar, and still pay attention to its other constituencies, including major office building managers and tenants. The Times Square BID also has been an innovator, developing solutions specifically geared to solving its own problems. The Midtown Community Court is a prime example. When BIDs want more police attention to quality-of-life crimes like sidewalk gambling, one major point of resistance is the time required for police to process these relatively minor offenses. Creating the court dealt directly with that obstacle. BID board members were instrumental in developing the project, which now is being replicated worldwide, and the BID made the largest private contribution to it.

An indication of how far the Times Square BID has progressed is suggested in a recent newsletter: “Happily, it seems almost unnecessary to speak about the quality-of-life issues that were the very reasons for the BID’s establishment.” Once the sidewalks are clean and fear is under control, however, these hitherto impossible accomplishments (here and elsewhere) begin to be taken for granted. The best BIDs, however, already have moved on to the next set of impossible accomplishments. In Times Square’s case that includes the new visitor center, a master plan for dramatic improvements in the public spaces at the intersection of Broadway and Seventh Avenue, a bigger and better outdoor “Taste of Times Square” event on 46th Street, and renewed retail leasing along long-depressed segments of Eighth Avenue.

Lessons from New York

Few cities have any governmental mechanism for dealing with BIDs. New York’s Department of Business Services sees its role as advising and guiding, rather than proselytizing, and has amassed a commendable record. There have been a few problems, and these have earned the investigatory attention of the New York Times and the city council. In the end, however, the hullabaloo about someone’s high salary or whether one BID’s staff was too aggressive in removing sleeping people from ATM locations fades in comparison with the accomplishments that are apparent to most New Yorkers.

The heavy investments in cleaning and maintenance common in New York City do not reflect comparable needs among BIDs elsewhere because few have the foot traffic that requires it. But sidewalk cleaning (legally the responsibility of the property owner) is typically the largest single expenditure for most large BIDs.

Like others in the United States and Canada, New York City BIDs identify their concerns less as crime prevention and more as reassurance and hospitality. Thus, staffing is less likely to take the form of armed, off-duty police officers or personnel from a security firm than of uniformed, radio-equipped “ambassadors,” hired and trained directly by the BID.

Visitors to New York City may not be able to see the missing trash or declining crime rates, but BID services directly affect tourists and business visitors throughout the city’s commercial areas. There now are hundreds of easily identifiable people trained to be friendly and helpful to guests. With knowledge, skills, and job responsibilities not unlike those of hotel concierges, these uniformed ambassadors have brought hospitality to the places where it was most evidently missing, the sidewalks of New York.

In the 1970s and 1980s, many observers believed that adverse quality-of-life perceptions by employees and management contributed significantly to corporate outmigration. The Grand Central Partnership BID emerged from the Mobil Corporation's publicly expressed disgust with the filth and crime in the area. If negative conditions then drove firms away, it is not unreasonable to assume that the positive results of BIDs now encourage companies to stay and grow and tourists to return.

The appeal of BIDs to the property owners and commercial tenants who pay the bills starts with the conviction that there is no other way to produce these results. The second appeal is that the costs are negligible (typically \$0.12 to \$0.20 per square foot where rents are \$25 to \$65 per square foot). Finally, those paying the assessments control the funds, which are used wholly for business improvement measures.

Perhaps the most important contribution of the BID movement in New York City, as in many other urban centers, is the change in attitude. The culture of business leaders complaining about conditions they believed they were helpless to change has been replaced with the widespread conviction that the future is in their hands. Nowhere is that more evident than in New York City, where every BID, having achieved at least one impossible goal, is energetically pursuing others.

At some point, New York City may run out of additional business district leaders who are willing to undertake the time-consuming task of framing a plan for business improvement. The steady rate of BID growth, however, suggests that many building and business owners still see BIDs as the only method available to increase business profits and property values beyond the level they can attain as individual entrepreneurs. Time will tell whether ultimately there will be 100 or 200 or more such districts in New York City, but it is clear that BIDs are becoming an expected factor in improving the city's perceived quality of life.

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BIDS AT HOME AND ABROAD

by Lawrence O. Houstoun, Jr.

BIDs are expanding, diversifying, and increasingly being formed abroad.

Several trends should influence the future of business improvement districts (BIDs) in the next five to ten years, changing these business-led, public/private partnerships largely for the better.

- There will be a dramatic expansion of BIDs in countries beyond the United States and Canada.
- Growth in the number of BIDs in the United States will occur mainly in small commercial areas—suburbs and city neighborhoods, as well as older industrial areas.
- A shift in motivation for BID creation is underway, from desperation to a new optimism about the prospects for old commercial areas.
- Among the larger BIDs, there is increasing attention to planning, transportation, downtown living, and tourism.
- Better state legislation is emerging in the United States and new laws are being drafted in other countries.

North America's near monopoly of experience is being fast overtaken by organizations around the world that are applying the same fundamentals in ever diversifying ways. There need to be elements constituting a common definition and term of reference. Are BIDs systems that are largely limited to providing safe and clean services? No. That would exclude at least half of the BIDs, particularly those

with small budgets, little litter to dispose of, and no security problems of note. Is it a system confined to large commercial centers? No. Many BIDs operate in industrial areas, small suburbs, and neighborhood commercial districts, and at least one is located in a residential area. Is a BID financed exclusively by assessment on real property? No. While that is the chief source of funds for U.S. BIDs, there are even a few exceptions there. In other countries with well-established BIDs, and in most of those known to be planning BIDs, the sustainable financing system is or will be a business tax or special rate. Further, virtually all mature BIDs have worked out significant supplementary financing from diverse sources.

A BID is a system in which the owners of two or more private properties or businesses work together to share the costs of solving common problems or realizing economic opportunities associated with their location. BIDs are systems of cooperation among private sector interests that may involve few or thousands of properties or businesses in which representatives agree to a formula for cost sharing and for managing plans they have helped to shape. A BID has a sustainable funding system making possible the formulation and implementation of multiyear budgets. Sustainability requires that an assessment or a business tax be involuntary, multiyear, and applied to all benefiting properties or businesses. Once adopted and until repealed, it is enforceable with the power of government behind its collection. The strength of BIDs, as

distinguished, for example, from the Main Street projects, is the assurance that funds will be available five, seven, or more years in advance, enabling multiyear contracts with vendors, agreements to employ staff, implement multiple-year plans and, occasionally, the ability to finance capital improvements.

A BID is authorized by governments in legislation that defines its purpose, functions, and limits, and that authorizes its sustainable revenue sources. Because sustainable funding relies on the government's power to tax, provincial, national, or state laws authorize BIDs and define local government's roles as well as those of the BIDs. An effective BID involves a working partnership with the local government.

BIDs are authorized to offer business- and property-related services designed to improve business profitability and/or property values. BIDs may perform a wide variety of services ranging from cleaning to planning to business and consumer marketing; a few BIDs also are authorized to issue bonds to pay for capital improvements.

A BID may be managed by an organization that is either a public agency or a nonprofit corporation. In either case, oversight is the responsibility of a board of directors whose membership is dominated by business and property representatives—those who are also responsible for paying the assessment or rate. This common element reflects the self-help objective of BIDs. Because governments have limited authorizing and oversight responsibilities, the onus for planning, financing, and managing districts rests with the private sector.

While there is no central font of information on BIDs, the constant growth of those with budgets ranging from \$40,000 to \$300,000 is apparent everywhere. Few new BIDs are being formed in the United States with budgets in the million-dollar

range. Most are being created in small suburban communities and urban neighborhoods, which are far more numerous than large city centers. One BID in Canada raises only \$1,000 annually, which is enough to meet local needs.

Small but fairly affluent trade areas centered around places such as Red Bank and Millburn, New Jersey, illustrate how successful business operators and property owners derive more value from their existing investments. The Red Bank BID has transformed its principal street with subsidized facades, sign improvements, and design guidance, and has attracted capital improvements to widen the sidewalks, add trees and crosswalks, and relight pedestrian ways. Millburn is one of the many BIDs that use farmer's markets to draw crowds, along with a yearlong program of festivals and entertainment. Both pay their directors a good wage, reflecting a desire for quality performance and an acknowledgment that it is a tough job.

There are a sprinkling of BIDs serving industrial areas in Los Angeles, Milwaukee, and Brooklyn, including one that mothballed its security program when the level of crime dropped. After a slow process of gaining city and member support, a BID is starting in Philadelphia's Port Richmond industrial section. The industrial BID in Paterson, New Jersey, is almost eight years old and shares a manager with the downtown BID.

Most of the BIDs likely to emerge in large cities in Great Britain and Ireland probably will serve relatively small districts. In contrast to the tendency in the United States—outside of New York City—to create BIDs that encompass the entire city center, Grafton Street and O'Connell Street in Dublin have planned BIDs that should be operating by next year. London's West End theater district is another likely BID. Micro BIDs such as those in Netcong, New Jersey, have a business-led board, but operate out of the local government.

BIDs exist in New Zealand, Australia, South Africa, and Canada, which many claim initiated the world's first one in a neighborhood commercial district of Toronto more than 25 years ago. There is also serious interest in Spain and Brazil. Great Britain has almost 300 "town center management" programs, some with a decade or more of experience, suggesting that there is considerable BID readiness there. Currently, these organizations depend on a diverse pattern of voluntary support from businesses and local authorities, but new U.K. legislation promoted by Alan Talentire, head of the town center management organization, and others will authorize sustainable funding based on a new BID-limited business rate. In this, Britain's law will resemble options offered in the aforementioned Commonwealth countries.

Careful preparation has been the hallmark of the prelegislative phase in both Ireland and Great Britain. In looking at the American experience, however, their lawmakers appear to favor the approval system—petitions—that in the United States is most costly in time and money. Moreover, there is no evidence that this system produces better BIDs. Other U.S. approval options include authorization by municipalities based simply on a plan and a public hearing, and another in which objectors in Pennsylvania can stop the creation of a BID there if 40 percent of property owners file objections.

BIDs formed during recession periods have tended to reflect desperation on the part of the business framers. After a long period of prosperity, however, BIDs now reflect a greater optimism about old commercial centers in general and about the utility of BIDs in particular. Motivation reflects constructive dissatisfaction and the desire not to fill buildings or stores with just anybody who can pay rent, but to attract the best and most diverse businesses to an area. Larger BIDs represent impressive alliances among office, hotel, restaurant,

retail, and entertainment economic interests, each with its own specific needs but all cooperating in the improving and marketing of their areas. As a result, virtually all large BIDs and some small ones have seen a substantial gain in the number of new of downtown residents.

BIDs are being formed in relatively small places in Georgia to capture more of the road and amenity funds available through state and federal transportation funding. The Buckhead BID recently engaged in a masterful planning exercise to create a pedestrian-and transit-oriented commercial center where autos had dominated. The BID's strong implementation powers, including its own bonding authority, indicate that this will be a plan that is efficiently implemented.

Philadelphia's Center City District (CCD) replanned and created an as-yet-unmatched streetscape and successfully led the charge to attract more residential development through new tax abatement legislation. The repopulation program has been so successful that the BID has proposed a new and substantially expanded delineation of Center City, Philadelphia's downtown. Paul Levy, director of the CCD, struck out trying to locate the new Phillies stadium downtown, but was able to show what a well-planned public policy initiative should look like.

Transit is getting more attention as well. Downtown Washington's BID is creating a cost-sharing mechanism to provide shuttle bus service. The University City District in Philadelphia has a successful bus system that connects the 30th Street train station with a dozen other destinations. Many BIDs have formed or are associated with transportation management associations. Whether in Manchester or Graves End, England, two of Britain's BIDs-in-waiting, or in small places like Philadelphia's Manayunk district, tourism has become a major, even a transforming, economic

focus. Reflecting a decline in crime, BID supplementary security patrols—often referred to as ambassadors in the United States or wardens in Great Britain—have assumed more of a welcoming role, rather than simply providing a uniformed, radio-equipped presence to lessen fear.

Downtown D.C. BID director Richard Bradley observes that districts “have earned a place in the pantheon of economic development organizations,” because they improve, not simply market, their products—the places that they serve.

Most BID legislation in the United States can be traced back to the time a decade or two ago when there was little actual BID experience to guide lawmakers. In most states, many legislators assumed that these laws should protect property owners from the imposition of a BID assessment rather than encouraging them to form BIDs to raise property values. Requiring signatures of as many as 60 percent of property owners on petitions was one result of this concern. Furthermore, state laws often require adherence to details of administration that would be better left to local decision makers. An otherwise very good state law recently passed in Pennsylvania, for example, requires most BID boards to be composed of no more than nine members. No one knows why. Colorado’s law is similar in this regard. A few U.S. BID laws did not allow BIDs to be managed by nonprofit corporations, the most popular form; they required the BID to be a government agency. As bad as some of these statutes are, there is little constituency for improvement. Once a BID has gone through the many required steps, the board is preoccupied with making the BID work, not with helping the next BIDs through the mill. There are, however, some good legal models available, including New Jersey’s, New York’s, and the more recent Pennsylvania one.

It is hard to imagine what the ultimate scale of the BID movement may prove to be. While there already are 40-odd BIDs in New York City, one authority observes that there are 1,700 business centers in London with “a wide variety of sites that might be suitable candidates for a BID.” Dublin is not a large city, but there is probably potential for seven or eight of the scale currently considered. New Jersey has 40, none of them large, and two or three new ones emerge there each year. Philadelphia’s planning commission reports the existence of more than 100 commercial areas of BID size, and there are probably another half dozen in industrial areas. On the other hand, there are places, perhaps many, where the economic leaders are content with the status quo. For instance, Chattanooga, Tennessee, has started the BID process twice and both times decided not to form a downtown BID.

If the American experience holds true elsewhere, most large urban BIDs will not provide much beyond basic three services: cleaning, marketing, and some form of supplementary security or hospitality staff. Small BIDs will stick to attracting customers. The innovators—those who transform a district’s public realm and private buildings; those who attract businesses, subsidize the creation of a movie house, or bring in another anchor; those who develop new transportation schemes, or noteworthy advertising or public relations themes—will remain few, although they will dominate public attention.

BIDs that start well tend to continue as strong forces. Those that show limited ambition at the outset continue that way. Despite certain expansion in Britain and Ireland, the prospects in continental Europe or Latin America for additional BIDs are uncertain. In some countries, there is a greater degree of reliance on government to deal with these issues, and less of a tradition of voluntary self-help initiatives.

Even though there are no “model” BIDs—because circumstances, needs, resources, and creativity vary so much from place to place—there are a few that merit attention from those in the United States and abroad seeking top-flight experience from those in existence for more than a decade. For a solid record of high performance, low-cost services, and creative use of the district for civic advancement, Center City District in Philadelphia may be the champion. While there is a lot of competition among the hundreds of BIDs in small places, Red Bank, New Jersey’s district and the Manayunk district in Philadelphia, for example, launched a lot of tough challenges and have succeeded admirably.

Since 1997, when ULI’s first book about BIDs was published, there have been few bad headlines in the United States centering on BID’s misdeeds. In the longer history of BIDs, however, enough have popped up to justify more oversight by local government than is typical, especially regarding organization transparency and democratic functioning. Overall, however, with more than a quarter century of experience, the BID concept has effected a great deal of civic good and economic progress that would never have been accomplished otherwise. It has engaged residents as well as property owners and business operators in a productive system, adding value to real estate and generating economic strength in the economically most critical segments of older towns and cities in the United States and abroad. The best BIDs are vital, lively agents of change. Their formula for cooperation and cost sharing can produce a wide array of benefits, including expanding facilities for arts and culture, entertainment, parks, recreation, historic preservation, and environmental improvement and protection. Despite the heretofore limited success in residential areas, legislation like Pennsylvania’s “Neighborhood Improvement Districts” should attract some receptive audiences.

Alexis DeToquville, in the early days of the republic, noted that Americans’ great genius was to create nongovernmental organizations to fix problems and capture opportunities. BIDs are part of that persistent tradition.

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BIDS' GROWING PAINS

by Lawrence O. Houstoun, Jr.

As business improvement districts become older and more prevalent, a number of governance issues have surfaced.

Having shown they can enhance property values and measurably improve the quality of life in older commercial centers, business improvement districts (BIDs) are beginning to exhibit growing pains. Typically providing marketing, cleaning, and security services that supplement those provided by city governments, BIDs are managed by commercial interests and are financed principally by assessments on real property. Under the assessment concept, only those who benefit, pay, and only those who pay, benefit. Charges for BIDs are low because all business in the districts pay their fair share.

As a tool for commercial area revitalization, BIDs are popular with public officials because they bring private money into play. Perhaps equally important, they bring private sector thinking into the decision process, benefiting areas where business activities predominate. Some degree of devolution is involved. The BID must be able to assume authority and responsibility, and the local government must be willing to yield some control to an agent whose decision makers are not elected by registered voters.

If, however, the business or property owners who pay the BID charges do not like the way funds are being spent or decide the BID's chief staff person is incompetent or corrupt, they may not have a clear method for making their case and seeking corrective

action. For example, regular BID elections at which ratepayers can vote for decision-making seats on the board of directors are not always the norm. As BIDs become older and more prevalent, a number of governance and management issues have surfaced that could be avoided in the future with more careful planning or mid-course corrections.

The oldest BIDs in the United States and Canada have a quarter century of experience behind them. Some of the best known—Times Square, the Denver Partnership, the Winnipeg Business Improvement Zone, Philadelphia's Center City District, and the Downtown Baltimore Partnership—have passed the five-year point and have been reauthorized. There are about 1,000 BIDs in the United States and Canada, where similar commercial challenges and fiscal arrangements have produced a common phenomenon. That number could easily double in the next 20 years.

Business improvement districts operate in city centers, small towns, and older suburbs; in neighborhoods of large cities; and in large urban areas dominated by nonprofit institutions or manufacturing businesses—all places requiring common services for properties in diverse ownership. BIDs have become so much a part of economic revitalization that their absence in a large business district is increasingly rare.

Enthusiasm for institutional innovation, however, may tend to make some people initially overlook

features, such as public accountability, that over time may prove troublesome. Indeed, BIDs have several elements that should be approached carefully to assure that their benefits are not lost through hasty planning. Moreover, local authority for BIDs typically is extended for periods of five years, providing a regular opportunity to evaluate BIDs and how they can be improved. There are six potential trouble spots that should be considered in the planning or reauthorization process of a BID: copycat planning, fear of failure, success, political interference, governance, and board functioning.

Copycat Planning

When planning their own BIDs, business leaders may be attracted by one or two elements of an existing BID in another location but they do not take time to analyze whether these out-of-town solutions would apply sufficiently to local conditions to warrant imitating them. Sidewalk cleaning by uniformed personnel is a frequent example. As former Times Square BID director Gretchen Dykstra points out, excessive trash is associated in the public's mind with disorder. It also can contribute to a fear of urban places, she continues, and encourage potential consumers to stay away.

However, few downtowns have excessive amounts of sidewalk litter at a scale warranting the annual spending of hundreds of thousands of dollars to hire and maintain crews of sweepers and expensive cleaning machines. The Times Square BID spends more than \$1.5 million on sanitation services because daytime peak pedestrian counts there reach 6,000 people per hour as well as 1,500 people per hour in the middle of the night. Philadelphia's top pedestrian counts reach about 3,000 per hour, still enough to warrant round-the-clock sidewalk and curb sweeping. Most cities, however, barely record 500 pedestrians in their peak hours, with almost no daytime pedestrian traffic other than at lunch and during brief commuting periods. As a result, fewer

people means fewer food wrappers and cigarette butts. In most locations, an occasional sweep, at a fraction of the cost, would do the job. Nevertheless, some BID planners commit to cleaning the sidewalks and streets far beyond what is required to show that they are doing something, as a kind of walking BID advertisement.

Although BID charges may represent a small cost to area businesses—rarely more than \$0.10 to \$0.12 per square foot—the BID's financial resources are not unlimited. Funds misdirected to relatively minor problems with expensive price tags, like sidewalk litter, can divert funds from more productive investments such as filling stores and offices and attracting customers. BID planners should focus specifically on the needs of their local business areas instead of copying all the services that are offered elsewhere.

Fear of Failure

Most business leaders engaged in a cooperative civic endeavor like a BID planning process turn out to be business followers. The strength of personality of one or two individuals and their attendant optimism and commitment to the BID concept will usually determine the outcome of the BID plan. On the other hand, if those who dominate the planning effort lack enthusiasm, the process can consist of cautious proposals calculated to create the fewest waves, rather than proposals and steps that would make an economic difference to downtowns. If state laws require a high proportion of property owners to sign affirming petitions in order for BIDs to be approved, this tendency may be exaggerated. In the blocks where BID support is widespread or can easily be mobilized, effort to gain support will be relatively less needed. The solid support present in an office/hotel subarea, for example, may be missing in adjacent blocks struggling to emerge as a restaurant, entertainment, and specialty retail destination. These two sectors of downtown usually depend on each

other. Planning groups led by bullish business leaders may first mount a campaign to sell the BID concept to owners of smaller buildings in the areas, and generally they will succeed. Major property owners typically are more than happy to pay their share of the marketing, safety, and cleaning in an area where their employees and guests eat and shop. As a result, the downtown may emerge with a unified, positive image. In contrast, if business leaders are fearful about making a large effort, the BID may be smaller, less controversial, and less useful.

Another indication of excessive caution in BID planning involves the rate of assessment on commercial properties. In most BID planning sessions, owners quickly calculate the effect of potential assessments on rents and agree on a BID assessment formula that equates to about ten to 20 cents per square foot of commercial space. When BID planning is dominated by fears that the BID will be rejected, however, the tendency is to lowball the assessment without regard for the larger issue of what it will take to produce a substantial economic benefit to the downtown area. This can be a hard mistake to correct since many state laws make it difficult to increase revenues in less than the five-year reauthorization period. Plus, once a rate has been set, it often is difficult politically to raise it, although Baltimore and a few other cities have done so. Such an example of excessive caution in BID planning can place the emphasis on the wrong issue: BIDs rise or fall on the basis of perceived benefits, rather than on marginal costs. Because BID charges constitute a small business cost, selling outcomes is far more important than selling a low assessment rate.

In the crafting of a BID plan, there may be times to trim sails and to cut out potential service areas when there is strong opposition to the proposed district, but these measures should be the last resort. Most BID opposition is based on lack of information and on a suspicion that it is a scheme being promoted by

people without an interest in the opposition's point of view. It is important to involve the interests of all business and property owners, to get input from all quarters of the proposed district, to communicate continually with all locations and economic interests, and to arrange early face-to-face, business-to-business contacts with prospective opponents. These steps can produce a service area that will make sense to the long-term vitality of the district as well as a rate of assessment that will support necessary services.

Measuring Success

Five measurements sometimes applied to test a Bid's success include: reductions in office vacancies and crime rates, and increases in sales tax revenues, hotel occupancies, and pedestrian traffic. While these are good tests of downtown's overall progress, the BID's contribution to the first four will be minor and indirect. Former Times Square BID director Dykstra points out, BID uniformed personnel are not crime fighters; crime is the police department's job. While radio-equipped BID uniformed personnel can shorten police response times, for the most part their role is to provide reassurance, information, and assistance, not to solve crimes. The improved economy will reduce commercial vacancy rates, and crime rates have dropped in almost all cities. On the other hand, given the presence of security/hospitality personnel, the cleaner environment, and various marketing initiatives, BIDs can take some credit for higher pedestrian counts.

Measuring outcomes in BID service areas usually is best done by professional surveys of downtown users—employees, regional consumers, visitors, and employers. Buffalo Place in Buffalo, New York, for example, regularly invests in regional telephone surveys to test changing attitudes toward the downtown area as a place to shop, to work, to be entertained, and to dine, and has redirected its resources to overcome any reported deficiencies.

Philadelphia's University City District studied its markets and constituent groups in the first year, seeking perspectives on early changes to guide future priorities. While professional telephone surveys can cost upward of \$20,000, there are less expensive techniques, such as surveys of office workers at their work site. Such measurements of success and promises of remediation should be confined to conditions over which BIDs have significant influence.

Political Interference

City councils approve and reauthorize BIDs and, in a few states, they approve annual BID budgets. In some states, all members of the BID board of directors must be appointed by the mayor and council. Where BIDs take the form of local authorities rather than nonprofit corporations, there may be a greater tendency to assume that BIDs are potential sources of patronage. Some brazen attempts have been made. Threats of political interference in personnel choices or service contracts are best handled by toughing it out.

Governance

State laws vary on how BIDs are run—some create public authorities, while others permit nonprofit corporations. Most statutes assume that accountability comes through government oversight, which can take the form of officials holding ex officio seats on the BID's board of directors (as occurs in New York and New Jersey), the mayor and council appointing the BID's board of directors (as occurs in Pennsylvania), municipal approval of annual BID budgets (as happens in New Jersey), and so-called "sunset" provisions whereby the BID requires a new ordinance to continue activities beyond the customary five years. When BID board membership is not controlled by local governments, which is true in about half the cases, state laws generally ignore the question of how boards will be selected. As a matter of local choice, filling board seats takes two forms:

- Some board members are elected annually by a BID-defined electorate, typically property owners and business operators. Votes may be weighted by property values and board seats may be allocated by categories (e.g., merchants) to assure representation of diverse interests. Such bylaw issues usually are left to the BID framers. This model—direct election—is a governmental one. The Downtown Washington (D.C.) BID follows this pattern.
- Alternatively, board members are selected to fill vacancies by vote of the existing board (the initial board typically is composed of those who file the incorporation papers). This model resembles the traditional nonprofit corporation, a board-picks-board-members selection system.

When a BID is being planned, little thought generally is given to potential disputes that may arise later. For example, Brooklyn's Fulton Mall Improvement Association, one of New York City's oldest BIDs, had a longstanding internal board conflict over what kind of customers the area was seeking. In the beginning, the tone of the BID was set by the department store owners and the pitch was to the middle market and above. Leaders of the area's discount stores, however, sought a different market and a different allocation of BID marketing funds. After a noisy election, the discounters won and the BID's resources were redirected.

Those BID boards that are public authorities and those that are nonprofit corporations produce similar programs. Good BIDs come in both forms. Business leaders, however, are more comfortable with nonprofit corporations, although they rarely have a choice (New Jersey authorizes either form). Having to depend on the mayor and council to select board members rarely is popular, nor is running into government red tape when BID autonomy is not made clear in the statute. BID organizers should be able to plan a governance structure that uses the nonprofit corporation option, a choice that sometimes requires an amendment to state law.

Pennsylvania has incorporated such an option in its BID legislation, as well as broadening the purpose of districts to include service to industrial, residential, and mixed-use areas.

Having established that BIDs can pick their own boards of directors carries with it a responsibility that such nongovernmental organizations be appropriately democratic and that they operate with sufficient government oversight. Local critics say that some of the BID disputes in New York City are traceable to the tendency of Mayor Rudolph Giuliani's administration to overregulate. In the most celebrated case, however, many charges raised by the city's BID oversight office, reflected important issues of accountability and were the result of the city government having thought through how BIDs should be governed and managed. In addition, BIDs should apply public notice procedures for all meetings, even when not required by law, and should consider adopting ethics rules to avoid any conflicts of interest.

Board Functioning

There are active boards as well as boards that are little more than rubber stamps. The Times Square BID has very active committees and a decision process that reflects considerable investment of time and energy on the part of board members. This investment can be good insurance against the finger pointing that often results when occasional failures are worsened by lack of understanding and adequate support from board members.

The Downtown Washington (D.C.) BID appeared to have working committees of board members, yet the members reportedly felt out of touch and irritated by meetings that were unproductive. Improvement in both actual and perceived committee performance came along with improved committee staffing, more concise verbal and written reports, and scheduling reforms to allow ample time

at meetings for thoughtful discussion by the full board of committee recommendations.

Small BIDs (those with annual revenues ranging from \$40,000 to \$250,000) typically take on diverse challenges. With limited staff, sometimes only a part-time employee, much of the actual work—as well as the program planning and oversight—can depend on business, and sometimes resident, volunteers. While two or three years of enthusiastic commitment of time by unpaid volunteers who are devoted to the downtown area or to a neighborhood commercial revival is common, a longer period is rare. Both the Lark Street BID in Albany, New York, and the Downtown Millburn (New Jersey) Development Association experienced severe “board burnout,” especially in the case of customer-attracting special events, the success of which requires many volunteers.

Because small BIDs have a restricted pool of unpaid talent to help get all the jobs done, it is important not to limit committee work to board members—in part to identify future board prospects—and to charge committees with responsibility for recruiting new committee members. Many small BIDs depend to a large degree on resident expertise and energy. But whether residents or commercial people are involved, the key to ensuring continuing participation is being able to point to evidence of a BID's success, which provides the fuel to attract volunteers.

While the process of planning and organizing BIDs typically takes a long time, it does not necessarily translate into a better foundation or better priorities. Philadelphia's Center City District, however, invested a year before planning a BID to attract the right corporate leader, one who remained as chairman for more than eight years. Selecting people to be involved is the most important step in BID planning and organization. Given strong, savvy

leadership, questions having to do with setting goals and selecting a mix of services to best serve those goals should produce sound decisions. Also, getting experts involved in the process, ones who are familiar with many BIDs and who are not ideologically committed to one-model-fits-all planning, can provide essential perspectives.

A tight relationship between a board chairman and a director that renders the balance of the board a mere adjunct may appear to work for a while and can be comfortable for all concerned. Yet, if things go wrong, it is helpful to have many board members who have been directly involved in all major decisions. Members who have helped make decisions can provide reasoned support when appropriate and are less inclined to resign in frustration when things go wrong.

The nonprofit governance formula means BIDs are in law or in practice free of the tension and transparency expected to protect taxpayers from governmental abuses. BID board votes under this system rarely are reported in the media. Few BID ratepayers know of board meetings and nonprofit BIDs are not subject to state sunshine laws requiring public notice. State audit requirements, where they exist, are typically vague, not enforced, and widely ignored. Unless a substantial complaint emerges—a crisis that cannot be ignored—the local governments that authorize BIDs ignore them during the five years between reauthorizations.

While the temptation is often great to allow board members to fill all board vacancies, it is probably safer from the standpoint of the BID's capacity to change with the times to allow ratepayers to elect at least some board members directly. Such elections, sometimes viewed as nuisances to BID staffs, nevertheless can constitute an important safety valve and add legitimacy to the board.

BIDs are not immune to the human failings that regularly affect the workings of federal, state, and local governments as well as some nonprofits. BID board members have been known to vote on issues from which they, or their property, will particularly benefit, or to subvert competitive procurement procedures. While valid or specious charges of mistakes or mischief made by BID board members have been few thus far, there have been sufficient instances to warrant careful attention to the transparency, responsiveness, and accountability of BIDs.

The concern is not that there are yet widespread examples of contract fixing or payroll padding presently hidden from public view. If more such examples come to light, however, legislative reaction will place excessive restraints on BIDs, making them harder to initiate and limiting their freedom to innovate. It is no small decision for municipal governing bodies to hand off their power to levy assessments to unelected bodies like BID boards. BIDs need to ensure that their decision systems are adequately democratic, open, and responsive, and that issues of ethics and accountability are considered along with issues of marketing and attracting businesses.

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THE ATTRACTION OF ART

by Lawrence O. Houstoun, Jr.

Arts-related institutions currently draw more visitors downtown than do professional sports.

The centers of American cities are enjoying a revival that is not attributable entirely to the current unexpectedly long period of national prosperity. For decades, cities have struggled—with varying degrees of success—to keep, if not attract, retail and office activities. Now, however, impressive results are emerging from a more recent appreciation of cities as the centers of American culture. This is hardly a new phenomenon: when Philadelphia was the nation's capital, presidents George Washington and John Adams enjoyed performances there at the country's first theaters.

What is new is the recognition that there is gold to be found in front of the footlights and at museums and galleries that can contribute to local employment, business prosperity, and tax revenues. Under proper conditions, these secondary economic effects can be impressive. Also new is the recognition of the importance of a city's overall reputation—good or bad—in economic development. Part of that reputation is based on the city's arts and cultural institutions, which are seen as a significant factor in attracting and retaining skilled professionals and managers.

Finally, there is new recognition of the synergy that can emerge from collaborations among arts institutions as well as between these entities and related business interests. This synergy appears most promising when there is public recognition of a district where the arts are a prominent attraction.

Ideally, an urban arts and cultural district should be diverse in its offerings and integrated into the fabric of the city. The core mix may include museums, symphony and recital halls, art galleries, theaters, opera houses, art house cinemas, and arts education facilities. To create its own identity, the district should have at least four or five of these attractions within a three- to four-block radius in each direction, and the walkways between them should be inviting.

If arts and cultural facilities are the district's bricks, success also depends on the mortar-related and intermixed private enterprises, including cafés, restaurants, and bars; frame and print stores; hotels; nightclubs; and various specialty retail shops that are open at night. These districts can encourage public art and murals, artist-in-residence programs, street-corner performances, and festivals. Districts can emulate New York City's SoHo, where old converted buildings house galleries and artists, or places where large public facilities, such as museums or theaters, set the tone. In an arts and cultural district, the

public, nonprofit, and commercial activities reinforce one another. A performance at 8:00 p.m., for example, can be preceded by dinner nearby and followed by window shopping and a stop at a patisserie or nightclub. Arts and cultural facilities can help encourage downtown growth, and commercial enterprises can augment it.

The economic potential of such districts is becoming more widely recognized. Six counties in the Denver metropolitan area instituted a 0.1 percent sales tax that directly funds nonprofit cultural institutions serving the region. That city's scientific and cultural facilities district (SCFD) includes well-established institutions and smaller neighborhoods alike. Generating more than \$27 million in tax revenues, SCFD channeled funds to 301 cultural and science-related organizations in 1997.

Arts-related institutions in the United States currently draw more visitors than professional sports events, and Denver is no exception. SCFD's cultural institutions drew 7.9 million people in 1997, exceeding by 41 percent the 1996–1997 season home-game attendance of the Broncos, Nuggets, Rockies, and Avalanche combined. Moreover, from 1989 to 1997, total SCFD admissions grew by 56 percent: paid admissions increased by 50 percent, from 3.25 million to 4.87 million, and free admissions increased by 79 percent.

As economic engines, arts districts are exceptional. Many of their core facilities and related commercial enterprises are open daily, unlike those of sports facilities, which operate infrequently and typically exist beyond walking distance at the edges of downtowns. Contributing to the success is the frequency with which evening performances occur—100, 200, or more times a year. People come, spend money, and tell others about the positive things that they experienced downtown.

While not all subsectors (e.g., symphony orchestras) are sharing in the arts boom equally, the boom overall is impressive. The significant growth over the past decade in opera, especially in its appeal to young adults, is widely recognized. Also, New York City's Metropolitan Museum of Art reported its highest attendance ever for 1996. The League of American Theaters and Producers, also in New York City, reported a one-year increase of 11.8 percent in attendance for the 1996–1997 season. The New York City Convention & Visitors Bureau reported an increase of 1.5 million visitors in 1996, up 4.9 percent from the previous year. In the past decade, Philadelphia's Center City has seen three arts cinemas and two new legitimate theaters open one by one.

In 1997, the Alliance for the Arts in New York City published the results of a study of the economic impact of the arts in the city and the state. The economic assessment includes both the direct expenditures of arts organizations and of the tourists they attract as well as the indirect and ripple effects of these expenditures. Cultural tourism is emerging as a significant segment of tourism, one of the nation's fastest-growing industries, and the arts are attracting growing numbers of foreign and domestic visitors who spend money that otherwise would not be captured.

Arts and cultural organizations were defined as follows:

- nonprofit cultural institutions: performing and visual arts, nonprofit film and media, and other cultural organizations;
- commercial theater: for-profit Broadway and off-Broadway productions and touring companies;
- commercial art galleries and auction houses; and
- motion picture and television production studios.

Major findings for New York City (FY 1995) included the following:

- The total economic impact of the arts on the city was \$11.1 billion.
- Employment generated by the arts, both directly and indirectly, totaled 130,466.
- Taxes returned to the city as a result of this activity exceeded \$221 million.
- Nonprofit organizations generated \$3.2 billion.
- Commercial theater generated \$1 billion.
- Commercial art galleries and auction houses generated \$823 million.
- Motion picture and television production studios generated \$3.4 billion.
- Visitor spending generated \$2.5 billion.
- Capital spending by nonprofit institutions and commercial art galleries, auction houses, and theater generated \$170 million.

Some years ago, a Philadelphia tourism official was quoted as saying “Culture doesn’t pay.” Not long after that, that city’s principal museum, the Philadelphia Museum of Art, became the exclusive U.S. site for the worldwide Cézanne exhibit, attracting more than a half-million visitors (80 percent from out of town), who spent \$86.5 million and broke all previous weekend records for hotel occupancy. By 1998, the Pennsylvania Economy League (PEL) undertook a study of the economic development dimension of arts and cultural activities. According to its findings, greater Philadelphia’s nonprofit cultural industry generates \$300 million a year and employs more than 5,500 full- and part-time workers. Its economic impact on the five-county region is impressive. It supports \$564 million in spending and more than 11,000 jobs, and it collects more than \$10 million in state and \$6 million in city income and sales taxes. In the diverse regional economy, the nonprofit cultural industry stands out as a leader, the study asserts, helping to

define the region’s image and adding significant value to regional companies that understand its potential. Partnerships between regional businesses and cultural leaders help the region by:

- creating a regional image of quality of life and creativity;
- helping companies recruit talented workers;
- providing venues and opportunities for business development;
- making the region a leader in the growing cultural tourism market; and
- enhancing the for-profit cultural industry.

In 1998, approximately 45 percent of all organizational and audience revenue came from outside of the five-county southeastern Pennsylvania region. These “new” dollars enter the region solely because of the presence of regional arts and cultural organizations and account for \$265 million in total regional spending. Nonprofit cultural activity generates nearly \$6.5 million annually in sales and income taxes for the city of Philadelphia. “Combined with additional business, property, and other taxes,” the PEL report states, “the business of arts and culture is clearly a significant generator of tax revenue.”

The ultimate goal in the economic development business is to become a “hot” city—one that is known to every recruiter, business analyst, and newspaper reporter as a great place to live and work. The PEL report quotes economist David Birch of the Massachusetts Institute of Technology: “In today’s economy, the traditional ‘factor cost’ argument is largely irrelevant. [Entrepreneurial] firms are not locating so as to minimize taxes or costs associated with labor, energy, transportation, etc. In fact, if there is any pattern, it is a shift to higher, rather than lower, cost areas. . . .” The arts can be a powerful enhancement to a community’s attractiveness. “Why People Move to and away from

New York City,” a survey of people moving to New York City in 1992, found that a majority (56 percent) cited the variety of cultural attractions as a major motivation for moving. This was the second most commonly cited reason after job changes (61 percent).

Washington, D.C.’s East End

Are arts districts part of an important new economic movement? Washington, D.C.’s Downtown Business Improvement District (BID) director Richard Bradley thinks so, quoting Joseph Pine’s book *The Experience Economy*. Pine notes the historic transition from agriculture to manufacturing to service economies and suggests that the important new forces will be related to buying and selling education, aesthetics, escape, and entertainment as people move from passive engagement to more active lives. An arts district can be the venue for all of these experiential commodities, hence Bradley’s interest in Washington’s burgeoning East End. (See “Resurgence in Downtown Washington,” March 1998 *Urban Land*.)

In the older, eastern portion of Washington’s downtown, where the department stores closed and the office market never penetrated, there exists a respectable clutch of cultural facilities from the distant past. Ford’s Theater, where President Abraham Lincoln was shot, the National Portrait Gallery, and the main branch of the District’s library system are serving as anchors for the arts venues that are coming to the low-numbered streets where few tourists venture. The area received a major boost three years ago, when local sports mogul Abe Pollin opened the MCI Center on top of a subway station, bringing hockey fans and concert-goers alike into blocks newly relighted and made safer by the presence of the BID’s supplementary security personnel. However, there have been some hitches along the way in creating Washington’s new arts district.

The decision in the 1960s to locate the Kennedy Center—with its concert hall, opera house, Eisenhower Theater, and two smaller theaters—far from downtown reflected the tendency of that era to disregard the downtown as a place for well-to-do patrons to converge. The fact that Washington’s 1968 riot came within several blocks of the National Theatre served to underscore this ethos. The Kennedy Center is the cultural equivalent of the shopping mall—its drive-to location is a long walk from the closest subway stop, and although there are three restaurants within its marble-clad walls, there are few shops or restaurants nearby. Efforts to convert the former Woodward and Lothrop department store in the heart of Washington’s downtown into a space for the Washington Opera company, directed by Plácido Domingo, stalled and failed, destroying yet another opportunity to put a star-class cultural amenity close to a subway station. Despite the loss, the development momentum for businesses located downtown continued to build. Although a number of downtown theaters were lost during the redevelopment of the 1960s and 1970s, two survived at 13th Street, N.W.—the National and the Warner theaters. Their continued success, and the move of the Shakespeare Theatre from Capitol Hill to 7th Street in 1992, reminded regional patrons that there were still compelling reasons to go downtown. The following plans are committed or expected to be developed over the next two years:

- Kennedy Center East will provide adapted facilities to house Broadway shows and services that the theater complex on the
- Potomac River has outgrown.
- An eight-screen arts cinema is planned.
- A yet-to-be-financed museum of American popular music is on the drawing boards.

It is unclear how much of the optimism leading private investors and nonprofit organizations to look again at the old downtown can be traced to the BID, now three years old. It is probably true, however, that this formerly seedy end of commercial Washington owes some of its comeback to the BID's \$5 million security and cleaning services, marketing, and programs for the homeless. Now that significant negative factors that deterred investment have been nullified, the area is being hyped by professional marketers. The presence and convenience of subway stops in this part of Washington and the comfort that Washington area residents feel in using the 100-station regional transportation system also strengthen the area's appeal. Sixty percent of MCI Center attendees, for example, arrive by subway. Without first-rate public transit, the arts facilities, restaurants, and the MCI Center would have required quantities of parking structures that would have seriously impaired the small-scale ambience that is an essential part of the 7th Street arts district's appeal. On the down side, the economic prospects of the MCI Center, plus an arts expansion in the neighborhood, have encouraged rents to rise in anticipation of new restaurants, galleries, and condominiums—in many cases driving economically marginal artists from their homes and work and exhibition spaces.

Philadelphia

Less than ten years old, Philadelphia's Avenue of the Arts has gained momentum in the past five years both in its arts and cultural offerings and in the commercial revival that has accompanied them. Although the formally designated district is three and a half miles long, the major cluster of facilities and related businesses lies in the half-mile segment of South Broad Street below city hall. The Kimmel Center for the Performing Arts, with 6,000 seats in three venues, is being created there, and the 350-room Ritz Carlton has relocated into a 100-year-old marble bank tower.

Until the 1980s, South Broad Street was the site of Philadelphia's top financial and law firms. As they moved into new Class A space built by Willard Rouse and others on blocks westward, South Broad Street was left with half-empty office buildings, the Union League Club, the historic Academy of Music, and the Schubert (now Merriam) Theater, which had seen better days. So moribund was South Broad Street that people safely left their cars on the median strip for days. Beneath the street, the subway pedestrian concourse became an unofficial dormitory for the homeless.

When the concept for an arts district was first launched by the Central Philadelphia Development Corp., the district's name, location, and size seemed overly ambitious, given the economic vacuum that South Broad Street had become. To begin, the city implemented a streetscape project that added period light fixtures, a paved median, pedestrian safety islands, trees, planters, and new sidewalks and crosswalks. The capital project proved to be precisely the kind of public investment required to change attitudes about the area. Next, a new theater for plays was created in conjunction with the expansion of the Doubletree Hotel's parking garage—the \$8 million, 300-seat Wilma Theater is now the setting for a decades-old local company and the place to see a Tom Stoppard or Harold Pinter play. The once slightly shabby Academy of Music, built in 1855, is the oldest grand opera house in the United States still used for its original purpose. The Opera Company of Philadelphia, having undergone a \$25 million modernization, last year reported its best season ever.

Renamed the Merriam Theater, the former Schubert's is an 1,800-seat setting for road company shows that was acquired in the 1990s by the University of the Arts and completely refurbished. The university itself recently has converted an older office building into residential, studio, and classroom space, thereby infusing more life into the district.

The university now has seven performance spaces and six gallery and exhibition sites, principally the result of the conversion of obsolete commercial and public buildings.

Last year brought another new theater, converted from a vacant movie house. The Prince Music Theater, named for director Harold Prince, has 450 seats with a full-size Broadway stage, concert shell, and film screen used by the Festival of World Cinema.

The keystone of the district, however, is the \$245 million Kimmel Center for the Performing Arts, now under construction at Broad and Pine streets. The Rafael Viñoly–designed complex will include a new 2,500-seat concert hall for the Philadelphia Orchestra, plus a 650-seat adaptable recital hall enclosed in a vast, glazed winter garden that spans the entire block.

The rebirth of the historic Bellevue Stratford Hotel helped to generate the opening of a half-dozen new restaurants nearby, and a popular, African American–owned jazz club relocated to the Bellevue’s lower level. An additional benefit is the proximity of the Avenue of the Arts to the Pennsylvania Convention Center, an eight-acre facility that soon will be expanded to North Broad Street.

Two names among the many who have helped to create the district stand out. Willard Rouse, the city’s leading developer in the 1980s, led the group that produced the convention center and currently heads the organization raising funds for the Kimmel Center for the Performing Arts. Mayor Ed Rendell, having made the city solvent, has supported the Avenue of the Arts in making physical improvements and in fundraising. His wife, Judge Midge Rendell, chairs the board of Avenue of the Arts, Inc., a

nonprofit corporation formed in 1993 and supported principally by corporate contributions to promote and guide the Avenue’s expansion. Street festivals featuring classical music, jazz, and dining are among the group’s accomplishments. The corporation serves also as the district’s planning arm and maintains the streetscape.

Miami Beach

Miami Beach’s Lincoln Road is the setting for arts, arts-related commerce, and artists; performance venues include the Old Colony Theater and a symphony hall. A pedestrian mall near the convention center and the restored hotel strip along the ocean, Lincoln Road was rebuilt in the 1990s and has generated large crowds in part because of the appeal of its outdoor restaurants and quality art galleries.

The rebirth of this once-acclaimed “Fifth Avenue of the South” came after a long decline that produced rents low enough for artists to enjoy the favorable setting. Local attorney Stanley Levine, an arts devotee, was a leader in capitalizing on their presence by building and expanding on a single theme—the arts. Levine led the fight against a supermarket (a conflicting use), for preserving and upgrading the pedestrian area, and in forming a business improvement district to patrol and clean the area, to market the arts and arts-related businesses, and to produce arts-based special events. Levine also recognized that the gradual economic success of his vision would raise rents and drive out the artists who originally had given the place the character that he was trying to preserve. To avert this loss, Levine purchased neighborhood buildings when the prices were low and continues to make space available to artists at rents they can afford.

Wilmington, Delaware

The state of Delaware formed a redevelopment corporation to convert a former shipbuilding and shipping area in Wilmington, Delaware, that had last seen prosperity during World War II into a space for cultural attractions, baseball, nightclubs, offices, outlet stores, and a riverside park. The state agency remains in place to support the business and nonprofit interests, and a BID has been formed to provide supplementary security, grounds maintenance, cleaning services, and marketing.

The district's arts facilities include the First USA Riverfront Arts Center, which opened in 1998, occupying a 125,000-square-foot converted warehouse. The facility has 89,000 square feet of conference space and can seat 1,500 in theater-style seating.

The Delaware Theater Company, also housed in converted warehouse space, offers plays by John Steinbeck and Noel Coward, as well as contemporary playwrights. Although its principal performance location is in the historic Grand Opera House at the opposite end of the business district, the Opera Delaware Studio, located in another converted building, is the site of experimental and educational opera offerings, including new works produced in association with the nearby University of Delaware. The Delaware Center for Contemporary Arts is relocating here and a children's museum may follow. *The Philadelphia Inquirer* recently attributed strong weekend hotel business in northern Delaware to the riverfront activities, especially the major art shows.

A unique funding strategy was used to form the riverfront BID. To ensure that the security, cleaning, and maintenance services were in place as soon as the Riverwalk and park were open and before retail leasing began, financing began based primarily on voluntary multiyear agreements. As retail leasing

proceeds, the voluntary contributions will decline as the assessment revenue increases, starting this fall. The unifying physical element in this mélange of business and art enterprises is the Riverwalk, carved out of the edge of the Christina River by the state's Riverfront Development Corporation. The economic advantage of the Riverwalk is the ease with which arts patrons can walk to the large collection of outlet shops occupying the space once dominated by the sheds used to build ships. An L.L. Bean store is well positioned between the arts facilities and Frawley Stadium, where the Blue Rocks minor league baseball team plays. As much as 400,000 square feet of retail is planned on this site, which is visible and accessible from Interstate 95. The Shipyard Shops, a joint venture involving the Riverfront Development Corporation and Pettinaro Construction Company, Inc., has leased 90,000 square feet of retail. The state corporation, which keeps the riverfront lively with festivals and other activities, continues to promote redevelopment with a six-story warehouse conversion for residential space, a restaurant, and a public market expected to come next. The riverfront district is close to Amtrak, the Philadelphia commuter rail line, 80,000 walk-to-work jobs in Wilmington, and other amenities.

Denver

Located in the late-blooming Lower Downtown (LoDo) area, Denver's arts district is somewhat removed from the Denver Center for the Performing Arts, although it is a close neighbor of Coors Field. LoDo is undergoing development—as are virtually all other segments of the city's downtown—but the results are still spotty. Gains and losses have resulted from juxtaposing a major athletic field and an arts district. Coors Field is a major new force for investment in the area, and increasingly, as leases expire, restaurants and sports bars pitched to the fans fill space used previously by artists and small galleries.

The arts district is near Denver's famed Larimer Square, a varied and prospering preservation of old Denver, and includes Metropolitan State College's Center for the Visual Arts. LoDo has its "First Friday" open house, which attracts strollers from throughout the region to the art galleries in modest-scale converted buildings. The district's performance art venues include the Denver Center for the Performing Arts, which offers a full selection of ballet, opera, and symphonies. The center's leadership prefers to have exclusive parking available close to the performance hall. Regional patrons' safety concerns, as well as convenience, drives such decisions, despite the presence of supplementary security personnel supplied by the Downtown Denver Partnership. The center's structure addresses two needs simultaneously by sheltering audiences with a sweeping glazed roof over the street and leaving the space open at both ends so that pedestrians can walk through it or walk to and from performances.

However, the artists living and working there, who have helped define the area's character, are finding affordable space increasingly rare. Hilary DePollo, former head of the LoDo Arts District organization, reports that the number of galleries has dropped from 35 to 18 in recent years. As the critical mass of galleries declines, DePollo's former organization is reconsidering its mission, which had included promotions, events, tours, and other cooperative ventures supported by the businesses in the district. The arts district appears to be losing out to reinvestment in prosperous downtown Denver.

Quality of Life

Are the arts a catalyst for redevelopment? Obviously, the answer to that question differs depending on time and location. It is premature, for example, to expect a building renaissance around New Jersey's Performing Arts Center in Newark, now less than five years old. Playhouse Square, however, a four-

theater complex created from former vaudeville houses in Cleveland over a period of years, has spurred investment of more than \$225 million in the surrounding neighborhood, according to Art Falco, Playhouse Square's president. It also has increased audiences for its resident companies by more than 50 percent in ten years. Nevertheless, Playhouse Square's success was 20 years in the making.

The arts have contributed to downtown real estate successes, even at the expense of the arts themselves. Denver, enjoying a significant long-term boost in downtown jobs and housing, has seen LoDo's amenities spur an explosion of renovations and conversions. Philadelphia, even before it renamed South Broad Street, drew high-rise residential development to the blocks nearest to the Philadelphia Orchestra, the Opera Company of Philadelphia, and the Merriam Theater's road shows. Where stable upscale residential areas and multiple arts facilities converge, restaurants and even some evening shopping follow. Today, such areas are seeing conversion of obsolete office buildings into residential and hotel towers.

The link between arts and retail on the Wilmington waterfront depends principally on the substantial daytime crowds generated by the art shows and the extensive region from which visitors are drawn. The area was planned for multiple pedestrian trips; the walkways between the somewhat disparate public and private activities link them in a convenient and attractive setting that probably generates more and longer walks between destinations than more urban sites. Most important, Wilmington began with a well-thought-out plan in which the arts were a prominent element, and the state created a redevelopment arm to ensure that the retail and residential spin-offs became reality. In the main, arts-related real estate investment will favor restaurant and residential development, which may endure, and galleries, which may not.

How people move around influences economic spin-off potential. Attractive walkways and clear destinations can help generate spending. In contrast, dedicated parking lots separate people from their next possible destination. Where the culture crowd uses nearby parking structures built for daytime office staff—as in Philadelphia—businesses benefit from the short walk that patrons have to take to get to the theaters. The worst commercial option is when the principal facility's parking is contained within the complex itself, such as at the Kennedy Center. Cultural facilities can serve to anchor arts districts, yet their monumentality sometimes separates the arts from supporting commercial amenities. The glazed roof that ties together the various components of Denver's center represents an effective effort to embrace the street and to accommodate pedestrians.

While few arts districts have their own BID or one that gives them special attention, it is hard to overestimate the importance of these self-help, assessment-financed entities. Philadelphia's University City District was not formed with arts in mind, but BID director Paul Steinke has corralled museums, theaters, artists, restaurants, and others into an arts-driven marketing campaign. BIDs have the capacity to enliven districts by organizing festivals and evening street entertainment. Art facilities themselves are certainly part of the excitement, but the setting for those facilities—the exterior lighting, the outdoor bustle that comes from several facilities and many private enterprises—are equally important.

BIDs raise the money to maintain and improve the public environment and to market the area through assessments on private property. There are devices other than BIDs by which professional marketing can be financed and managed, but only BIDs have the capacity to convert enhancements in private property values into revenues that support audience-

generating promotions. When arts districts take off, in large measure because of supporting nonprofit corporations, private property values rise. It is fair and necessary that this added arts-induced private sector value be tapped to reduce some of the problems associated with the arts districts' prosperity and to create new opportunities for the arts facilities as well as the private enterprises that depend at least partly upon them.

As quality-of-life factors increasingly are accepted as vital to economic development, more downtown master plans will focus on the benefits of clusters of arts-related enterprises, nonprofit and commercial. Arts districts are not without problems and are far from being quick solutions to downtown revitalization goals as a whole. Still, such districts can be important in downtown revitalization, as much for the residents they attract as for the secondary benefits of increased retail sales, businesses, and jobs.

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BIDS: ENCOMPASSING RESIDENTIAL AS WELL AS COMMERCIAL PROPERTIES

Lawrence Houstoun, Jr.

In the past decade, many business improvement districts have modified their constituencies, their service priorities, their revenue bases, and, in some cases, their governance to produce programs that benefit residents and residential properties rather than just commercial properties and owners. This reflects the rise of commercial centers as a magnet for households that are embracing the stimulation and amenities provided by pedestrian-friendly downtown areas.

As developers have responded to the housing demands in commercial centers, the characteristics of many of these commercial centers in both suburbs and cities have changed considerably. Business improvement district (BID) services, long focused on attracting shoppers and visitors and improving the environment for office employees, have also proven attractive to those seeking more urban living locations.

BIDs provide services and physical improvements—such as professional place marketing, clean sidewalks, and attractive settings—through organizations planned and run by owners of properties and businesses in a legally defined area and financed by a compulsory charge. The legal foundations of BIDs with respect to services and charges to residential properties come in three forms in state authorizing legislation.

In one form, residential properties are specifically included in benefit district laws. The Pennsylvania Neighborhood Improvement District (NID) management statute, for example, authorizes residential and mixed-use districts, treating them virtually the same as commercial improvement districts. This flexible and easily applied statute also allows residential properties to be excluded from commercial BID charges and allows BIDs to set differing assessment rates where there are clear differences in benefits. An example is to discount residential charges to reflect BID services such as retail or office marketing that are not applicable to row-houses or apartments. In this way, the charge applicable to commercial properties might be reduced by 25 percent for residential properties because residents do not benefit equally from otherwise uniform assessments.

In the second form, improvement district laws simply refer to “properties,” not indicating any legal difference between commercial and residential. The Virginia law authorizing special services is one of many that existed before special BID laws were enacted. Municipalities are authorized to “levy and collect a special tax upon any property” within a designated serviced district. Application of this law to produce BIDs came as a statutory afterthought, decades after the original enactment.

A third form is home rule powers. Localities may have broader options under this system of state-delegated powers. Where two existing state BID laws were not locally acceptable—for example, in Jacksonville, Florida—the district was formed under this broader legal delegation.

Some state BID laws specifically prohibit district charges on residential properties and do not intend for services to be provided for residential properties. The Colorado statute when enacted excluded “taxable real or personal property for property tax purposes as either residential or agricultural” from BID charges.

Even when the possibility to assess residential properties existed in state law, with few exceptions, the practice of excluding residential properties predominated during the early decades of BID organization. The temptation to swell the BID budgets by including residential assessment revenue was usually set aside when BID planners considered the potential conflicts between residential and commercial improvement priorities. There was also concern that residential property owners would oppose creation of BIDs. Not considered then a major source of added revenues, residents were viewed principally as political nuisances.

The Pennsylvania NID law has been popular; all new districts have applied its provisions, largely because it authorizes nonprofit corporations—rather than government authorities—as its governance structure. Although it permits creation of purely residential BIDs, only a few such have been tried and none has completed preordinance planning.

The following examples show how new investors and BIDs have arrived at a productive, cooperative relationship, with BIDs taking care of community needs beyond residential front doors, including providing brighter sidewalk lighting, public art and entertainment, and enjoyable settings with trees, shrubs, and flowers.

Philadelphia’s Center City District

Most districts that serve residents were not planned to do so. One of the longest-standing BIDs is Philadelphia’s Center City District (CCD), now more than 15 years old and with annual revenues topping \$17 million. CCD was launched providing only supplementary security personnel and sidewalk cleaning, then adopted various marketing programs as the first two elements became known successes.

The service area was geographically defined to include the properties guaranteed to produce the highest returns in commercial property assessments, excluding to the extent possible owner-occupied residential properties in part because they would add relatively little revenue, though rental multifamily apartment properties were included. It was also a requirement of the state BID law at the time that any residential properties within the service area, such as condominiums, would be required to pay an assessment based on the same rate as commercial properties. Some artful gerrymandering resulted. To reduce anticipated opposition to the BID from condominium owners and owner-occupied, single-family residential properties, the district offered owners who applied for it what amounted to an exemption from the compulsory charge. Investment properties were charged the full rate. This proved successful at reducing the anticipated residential resistance.

More than a decade ago, CCD proposed a tax-abatement measure to promote residential development, an approach tested successfully by the Downtown New York BID. As a result, apartment towers have been constructed and obsolete office buildings and warehouses converted to condos and apartments. Where it once seemed unlikely that anyone would pay a half million dollars even for a handsome historic home, today duplexes in multifamily buildings sell for more than \$5 million. Gradually, residential owners came to appreciate the low-cost BID services and fewer applied for the exemption.

Since the tax incentive was enacted, more than 10,000 housing units have been constructed in Philadelphia's Center City District and in neighborhoods within walking distance of the district. In response, CCD ended the optional opt-out policy for condos sold after September 2005. When the original BID was approved, about 2,500 assessed properties paid the compulsory charge. Within the same service area, the number of assessed properties, almost all residential, has doubled, and the district works hard to ensure that the resident owners understand that their payments help support the district services. The improvements of greatest importance to residents, according to a 2006 survey, were to raise the quality of sidewalks, enforce traffic and bicycle laws, and improve pedestrian lighting. As a result, these residents now have brighter sidewalks as they walk to the opera, restaurants, theaters, and other nearby amenities.

The University City business improvement district (BID) spends much of its budget on benefits to residential neighborhoods, including the maintenance and programming of Clark Park. Security patrols circulate on bikes on blocks that are also cleaned by the BID.

As part of the CCD services, new condo owners receive welcome packages, the district promotes schools for resident children, and education programs for residents address personal safety and building security. Other additions to the regular CCD services tailored to residents include periodic focus groups to determine other areas needing improvement, a resident-oriented magazine, and a staff member to help residents—an idea borrowed from the Seattle BID.

Next year's budget, which totals \$18 million, will include an estimated \$2 million in assessments derived from residential properties, including the previously assessed rental apartment buildings. The U.S. housing slump so far has had little impact on Center City residential projects; the value added by location continues to produce new units, many starting at \$600,000.

University City District, Philadelphia

University City District (UCD) was formed in the wake of a notorious murder of a professor a decade ago on a sidewalk between the University of Pennsylvania and nearby neighborhoods. The district has functioned for eight years under a different form of compulsory charge while the board seeks authorization under the NID law. Its service pattern, however, is comparable to that of other large BIDs. Major differences include the following:

- Three categories of beneficiaries are served—tax-exempt properties (e.g., the University of Pennsylvania, Drexel University, Amtrak, Presbyterian Hospital); commercial (mainly small properties, including many restaurants); and residential properties of various sizes, including rental and owner-occupied properties. UCD will be categorized as a mixed-use district under the Pennsylvania law.

- About three-quarters of the properties served are residential, consistent with the estimated division of services measured by dollars spent.
- Residential blocks include six entire neighborhoods to which about 60 percent of the sidewalk and public space cleaning budget is devoted. Because of the size of the service area, uniformed supplementary security is deployed mainly on bicycles.
- Marketing includes information about entertainment, museums, dining, and shopping, originally organized to attract visitors, but of increasing appeal to the growing residential population. A print newsletter is sent to 3,000 households and a biweekly electronic newsletter to 2,500. One popular brand slogan was “University City District, Left of Center,” intended to distinguish the area from Center City.
- UCD’s public events primarily serve the residential population, though they also appeal to the 30,000 people who work in the district. UCD paid for the redesign of a nine-acre (3.6-ha) park at the edge of the residential neighborhoods, maintains the property, and is responsible for programs that draw large crowds of people, about 85 percent of whom are estimated to be district residents. Real estate experts credit UCD for some of the increase in residential property values that followed the BID services. Several large residential projects have opened since UCD’s founding.
- The BID is currently investing \$1.2 million in pedestrian lighting along several commercial streets and at a municipal parking lot, both predominantly used by residents from adjoining neighborhoods. This is in addition to \$2.5 million invested in comparable improvements throughout the district two years earlier.

Charles Village, Baltimore, Maryland

The Charles Village Community Benefit District, a 100-block area in Baltimore, embraces four neighborhoods—Abel, Better Greenmount Alliance, Charles Village, and South Charles Village—and bills itself as “America’s first community benefit district.” More than 15 years old, the district was launched in the wake of two neighborhood murders. The district is considered the pioneer use of the benefit district concept in a predominantly residential area.

From the beginning, a substantial share of the annual budget has been devoted to residential security. The *Baltimore Sun* observed that after the first year, robberies were down 21 percent, commercial burglaries down 20 percent, and auto thefts down 24 percent. The BID Safety Advisory Council initially managed nine full-time guards on the streets, providing 3,000 escorts, assisting in 27 arrests, and inducing added pedestrian traffic. Five drug busts resulted from BID tip sheets, cooperation with police improved, and the BID worked with the city to upgrade lighting and trim trees to illuminate sidewalks.

Other early successes included sponsoring town meetings on redevelopment, attracting new restaurateurs, and cleaning 150 city blocks with five sweepers daily. The crew cleans and weeds streets and sidewalks, mulches tree wells, and cleans hot spots needing extra attention. In the first year alone, the crew responded to 800 sanitation complaints. The BID targeted graffiti for removal, conducted two rat-elimination programs, and convinced the city to increase its street sweeping. The district raised funds for an after-school tutoring program and launched two newsletters, one targeted to block captains. Popular social affairs include an annual dinner party and community gardens. The district operates under an open public meeting requirement with a board dominated by elected

residents, though some nonprofit and government members also serve, as do representatives of nearby Johns Hopkins University. The resident population numbers about 14,000, and there are 700 businesses. The BID functions with a budget of about \$500,000.

Small Mixed-Use Districts in and Near Philadelphia

A classic railroad suburb, Ardmore, outside Philadelphia, has a 15-year-old BID that has struggled to restore the area's earlier prominence as a regional retail center and compete with the now well-established shopping malls. Despite area sidewalks having almost no pedestrians, a Philadelphia developer won a competition to develop 200 residential condos in the heart of the old shopping district as part of a mixed-use project with a substantial amount of added parking. The BID played an active role in shaping the redevelopment plan and has residents on its board. East Falls is a section of Philadelphia that only recently has been recognized for its potential. One project of detached and attached homes, plus a retail center, was publicly sponsored. A second project, entirely privately developed, has produced an attractive compact four-story complex with 100 new units. A third is a mixed-use collection of old mill buildings, also with residential units; the redeveloper was among the leaders in proposing the BID and serves as its cochair. Other residents served on the BID planning organization and will be responsible for district governance, which will upgrade security via closed-circuit TV and lighting with a modest budget.

U.K./South Africa/Germany

Better Bankside is a mixed-use community on the south side of London's River Thames. The BID has served residents as well as visitors with improved lighting, expanded outdoor dining, and entertainment, confirming the adage that a good place to visit is a good place to live. Two residents sit on the BID board, and residents were involved in BID planning and approval. The district houses the residents and tenants association in its office and provides some core funding for the group. The BID avoids taking positions on planning issues in the interest of harmony. There is no levy on apartments, though a residential developer is a voluntary contributor, giving about \$30,000 per year.

Simon Quin, executive of the U.K.'s Association for Town Centre Management (ATCM), says the BID financing structure—a tax on business—means that residents are not charged for services, but notes that a good many U.K. BIDs include residential properties in their service areas. ATCM's Jacquie Reilly reports that U.K. BIDs typically have tight boundaries excluding residential properties, except for flats above stores.

Some 200 residential condos will be added to the heart of the old shopping district in the railroad suburb of Ardmore, outside Philadelphia, which has a 15-year-old BID that has worked to restore the area's earlier prominence as a regional retail center. She notes, however, that the Ealing (London) BID has a community representative on its board. Residents do not vote in authorizing referendums.

South Africa has many city improvement districts, and there is a growing interest in forming them in residential and mixed-use areas. Mixed-use areas, which are often 20 to 40 percent residential properties, are found in Johannesburg, Pretoria, and Cape Town, among other centers. “[R]apid urbanization in the aftermath of apartheid has taken its toll,” consultant Anne Steffny writes. “Without BID supplementary services, a once-sought-after area can become a less desirable place to live, work, and play; property values decrease; unwanted developments proliferate; and ordinary life becomes chaotic for stakeholders and users. . . . More and more we are finding our local authorities have neither the budget nor the staff to address these issues adequately.”

In the first years after BIDs were introduced 20 years ago in Johannesburg, the decrease in muggings there led to the adoption of districts throughout the country. One 100 percent residential BID was formed there, and an 80 percent residential one was created in Cape Town. Recently, there has been a big drive in suburban areas to set up 100 percent residential BIDs, Steffny reports, leading to discussions as to the whether the minimum vote for approval of creation of a BID should be raised, perhaps to two-thirds.

In the north of Germany where there is a growing collection of commercial-based BIDs, work is underway on a legal formula permitting residential ones. One prospect is a 1970s neighborhood in Hamburg dominated by apartment towers, according to Mario Bloem, a Hamburg-based consultant.

BIDs provide benefits to residents, whether or not they are paying a compulsory charge, by providing them with a reassuring and attractive environment and helping them enjoy the urban setting through information on entertainment and culture, or even the availability of local schools for their children. The sustained growth of residential population in and adjacent to urban centers and the experience of the existing resident-serving districts should help to stimulate similar programs elsewhere. **UL**

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LOST LESSONS FROM U.S. BIDS

Although Business Improvement Districts (BIDs) were not invented in the United States, they have certainly flourished here. They exist in commercial areas of all sizes and types and in remarkable and growing numbers. There are probably 900 or so serving city centers, urban neighborhoods, suburban and other small town centers and there are even a few in industrial areas and out of town shopping centers. Most operate as non profit corporations, the balance as government entities. Their governance structures vary and there are substantial differences in their compulsory charges. They are distinctive among economic development tools in that the beneficiaries share the costs and manage the allocation of their revenues.

All in all, they appear to be an intriguing universe for research. Do they produce the economic gains for which they are adopted? What seem to be the most promising models? A couple of geographically restricted studies exist regarding their relationship to crime and one study comparing various programs for reviving commercial corridors in a single city adds some researched information, but a broader examination of BID benefits has yet to produce answers to fundamental questions about this widely applied tool.

BIDs continue to be formed and reauthorized with little evidence of their productivity. Their positive reputation is largely based on the most widely known examples, the three or four per cent of all US BIDs whose assessment revenues yield more than \$1 million annually. In this small cohort, assessed properties are generally the most valuable in the municipality and may number 1000 or more. Not only are these BIDs wealthier (a few collect nearly \$20 million annually) but the conditions they face and the tools they apply differ greatly from those of the typical BID. Most large BIDs not only deal with mammoth amounts of

litter, they need to provide some reassurance regarding potential crime. Many can float their own bonds for public improvements and use these funds to relight their sidewalks or to create new public spaces. They can afford substantial and effective marketing to maintain and improve the image of the district. Thanks in part to the latter, these are the models most often used to explain BIDs at home and abroad. Unfortunately, this image is far from representative.

Most American BIDs neither need the safe and clean services so evident in the large BIDs, nor could they afford them. Property values and the return on investments are far lower and the number of assessed properties can be as few as 50, producing modest revenue bases. Most US BIDs are devoted principally to various forms of marketing.

The presumptive test of American BIDs is the extent to which they contribute significantly to each one's economic progress. BIDs should advance the profitability of the businesses and the value of the properties whose compulsory charges support the programs, improvements and management. A study team from the London School of Economics said simply that in agreeing to a multi-year assessment property owners should assume that this will produce more benefit than it will cost.

Perhaps the most pervasive flaw in BIDs, large and small, is the tendency to proceed from year to year without serious reconsideration, producing the same remedies in recession times as in prosperous years. Few, for example, ask if the significant investment in uniformed security personnel is warranted. Does their presence actually produce more foot traffic? Do consumers even know this expensive service exists? Do consumer surveys report that fear of crime reduces trips by visitors and shoppers? Is this as important to consumers as convenience or parking?

The examples included in this article are based on extensive experience in forming and reforming BIDs in the US. The examples are not one off cases. Nor do they at all imply that American BIDs are failure.

TOO MUCH CLEANING

Early BIDs tapped into a hidden thirst among the middle class for commercial areas totally devoid of litter. When there was little BIDs could do about crime notoriety or depressed real estate values, at least they could do something everyone understood. They could clean the pavements and many did and do so often irrespective of the pavements' conditions.

In extreme cases such as New York's Times Square there were sidewalks chocked with litter to an extent that it could reasonably be said to depress real estate values and business profitability. Waste strewn pavements were unpopular with employees and visitors who were inclined to assume a place that dirty was basically out of control and thus probably unsafe as well. This rationale enabled Times Square's first BID Director, Gretchen Dykstra, successfully to mount round the clock sidewalk cleaning, an expenditure that she equated with bringing back the crowds to this world famous location. It probably helped.

MUNICIPAL WINDFALL

Sidewalk waste doesn't emerge on commercial districts like rain; it is carried and distributed by pedestrians. The more pedestrians, the more litter. At some point the accumulation is greater than public toleration. US municipalities are not required to clean sidewalks; the task is left to property owners, in this case BIDs acting for all owners. BIDs represent a pleasant windfall for localities. Most trash on streets, which governments are obligated to clean, comes from sidewalks. Removal of sidewalk litter is paid for through a surcharge absorbed by BID businesses and/or property owners, a cost for which officials need not solicit approval by their voters. Some BIDs also clean gutters where most street litter accumulates and for which owners have no responsibility.

BIDs often contract this work to private enterprises whose employees wear BID logoed garments and use and maintain specially designed mechanical sidewalk sweepers. When contracts are let with competitive bidding, qualified firms often perform equal service for less than the cost to BIDs if they hired employees and managed the activity themselves. Some BIDs use these jobs to provide work experience for welfare recipients or former addicts and prison inmates. Experienced cleaning service firms handle this dimension as well. In general, contracting out this work carries with it little risk and requires less supervisory time by BID officials. Unless they contract the work, small BIDs find themselves burdened with the need to oversee daily operational details and the need to store and maintain the often cranky sweeping machines in working order.

Regardless of how casual the initial decision to clean sidewalks at a given frequency, the schedule is rarely revised. Particularly, it is rarely reduced. Some BID planners appear to believe that sidewalk sweeping is an essential component of being a BID; without it, what are you? Some BIDs start sweeping as soon as possible so that the ratepayers will see that they are getting something in return for their fees. The uniformed sweepers serve as an expensive ad for BID benefits. Other benefits, such as marketing, are less visible in the early months and there are pressures to do something quickly. Once started, sweeping is rarely cut back irrespective of conditions and of other potential claimants for BID funds. It is common for BIDs to devote 30% of their assessment revenues to sidewalk cleaning without asking whether it is a justified expense; what, if anything, is the value added? There appears to be no research to support any economic benefit from this service. BIDs tend to equate success with input measures; more bags of litter are thought to signify success. What would happen if the service is reduced by half? One BID stopped cleaning for several months because the mechanical sweeper was out of order (a common experience). Few ratepayers complained. A survey of assessment payers there, however, rated sidewalk cleaning low among BID priorities for the

coming year. Still, the board determined to keep the same daily cleaning schedule. Foot traffic and retail offerings continued to decline, but the pavements remained pristine. Might the funds reserved for sweeping have been better used to draw more customers?

There is little consideration of alternatives. About 70% of sidewalk litter is related to things people put in their mouths, food, food wrappers, chewing gum and tobacco, most prominently. Litter tends to accumulate in places such as bus stops where students gather and near places where take out food is sold. A proposal in Newark, NJ to increase the BID fee where properties included take out food shops was justified on the basis of the added cost of cleaning associated with these locations, but the idea was lost in the approval process.

Starting before BIDs came, New York City organized a periodic inspection of the amount of litter in each commercial center and ranked conditions A, B, etc. Times Square, since becoming a BID, tends to be among the best performers, a point they include in their publicity. While it is sometimes discussed in BID planning, few BIDs try education or regular inspections and ratings as antidotes to accumulating waste.

Might there be other options to the heavy burden BIDs take on for uncompensated cleaning? There are precedents. Some districts have agreements with governments that pay BIDs to clean places other than sidewalks. At the next reauthorization, might the BID make a case to shift some or all of cleaning costs to the local authority, devoting the savings to a BID economic development or marketing benefit beyond the local government's abilities, a shift calculated to increase governmental as well as BID revenues.

WHO'S AFRAID OF URBAN CRIME?

In the early days of BID formation, the American media were packed with urban crime stories, many mistakenly implying that town and city centers were awash with criminals threatening people and property. Generally, commercial districts were victims, if not of high crime rates (most often rates in town centers were among the lowest in their jurisdictions), then of fear. The presence of homeless and panhandlers was associated with the presence of criminals. Fear was so pervasive that commercial property owners invested in solid steel gates to cover shop windows (rather than in repairs and paint), sales dropped, merchants moved away and property values declined. Downtown looked like a war zone. Something similar was going on in urban industrial areas where crime rates were (and largely are) higher.

WALKING PATROLS: COMMERCIAL AREAS

It would have been difficult in that atmosphere to sell a BID successfully in major urban centers without some commitment to deal with urban crime. US BIDs and the Town Center Management programs in British towns and cities offered something their municipalities could not or would not, someone who looked like a police officer walking a beat. These BID employees were and are well trained, equipped with radios connected to their central offices (and by this route to police stations) and wear distinctive uniforms. Sold as "the eyes and ears of the police department", they filled some of the need for police presence, public reassurance, and they were often claimed to be crime preventers simply because of their presence. These Ambassadors, Wardens or Rangers are trained to help with emergencies, provide first aid, report on district conditions and answer questions. They also have the advantage of costing about half of the usual rate for a police officer if one were hired by a BID.

In Philadelphia, the Daily News reported the full cost of a sworn, fully equipped officer to be \$160,000 (1998). The full cost for an Ambassador including training, supervision and equipment is typically \$35,000 annually. BID Ambassadors mainly walk their beats, although in less dense areas, including residential neighborhoods, they may use bikes and in industrial areas they are typically part of small teams that patrol in marked and specially lighted vans.

With the reduced concern about crime in commercial centers, these staff people have increasingly assumed a kind of sidewalk marketing role, sometimes the only people to whom visitors speak. One BID uses jerseys with the invitation printed on the back, “Ask Me”. As their mission shifts, their presence in BIDs—almost entirely in dense urban centers-- remains at about the same levels as during their earlier crime deterrent days.

There has been remarkably little reconsideration much less research regarding the worth of this BID investment at any stage of its evolution. One exception, City Avenue BID in Philadelphia, contracted with a qualified authority who advised that, regardless of the initial concerns, BID anti-crime measures, notably Ambassadors, did not drive crime into adjoining neighborhoods. No one knows, however, if Ambassadors lessen crime or lessen fear of crime. No one seems to care, despite the sizeable segments of BID budgets (often 30%) they represent. A RAND Corp. study reported that certain types of crime (mainly property) were lower in areas served by Los Angeles BIDs. The analysis, however, did not deal with the role of Ambassadors and the conclusions could have been influenced by differences associated with places where owners organized BIDs and those that did not. BID sponsored surveys may suggest that fear has declined but can't distinguish between the effect of Ambassadors, better lighting, fewer panhandlers or general reduction in crime and in media reports. Might installation of closed circuit TV produce equal benefits at substantially less cost?

DRIVING PATROLS: INDUSTRIAL AREAS

The situation in industrial areas in the US and in Britain are similar. While crime and fear of crime in these precincts does not deter shoppers, it is an added economic burden. Break ins are more common and business operators are often loath to invite suppliers or customers to their locations because they so often look like places abandoned to criminals. Employers in industrial areas often have a hard time hiring staff, so widespread is the negative reputation of their districts. Safe places for employee cars and abundant exterior lighting are common needs.

One of the oldest in the US, in Paterson, NJ, has a weekly clean up service to avert unsightly dumping, considered a sign of high crime. In a measure often imitated by other industrial BIDs, some landscaping is also provided. While the board of directors initially handled all the administrative responsibilities, they later hired a half time manager. Off hour patrols in vans are handled by a private contractor. The BID reports that their supplementary security teams are often at the scene of incidents before the city police.

Industrial area BIDs exist in Milwaukee, WI, New York City, Irvington, NJ and in more than a dozen sites in England. One New York industrial BID, formed to improve local safety in dark and threatening blocks, operated for several years until the crime situation improved. The security teams were dropped, but the BID authorizing statute remained on the books in case a crime resurgence developed.

While paying for supplementary security, industrial BIDs also work to make their districts look like safe places. A spokesman for the BID in Philadelphia's Port Richmond area said, “People use the area as a garbage can. We have a major problem when people come from out of town and see the graffiti and drug dealing. They cancel the interviews before we get started.” The Port Richmond BID has replaced signs, created a secure parking lot, widened corners

for tractor trailer trucks, installed security fences, and removed thousands of dumped tires from sidewalks, curbs and yards.

Another Philadelphia industrial area spent \$120,000 in grant funding to purchase and install high tech security cameras. The cameras record faces and license plates up to three blocks away. While use in the US has been much less than in the UK, the latest cameras do not require monitoring. Police use the recorded information when an incident occurs within their range. Tapes are automatically cleaned after an agreed upon period.

OFF DUTY POLICE

Some BIDs invest in off duty police, irrespective of the cost. The basic BID law in New Orleans requires that any work be performed by city employees, including security. A similar requirement produced mounted police in Denver, CO, although many BID leaders feel that this creates a negative image for a district. The fear of crime among prospective shoppers was so pronounced in Hollywood, CA that the BID hired uniformed officers which seemed to improve the situation. The large BID at Rosslyn, VA, with an annual budget of \$2 million, responded to employers' concern about safety as employees left their offices en route to parking and transit. A half shift starting at 4 pm deploys armed, uniformed police at key locations, all paid by the BID. Many town and city BIDs in South Africa employ supplementary police in shopping districts.

It is not clear whether employing off duty police or using retired officers to manage Ambassador squads results in more attention by police departments to BID needs, although many believe this is the case.

Where they exist, the Ambassadors are likely to be retained despite the lack of confirming research as to their benefits. The growth in BIDs will produce few additional ones with the fear and the BID funds to prompt organization of new Ambassador teams. More BID-police cooperation around BID financed CCTV systems is a more likely eventuality.

TOO LITTLE MARKETING

Marketing is the voice of the district, promoting the place for businesses, investors, shoppers, visitors, residents and employees. In a competitive market, BIDs can't afford to let countless other voices drown out their message.

BID marketing can have three main purposes:

1. Attract investors including strong business operators;
2. Attract customers to retail and service enterprises.
3. Attract households to live there.

Two common flaws in BID marketing are:

1. Insufficient funding. In competition with nearby shopping centers as well as other commercial districts, the BID voice is too often too weak. Local people rarely know all that older commercial areas offer, have never tried the BID shopping and frequently assume that old impressions are still valid—poor parking, no new shops, crime, etc—despite recent improvements. Realtors often are unfamiliar with older properties, BID incentives, improved prospects, new directional signage, etc.
2. Lack of marketing strategies. With limited funds, BIDs too often simply tell the world about themselves. Rarely are marketing funds directed at specific market segments—residents within two miles, families, seniors, back-to-schoolers, holiday gift seekers, diners, etc. Too often, BIDs spend a great deal of time and money on communications and special events that have no important BID purposes.

In promoting the BID, especially prior to reauthorization, attention may be directed at major achievements (Downtown Washington took credit for helping shape the Park Service's plan to improve the Washington Mall) or at mere inputs (collected "more than 7,500 bags of litter and trash monthly"). The DC BID also credited itself with an estimated \$50 million in local spending by visitors resulting from its management of the Cherry Blossom Festival.

BIDs may also promote the district as a commercial center. Downtown DC's annual report noted the new Harman Center for the Performing Arts and quoted the Mayor as saying that the commercial center was responsible for "90% of the net new jobs." The report notes that Downtown taxes pay for 58% of the school district's local budget and that almost 500 new housing units were built in Downtown in the previous year.

BID Director Richard Bradley, a pioneer in the American BID movement, says that the American capital is "no longer perceived as 'dull, dirty and dangerous'" and is now providing "an international model of urban ingenuity".

Contemporary BID marketing avoids the inferences in the early years when promotional material appeared to take credit for widespread crime reductions that were also occurring in places without BIDs.

A major advance in BID marketing has occurred among hundreds of BIDs with small budgets. Many have inexpensive arrangements with professional marketing and graphics firms that have greatly improved their published products. Another improvement is the use of email as a device for getting the message out frequently, reminding customers of what is available ("merchant of the month", seasonal sales, new business, farmers' market opening, etc.).

BIDs intent on expanding retail sales need to consider what markets they will pursue. Two that frequently deserve more targeted attention than they receive are potential customers within and those near the commercial center. Convenience is a major force driving consumer shopping decisions. Those closest to shops, services and dining are the ones most likely

to spend the most. Depending on how extensive are the opportunities to shop and dine (can they purchase food or clothing within walking range), middle income households can spend \$25,000 per year and office workers \$3,000. Both markets can be difficult, but not impossible, to reach with BID promotional materials, but well worth the effort. A customer already on foot, one who walks past shops and dining spots, is the best subject for targeted marketing. BIDs need to encourage commercial signage that can be easily read from across the street and ease street crossing with favorable traffic controls to improve the efficiency of districts as places to spend. Few BIDs make this strategic distinction in directing their messages.

Well managed BIDs invest only the minimum amounts of time and money in public events, as useful as the best can be. The Manayunk annual arts festival is a major money maker for the Manayunk Development Corp (BID) and warrants employing a skilled events manager. Some of the large BIDs realized that they were investing excessively in events with marginal returns. The Trenton, NJ BID inherited a popular summer festival that attracted thousands to park space outside the district. Preparing for this occasion occupied one person for an entire year and produced few or no customers to the Downtown shops. Politically, they were stuck with it.

Little BID attention is geared to making the district a stronger magnet. The storefronts may not be beautiful, but people will come if the commercial offerings are strong. Too little of the marketing budget is typically spent on attracting investors and businesses. A periodic illustrated report on commercial real estate, including data on available properties, is a must. The semi-annual real estate breakfast to launch these reports is a companion necessity.

BIDs can report monthly on real estate opportunities in their newsletters and can:

- Package real estate data—demographics, pedestrian and traffic counts, changes in district real estate values (Maplewood NJ is a good example)—for realtors and investors.
- Promote BID financial incentives—bonuses for attracting desired businesses, grants and loans for exterior and interior modifications, rent supplements.
- Tell the world about new businesses and the various work the BID is undertaking to help businesses—better parking and parking signs, business directories at key locations, liberalization of commercial signs, etc.

Supposing a BID substantially reduced or eliminated sidewalk cleaning, thereby freeing 10% or even 30% of its budget for other priorities. What BID activities would best produce more profitable businesses and improved property values? What would be the most strategically useful investments?

One suburban BID debated whether or not to continue its share of holiday advertising. A board member with substantial media experience argued not to waste such funds on the grounds that the BID had so little money for marketing (about 10% of its annual budget) compared with the nearby shopping mall that it wasn't worth trying to capture local attention. The amount available, given advertising rates in various media, would at best pay for a short period on local radio. The lesson was don't bother with media purchases unless the BID has enough financial muscle to do it well. Lacking a clear priority for business attraction, the marketing budget was too small to be productive in the major shopping season of the year. Perhaps a stronger message at the holidays deserves more support and warrants a budget switch.

Retail oriented BIDs need to sell the district as the primary product, leaving the tasks of promoting individual shops to the owners. Among large BIDs, the 34th Street district in New York City has an enviable record in this regard, managed by a skilled and experienced professional.

Baltimore and some others have run successful programs to attract and retain office employers. Office buildings typically produce more revenues than they cost to serve; BID revenues decline as property values decline, depending on the cost sharing formula. Business attraction, often promoted as a BID priority, is rarely matched with real results.

Among the most important uses of marketing funds are various forms of research. For relatively little, BIDs can purchase demographic data that can inform their marketing investments and shape the concept of their trade area, now and in the future. Is there a high proportion of children? Of seniors? Of singles? What can be learned from visitors regarding what they like and dislike? Consumer surveys can identify what alternative shopping areas are preferred and why. Intercept surveys within the BID can be useful and are relatively inexpensive. More expensive and more useful are telephone surveys because they reach the people who do not come to the BID district and can tease out the reasons why. Philadelphia's Center City District found that the first two reasons for not coming to the district were concerns about parking and about homeless and panhandlers on the sidewalks. A Buffalo survey found that retail diversity was the principal deficiency. Many surveys report that many trips are foregone because stores are not open when people want to shop. In each of these cases, remedial measures improved circumstances. Any research program is rare among small BIDs and even large ones tend to neglect the need to know what their own stakeholders and consumers are thinking.

Selecting a brand may be part of a BID marketing effort. Occasionally, BIDs err. A mixed use district—cheese steaks, clothing shops, top restaurants, weekly farmers’ markets, a new hardware store—is the main stem in a neighborhood known for its Italian-American population. Nevertheless, they use an Indian as their brand because the Avenue has an Indian name. Will that image sell dresses or hardware? Probably not.

Several large BIDs have created magazines. Rosslyn VA, has an outstanding one that helps warm the image of the district’s constantly expanding collection of modern office and residential towers. Through its affiliate and sponsoring non profit, the publication is sent to the homes of surrounding residential neighborhoods, a dense collection of voters and consumers. It is probably no accident that, when the BID went back to the Arlington, VA government for reauthorization a year early, the BID budget was doubled.

Beyond increasing the budget for marketing, the main need of most BIDs is a professionally prepared plan. In the specific context of the district, what should be emphasized? Is a theme needed? Would special colors help? Is a brand practical and useful? Where will be the best buys in terms of media exposure? What should the BID avoid? What opportunities are there for attracting free media attention—merchant of the month? Most attractive fix-up of the year? Best advertising by a business? Customer interviews? Progress in relighting the sidewalks? Installation of the new fountain? Contest winners?

Nevertheless, experts can be wrong. An expensive public relations study advised one BID to rename its commercial center “Copper Square”, a reference to the mining industry that had dominated the region. Safe and clean uniforms became copper colored. Promotional pieces were printed on copper colored paper. Banners were copper colored. It didn’t catch on and the theme was abandoned.

New BIDs in the UK include many with catchy and appropriate names—Better Bankside in London, Stylish Glasgow in Scotland.

Many BIDs seem to function merely as a special services adjunct of local government (eg., safe and clean). If they are to serve the intended goals of improved business profitability and enhanced property values, however, they would better see themselves primarily as a marketing entity, selling the district as a great place to work, live, shop, visit and sometimes to study. Making the place popular leaves the individual businesses better prepared for a their own promotion.

The talents among board members should represent the district’s best thinking on marketing and the marketing committee should employ talent beyond the BID staff. The board should regularly reconsider how marketing funds are being spent, drawing on relevant research, and adjust the mix from year to year. The best attitude is constructive dissatisfaction. Discard the less productive activities and replace them with more promising ones. BID boards too often fail to consider why they fail to attract strong new businesses or new customers and too seldom do they reconsider standing priorities.

WHO CAN RUN THIS THING?

Many BID directors prove to be miscast in this challenging role, while others without obvious qualifications nevertheless have proved successful. There is no standard list of qualifications that fits all BID requirements. Certainly, the director must fit well with the current board and especially its officers. It is an advantage to have an enthusiastic personality. The director should understand and be at ease with the economic purposes of the BID.

In selecting a director, some experience and personal qualifications are more useful than others.

1. It is more useful to have a business background than one in government or the non profit sector. Indeed, the executive should be capable of thinking creatively of ways to generate private sector cooperation to enhance profits and property values. While one should not disqualify such applicants, it is a rare Chamber of Commerce director or city economic development expert who fits this qualification. Having paid rent, hired and fired staff and paid business taxes can, other qualifications given, earn important respect among those the BID is intended to help. A BID board chairman, reflecting on an earlier version of this section, noted that his BID had employed three directors in five years, all of them from government and without any private sector experience.
2. It is more useful to be an effective communicator, in writing as well as verbally, in contrast to having management experience. Better to have been successful at selling an idea, an organization, a product than to have been a boss. Having solved some problems with creative solutions, showing evidence of being an innovator, is a valuable characteristic.
3. It is more useful to have experience working with a board of directors, not a common background, than having been in a hierarchical organization reporting to a superior.
4. It is more useful to have the ability to organize volunteers than to have some specified college or university degree.
5. It is more useful to have experience recruiting businesses than to have managed public events.
6. It is more useful to have a few significant accomplishments than whether the person is young or old.

Many poor choices stem from the assumption that a BID is a producer of safe and clean services or an events organizer and manager, rather than a device intended to improve business profitability and property values, a confusion of means and ends.

CHANGING DIRECTORS

It is not fair and it is not wise to suddenly announce to the incumbent that he or she is fired. Too rarely do boards decide first to coach the incumbent in how performance could be improved. If the person believes himself to have been treated badly, word gets around and may limit the pool of director applicants. Turnover is costly in many ways and is worth some effort to avert it.

One small BID had five directors in five years. At some point the board should ask itself what it is doing wrong. In the first case, the chair wanted to assume the day to day responsibilities properly left to the director. The board ended by removing both of them. In another case, the board contracted with the owner of a small public relations firm, an arrangement they ended because the board felt they were not getting enough value. Another was fired without warning because she was thought to be spending too much time at Main Street conferences and not enough “on the street”. Still another of their choices left because the job offered little experience that he could build upon.

BID director is a tough job, but it should not drive a good incumbent away. There should, for example, be a clear understanding of how much time the director can reasonably be expected to spend on the job. This is perhaps more important with a part time staffer and in BIDs where weekend events will require the person’s regular presence. The board’s expectations need to be reviewed periodically and reasonable guidance provided.

SELLING THE BID

Although the legal approval process for business improvement districts varies among jurisdictions, in all cases, proponents have created a business plan specifying properties or businesses to be benefitted and charged a share of the operating costs. They then sell that plan to those who would share the costs, as well as to their municipal governing bodies.

While active BIDS are almost never abandoned, perhaps one in ten attempts at starting a BID in the US fails before it is launched. Little has been written about stillborn districts, although there are useful lessons to be learned. The non-statutory causes of pre-approved failure deserve greater attention and may improve the success rate of the business districts planned each year.

WHY DO SOME BID STARTUPS FAIL?

Some believe that BID formation that begins with local government (rather than with private sector people) is doomed. Experience shows, however, that public sector origins can sometimes be successful, as in Trenton, NJ. or Jacksonville, FL. With creation of effective private-sector steering committees, a number of downtown BIDs initiated by local governments have functioned well for a decade or more.

A certain recipe for failure, however, is to allow the early discussion to focus on the compulsory fee before the benefit package has been defined. In response to the question of what the BID will cost an individual ratepayer, the correct and necessary answer has these components:

1. Can't estimate before BID programs are determined, a budget adopted and a cost sharing formula adopted;
2. Here are the charges that some other BIDs our size have adopted. These are equal to so much per month and so much per day. BIDs don't adopt charges its stakeholders can't afford.
3. That issue has been scheduled for discussion on (date) Please attend and participate.

The factors that seem to make the greatest difference in success or failure in the BID approval process are: first, the leadership quality of the steering committee and the commitment of the members and, second, face-to-face contacts by steering committee members with affected property owners, to listen as well as to inform.

It is common to assume that a mailing or a meeting will serve as a successful selling campaign. That is rarely true. Nor can the business people send someone from City Hall, the Chamber, a consultant or other person to do the face to face selling. People who will be charged for the BID are rarely convinced to support a charge based on arguments made by someone who will not themselves paying it. Here are some experience examples.

West Chester, PA began BID planning with a broadly representative committee led by the chief executive of a locally-based insurance company. One other committee member had been a persistent advocate of BID potential to enliven this dormant business district. The preexisting supporting organization was the local chamber of commerce. The municipal economic development staff person helped with secretariat support.

The BID addressed both existing problems (shrinking retail sector) and future opportunities (the prospect of a new downtown county office building). The BID's failure was tactical rather than policy-related. Although committee members agreed that face-to-face contacts with owners on the edge of the district were essential, few of the promised personal contacts were made. The owners of properties at the edge of the district did not attend input and information meetings, could not see the benefits to their properties and voted against the BID plan, vetoing it. The BID leadership's commitment was sufficiently strong, however, that the BID plan was promptly reshaped with a smaller service area and successfully sold on the second try.

A BID proposal in Norristown, PA started with the municipal planning office, the body that served as the secretariat and steering committee organizer. The decision process and the steering committee's limited awareness of BID potential relied more on a consultant than would normally be the case and the municipal government staff support was limited by compelling responsibilities and staff turnover. Nor was there a preexisting private-sector supporting organization. Unusual problems arose in securing an accurate property owner list. The small city was famous for political feuding and longstanding grievances.

The proposed BID plan gave priority to security issues, a major image problem that deterred customers and investors. The campaign to sell the BID emphasized the need to overcome this problem with closed circuit TV (CCTV), patrolling ambassadors and close cooperation with police. The plan was a good one, was enthusiastically endorsed by the steering committee and should have proved attractive.

The proposed BID failed, however, when a few owners organized in opposition. Steering committee members neglected most of the necessary face-to-face selling, enabling the opponents to exaggerate the costs and minimize its benefits. The opponents' campaign produced more negative face-to-face contacts than contacts by pro-BID advocates. Defeated, the pro-BID group did not attempt a second effort.

When pressed with organized opposition, the best BID leaders negotiate and/or offer modifications to lessen opposition. What later proved to be one of America's most effective small BIDs (Red Bank, NJ) was guilty of overreaching in the original BID plan. Opponents most distant from the center did not see themselves as part of the downtown. Seeing only their own enthusiasm, the proponents failed to go to the owners whose positions they incorrectly they believed they knew. The BID service-assessment area was reduced in the face of this opposition and the

amended district plan then approved. In another instance, the leader of the opposition was added to the board of directors. It worked.

In contrast to examples where advocates failed to advocate, the industrial BID organized in West Bromwich, England, mobilized advocates and kept a running tally in their modest headquarters where the positions of each owner found through owner-to-owner interviews were tallied. The BID passed with a substantial majority.

GOALS AND PRIORITIES

Business Improvement District leaders who wish to keep their organization focused, to stay abreast of changing conditions and BID operations, and to show evidence of success will adopt and use goals and corresponding measurements of change. Goals and measurements are sometimes applied annually, in connection with yearly budget approvals; in other cases, they are major considerations in planning for the five-year authorization process.

Lacking clear and current economic goals or ignoring them in the BID decision process—annual budgets and multiyear reauthorization—leaves the organization without authority to resist adding a nice but not essential program here and another there. Overall, US BIDs are intended to improve business profitability and commercial property values. In contrast, a suburban BID for years dedicated substantial amounts of very limited staff time to organizing a golf outing which netted substantially less funds than the value of the executive's time. Nice but tangential programs are common where there is not regular recognition in setting priorities that BIDs have purposes associated with district priority. Tending to flowers is probably not so important as improving parking arrangements or parking location signs.

There are good models. At the outset, the Downtown Washington DC BID adopted sophisticated five-year goals and measurements under three major headings – making the District more “vibrant”, “inviting” and “beautiful”. Under each goal, the planners inserted a vision of what they expected to result and noted what outcomes would support each goal. Under “vibrant” the outcomes included:

Downtown will shine with busy streets, bustling stores, happening restaurants and bars. The new “living” Downtown brings with it more opportunities and options for visitors, residents, workers and businesses. New condos, movie theaters, stage plays, dancing, museums, and galleries make for a stimulating experience during office hours, evenings and weekends.

The first year activities consisted mainly in putting into place new financing tools. The following year’s goals included:

1. Promoting a critical mass of exciting Downtown retail space (100,000 to 200,000 square feet) on F and 7th Streets by marketing the Downtown Retail TIF Program to destination retailers.
2. Working with DC government to assure that the Downtown office market remains attractive to government, law firms, associations, financial, communications service providers and other tenants
3. Conducting research on Downtown workers’ residency to better understand the connection between Downtown jobs and District neighborhoods
4. Conducting research into the purchasing power of Downtown employees and visitors to continue to build the case for Downtown economic development

Much of the BID’s ambitious agenda are activities with the participation and often leadership of the DC government. The BID’s agenda often served to influence municipal priorities.

Listed accomplishments included:

1. Helped realize reduced crime rate of 17%
2. Increased favorable safety rating (survey of Downtown people) to 87%
3. Increased SAM (Ambassadors) assists 4% to 250,000
4. Launched an expanded Homeless Outreach Services Team (HOST) program

Using surveys to understand Downtowners’ perceptions is a valuable method of testing success. It is less obvious that an increase in assists by SAMs (Ambassadors) is evidence of success; does it mean there are more problems requiring attention? Another report of a substantial reduction of reports of rat infestation seems more understandably a success.

The DC BID also tracks its progress on a block-by-block basis, periodically examining conditions of buildings, cleanliness, lighting and other factors affecting the environment for Downtown employees, residents, shoppers and visitors. Each category is rated according to the degree the subject location needs greater attention.

For example, under the goal of “Great Appearance”, ratings include presence of graffiti. Under “Cleanliness”, variables rated include “Litter throughout the area” and “Occasional litter on sidewalk”. The Lighting category includes rating for “Bulb candlepower insufficient” and “All or most fixtures in block in need of repair or missing”. Under “Street Activity/Behavior” ratings include “Disruptive Behavior” and “Illegal activity throughout the block”.

In the lead up to the reauthorization, Downtown DC listed these “critical issues”:

1. Downtown is approaching build-out
2. The real estate market is heated
3. Key sites require decisions
4. Housing development is short of target
5. Downtown retail is evolving
6. Arts are in jeopardy
7. The new Convention Center requires hotels
8. Sites for office development are limited
9. Open space, streets and building need improvements
10. Auto circulation and parking are problems

Margaret Mullen, former director of the Downtown Phoenix Partnership, led the organization of Phoenix’s exemplary quantitative system for measuring Downtown change and establishing objectives. The process has been continued under subsequent BID leadership.

The purposes of the Benchmarks project are to:

1. Track trends that affect the overall health and vitality of downtown Phoenix
2. Gauge progress on the Downtown Phoenix Partnership’s work program
3. Set targets for future improvements and accomplishments
4. Establish criteria by which downtown revitalization efforts can be measured against other cities.

An early report found that trackable revenues retail, restaurants and bars, hotels and motels increased 77 percent, from \$64.6 million to \$114.3 million (target set for the year 2000 was \$150 million). The percentage of people who thought that the availability of eating and drinking facilities was “excellent or good” increased from 50 percent to 58 percent (target was 67%), and the percentage of those who thought it was “poor or very poor” decreased from 17 percent to 11 percent. The percentage who thought that the variety of arts and cultural activities was “excellent or good” increased

from 50 percent to 59 percent (target was 67%). The percentage of downtown employees who would be “very likely” or “definitely interested” in living downtown if more housing options were available increased from 10 percent to 17 percent.

The upscale Chestnut Hill retail district in Philadelphia functioned without a BID for 20 years. Additional competition and decline in shopping-as-an-outing consumers were among the factors to lead commercial property owners, some of whom operated retail enterprises, to consider a BID to add sustainable revenue for increased marketing. Owners traced the decline in number of cars parked at close-in parking and questioned shoppers regarding their preferences. The following are among the goals and supporting implementation measures adopted by the BID steering committee.

1.Goal: Strengthen Local Economy

Objective: Attract New Customers to Chestnut Hill
Implementation:

1. Have different events (“Restaurant Night” or “Gallery Night” or “Discover a Block”) geared toward bringing people into the stores and not just onto the street
2. Cross marketing among stores
3. Gear events for children and families

2. Goal: Make Chestnut Hill Business Friendly

Objective: Attract Desirable New Business and Retain Current Business
Implementation:

1. Create Welcome Package for new Businesses (CHBA Services, Events, Parking, Security)
2. Develop events for professional firms to show that they are an important part of the business district
3. Hire consultant to look at current parking system and “bring it under one roof”
4. Create more parking in the Lower Hill
5. Directional signs for Bethlehem Pike
6. Employ hospitality persons/hosts to welcome and guide visitors.

Downtown Hampton, VA adopted eight quantified five-year objectives:

1. Twenty-five net new businesses
2. Twenty-five percent increase in restaurant sales
3. Twenty percent increase in tourists
4. Twenty-five percent increase in boaters
5. Twenty-five percent increase in hotel gross receipts
6. Five percent or less vacancy for Class A office space
7. Eight percent or less vacancy for Class B office space
8. Twenty percent increase in commercial property values.

A commercial area in Philadelphia proposed in the next five years the BID would:

1. Improve property values and business profitability
2. Provide an attractive area for shoppers
3. Create a vigorous, cooperative marketing program that benefits all properties
4. Aggressively pursue grants for physical improvements
5. Operate through a non-profit corporation that includes the area's diverse ownership

The Wilkes Barre, PA BID plan included these objectives:

1. Broad purpose. Provide supplementary security and maintenance of the public realm plus professional marketing to improve property values, increase commercial activity, expand job opportunities and enhance the competitive positions of the for-profit and not-for-profit corporations.
2. A new image. Through uniformed Ambassadors and CCTV, help police protect persons and property throughout the district, and, together with professional marketing, create a public image of downtown as a lively, convenient and safe place to live, work, shop, study and enjoy the amenities.
3. Increase business opportunities. Assist merchants to capitalize on the market opportunities that will be generated in the District.
4. Seek supplementary funding. Apply the opportunities available through the State

Neighborhood Improvement District Act and through pursuit of special purpose grants that may be available through the State government. Through rehabilitation and redevelopment, upgrade underperforming properties to improve customer and investor opportunities and add job opportunities.

5. Multi-year revenues. Plan and apply a revenue system based on property assessments that is sufficient to meet the district's needs, is equitable and affordable and is assured for five years.
6. Broad representation. Working with the statutory advisory committee members, guide the district's work through a non-profit corporation with a board of Directors representing the diverse stakeholders within the district. Set annual goals and measure change.
7. Regional reputation. Produce greater convenience, amenity and security, and through professional public relations and marketing, become known as a friendly place.

Be clear on this point. These illustrations represent the exceptions to the unfortunate generalization that BIDs typically are poorly focused.

LOCAL GOVERNMENTS, THE TOO SILENT PARTNERS

The division of labor between BIDs and their municipal governments is sometimes explicit in state authorizing legislation and widely applied in jurisdictions where it is not statutory. BIDs should "supplement, not replace municipal services". BIDs should spend their funds when it is found that they need services performed in a different fashion, to a greater degree or sooner than fits the local situation. Pretty clear, these guides are seldom disputed by local officials and may have a soothing effect on potential ratepayers, reassuring them that the BID is not in reality a means by which the local government can raise funds without having to face the voters. A good public relations tool, but in practice the situation is often more cloudy.

The widespread funding of uniformed “supplementary security” personnel is one of the cloudy ones. These men and women are generally trained in part by police representatives. They are advertized as being “the eyes and ears of the police” and as having radio contact with police headquarters whereby they can report crimes witnessed or other conditions warranting police attention. At least two BIDs make much of the fact that their Ambassadors “stand roll call each morning” with the corresponding shift of patrolmen. The BID security staffs are housed in adjoining and connected offices, creation of which was financed by the BID. Making the point that the two organizations operate closely, one BID noted with pride several marriages between staff members and police personnel. Separate from BIDs, some police departments have their own “auxiliaries”, unarmed, uniformed personnel who augment sworn officers when needed. Taxpayers pay for these latter but in no known case do they pay for BID security personnel. A few BIDs hire off duty armed police. BID ratepayers absorb all these costs. An increasing number purchase and install close circuit television.

The largest BID in Philadelphia paid for more than 2000 sidewalk lights, countless physical sidewalk improvements and landscaping, a multi-million dollar project that made a substantial difference in the district’s appeal, day and night. The board of directors could afford to pay off the BID backed bonds based on anticipated revenues (BID bonds are usually rated better than those of the city in which they operate) and they probably rightly expected that the city would not or could not handle these capital improvements believed to be necessary to the district’s future prosperity. Smaller BIDs often scrounge for grants to meet their desire for brighter, pedestrian scale lighting.

Three BIDs in Midtown Manhattan pooled their resources and financed the construction and maintenance of an innovative series of small parks created by redirecting or barring auto traffic along Broadway. One of these BIDs had earlier paid to brighten lighting throughout the theatre district.

Another park was completely reconstructed, made safer and more entertaining through a BID financed by the adjoining commercial properties.

The creation of special court that tries people committing nuisance crimes, such as graffiti, brings miscreants to justice far quicker than the normal court system. It is a BID creation tested in New York and copied elsewhere. Perpetrators are more inclined to be treated seriously in this special court than in the busier normal courts. Justice is swift and the punishments more likely to fit the crimes. A judgment may be ten days working for the BID cleaning, painting and helping make the place look better rather than jail time or dismissal.

All of these examples produced popular products. BIDs can easily raise a lot of money in districts with high valuation properties. As a generalization, however, should lighting, park construction and security be the financial responsibility of commercial property owners? Is such a policy fair to parts of jurisdictions without the concentrated resources found in BID districts? Should property owners pay for a justice system that better fits their needs? If the BID program makes the point that a given program is necessary, should the commercial ratepayers have to assume the full costs forever?

WHAT IS SUCCESS?

What is success among BIDs? The annual reports that brag about the increased volumes of rubbish removed from district pavements by BID employees imply a common success measure. After ten or twenty years of this input, however, perhaps this is the wrong measure. Supposing the BID engaged in a five year program to enlist the public’s help in reducing the volume of litter produced. Could progressively less litter removed be considered evidence of success? On the other hand, if fifteen years of BID pavement cleaning corresponds with fewer pedestrians and lower rents, one might conclude that clean pavements contribute to economic decline.

What about fewer “assists” by Ambassadors? Perhaps this indicates, not that the Ambassadors are lazy, but that the district has less need for BID financed patrols. Could success come from a successful campaign resulting in more real police on foot in the commercial center?

BIDs tended to take on what are normally considered local government responsibilities—public lighting, supplementary security, modifications of pavements, tending to local parks—because they saw the potential benefits and had the funds to do so. Might not examples of negotiated cost sharing with municipalities provide other measures of success? Should BID ratepayers negotiate cost sharing agreements for cleaning, security, public space maintenance? Perhaps those BID funds would better be spent in the interest of business profitability and enhanced property values if applied to the typically underfunded marketing budget or financial incentives to attract strong new merchants, services less well handled by government than by business led BIDs.

Overall, American BIDs are enormous successes if judged only by the clear approval, year after year and reauthorization after reauthorization, of the people who are paying for them through the compulsory charge. Foreign and domestic visitors tend to confine their inspections to the best managed and best promoted ones whose best behavior has encouraged hundreds of imitations.

These prototypes, however, do not reflect the entire picture. Other valuable lessons occur where BIDs do little more or different on their fifteenth year than on their first. American BIDs, once approved, are insufficiently challenged. In large measure this is traceable to a major consideration in the approval process: BIDs cost very little. They may not contribute much to sales and rents, but they are an affordable business expense.

Visitors beware! BIDs are run by people who are unlikely to confess to what they have failed to achieve or to describe changed conditions to which they have not adapted. To understand fully this remarkable and popular tool, one must uncover the lost lessons.

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FIVE YEAR PLAN FOR ARDMORE, PA BID REAUTHORIZATION

BACKGROUND

The BID in this quiet suburban downtown seeks reauthorization after fifteen years of existence during which there had been no new programs, no changes in the assessment to reflect inflation nor any for additional services. Fifteen years of BID financed sidewalk cleaning had coincided with fifteen years of less and less foot traffic, diminishing property values and loss of destination strength. The cleaning, taking about a quarter of the annual budget, had never been reconsidered.

The district is bisected by a heavily used state highway and is the center of an affluent series of communities whose residents principally shop at a nearby upscale mall and in other town centers. There are few curbside parking spaces on the main street and parking direction signs are too small and too few. There had been no changes in the BID committee structure in recent years, a holdover from former Main Street designation. There was, for example, no committee concerned with parking nor was there one addressing business recruitment, high priorities among local business leaders. While there remained some opposition to the BID, it had not faced organized opposition.

With no adjustment for inflation, the ratepayers had had an effective 40% assessment reduction in real dollars, as well as an effective reduction in services. There had been more turnover in managers than would normally be healthy, but the district's executive at the time of reauthorization was a local retailer who had considerable credibility among the stakeholders.

A survey of owners prior to framing the reauthorization plan revealed support by owners and operators for the BID's advocacy work (especially dealing with the municipality regarding a forthcoming redevelopment project), but there was general disfavor on two points—much of the standing BID priorities (sidewalk cleaning and beautification and art gallery oriented events) were considered of little value and the BID was doing little on two major needs—improving parking and attracting strong retailers.

It was also clear that communication between the BID board and the owners needed improvement; it was agreed to add two property owners to the board and to assure that all stakeholders were aware of board meetings and understood that all were welcome. A draft plan (below) reflecting “the New BID” was prepared and made the subject of two Business Community Meetings (the first such) which attracted good crowds.

SUMMARY OF THE DRAFT BID REAUTHORIZATION PLAN

1. Organization

- Work harder to attract qualified Board and committee members who represent the interests and diversity of our stakeholders. Add two owners to the voting members. To broaden representation and viewpoints, create non-voting advisory members whose input will assist us in planning.
- Create a new 510(c)3 non-profit corporation (with the same board and staff), that will help us secure more grants for improvements within the district.

- Create a long-term Development Plan that will allow us to be less reliant on assessments and fundraising.
- Modernize BID by-laws to encourage greater participation of stakeholders on our committees and our board.
- Negotiate a voluntary 3-5 year financial commitment from the Township, the state and Suburban Square (shopping center) to cover any projected budget shortfall.
- Continue regular print, fax, and e-newsletters, expand our database, and initiate more frequent stakeholder get-togethers.

2. Design

- Continue to assist existing building and business owners in revitalizing their property, and work with Township, County, and State Governments to secure and maximize all available grant dollars for existing programs.
- Work with the township on the creation and enforcement of sign ordinances, and resolve other zoning code issues.
- Coordinate with the Historical Architectural Review Board (HARB) on the Façade Grant application and approval process.
- Encourage and educate property and business owners on the use of energy-efficient, eco-friendly building materials and products.

3. Streetscape

- Explore possible outsourcing sidewalk cleaning and the Ardmore Blossoms beautification project. Seek cost reductions to permit reallocation of assessment projects.

- Expand participation in holiday perimeter building lighting, and convert all downtown lighting to energy efficient and cost effective LED lighting.
- Install and replace trash receptacles, benches, and ash urns as needed. Seek municipal funding.
- Improve parking, improve parking information, increase and improve parking direction signs and create owner led parking committee. Create parking master plan linked to redevelopment.

4. Communication, Marketing and Promotions

- Create business directory kiosks at parking, crosswalk, and station locations to direct shoppers to all of our businesses.
- Support our businesses during the transition periods of redevelopment and construction by increasing marketing activities, creating incentives for shoppers, and allocating additional funds to help our businesses.
- Contract for professional marketing plan for application when other improvements are in place.
- Continue to promote Ardmore businesses via our web site, and expand distribution of business directories and guides.

4. Business Recruitment and Retention

- Create a strong Asset Enhancement committee to work more closely with the municipal Retail Recruiter and communicate regularly with local real estate agents and developers.

- Strengthen the shopper destination by creating a financial incentive program for building owners and real estate agents to bring desirable retailers into existing downtown buildings. Allocate funds for rent supplements or interior fit-outs of these properties when needed by strong retail tenants.
- Increase pedestrian traffic and store visits by attracting stores that will bring a larger share of multiple destination shoppers. Organize to encourage more stores to be open when more people want to shop.
- Explore the creation of an “anchor” asset like a community performing arts center.
- Provide funds for ADA accessibility renovations.
- Continue to represent the interests of our stakeholders to the Township and to developers.
- Work with Lower Merion Township staff and officials for reclassification of service businesses.

OWNER SURVEY FOLLOW-UP

The two priority concerns of the survey responders included parking and business incentives:

Parking.

- The parking committee would be responsible for measuring parking usage in the several lots, measuring distance between these parking locations and the rule of thumb regarding how far shoppers will walk to destinations (80% will not walk farther than five minutes). The BID will negotiate with the municipality to remove parking fees on Saturdays to encourage weekend shopping. The committee would also consider parking rebates for shoppers and diners. Finally, the committee would identify

where additional directional signs are needed and how much larger they need to be to be useful where traffic is often at 30-35 mph. Some or all of the expenses for parking if absorbed by the municipality would lessen or remove the planned request for annual BID payments by the town.

Business Attraction

- Using the successful experience of New Orleans, LA, Hampton, VA and Red Bank, NJ BIDs, the BID would subsidize fit up costs for desired retailers (the retail recruiter reports that a major obstacle for drawing new businesses is the property owners’ unwillingness to pay for modernization of commercial space). Other possible financial incentives include temporary rent reductions. Still a third tool would be offering a \$5,000 bonus to realtors or developers producing a desired business.

The BID reauthorization produced only a single objection (part of the approval procedure under Pennsylvania law) and was approved by the Township Committee.

CURSE OF SUCCESS: BIDS: A QUARTER CENTURY OF SELF PROMOTION AND HOW LITTLE WE KNOW

Business Improvement Districts are, whether non profits or governmental organizations, widely popular yet with a series of weaknesses that deserve far greater attention in the next decade. An underlying flaw is the lack of serious research to which they have been subject and the poor quality of what little research has been applied.

Is there agreement on fundamental BID purposes? Many BIDs drift from “strengthening property values” to “substituting property assessment funds for tax revenues.” If BIDs don’t bother to apply consistent purposes, deciding if they are successful is challenging at best.

Is the principal need of urban BIDs crime suppression or fear reduction (major responsibilities of local government)or does it lie with cleaning sidewalks which are the responsibility of property owners? Together, these two BID budgeted items typically account for more than half of the service costs of urban BIDs and often of those in none urban centers.

How useful is the scant research that is available? Are important questions raised or are the choices of research topics largely influenced by the preexisting position of the researchers or client’s public relations needs?

Take, for example, the report of this study from the RAND Corp. wholly concerned with crime in Los Angeles.(Los Angeles Times. 20 Feb/09).

LA’s Business Improvement Districts Help Reduce Crime, Study Finds

Originally published in the Los Angeles Times

In the 1980s and 90s, rising crime, dilapidated streets and a perception that police alone could not keep the streets of Los Angeles safe led a few neighborhoods to take matters into their own hands.

In areas as varied as Old Pasadena, Westwood, Hollywood Boulevard and downtown LA, business and property owners banded together to assess themselves and form umbrella organizations aimed at keeping their areas safe and clean.

The groups, known as business improvement districts or BIDs, hired private security guards to help patrol their blocks and crews to clean up their sidewalks, as well as lobbying government officials to make other improvements in their area.

There are now more than two dozen such districts in Los Angeles alone, employing that security guard in front of your favorite downtown eatery and the woman sweeping the sidewalk near your stylist’s trendy digs.

In the first comprehensive study of LA’s business improvement districts, the RAND Corp. said Thursday that the districts are having a significant effect on crime in their neighborhoods and that areas with such districts have significantly less crime than those without them.

As violent crime has steadily declined by half in the past decade throughout Los Angeles, the report suggests that areas with active business improvement districts have fared even better—particularly when it comes to robbery and other street crimes.

The districts “are not just gentrifying efforts to displace people or the panacea to crime and making people’s lives better” said John McDonald, the leading researcher on the study and a criminology professor at the University of Pennsylvania. These districts make a place not such an attractive place for crimes of opportunity such as robbery.

But the study is likely to fuel the ongoing debate about the districts. Critics say the security guards are encouraged to push out undesirables and harass the homeless...

This article represents a rare event in the three decades of BIDs—actual research by a qualified firm. The firm was probably without predisposition, although the client that paid for the study may not have been without reasons to produce evidence of public value to reassure assessed property owners and local officials that BIDs are a useful investment. Unless it is judged for its propaganda benefits, the study is all but worthless. Was the research contract designed to counter charges by police that BID “public safety” is a waste of money better spent on cops. Or to encourage more property owners to organize more or bigger BIDs. There is no issue more persuasive in support of BIDs than the notion that they may cut the rate of mindless urban violence, even when it is already declining. In such cases, BIDs face difficult public relations challenges. “Look at our record—crime is going down (although we still need as much money for BID Public Safety Ambassadors)”.

There are other problems

Virtually all crime-related research comes from data reflecting experience in residential neighborhoods, not commercial centers. In large measure this is the result of the fact that there is and has been far less crime in areas with an abundance of shops, shoppers, cars and buses and (usually) more abundant lighting. Some theorize that an abundance of uniforms sends a bad signal to pedestrians, inducing more fear. This observation led to the suggestion that some of the BID funds spent on uniformed personnel might be better spent on financial incentives to attract first floor enterprises that will generate more pedestrians.

Crime data has little to do with how appealing is an area for commercial or residential success. What counts is something rarely measured – how do people feel about the area? Are they fearful or are they so preoccupied with shopping or getting to work that fear is not a significant preoccupation. Some of the best thinking on this subject reveals that the most reassuring factor in overcoming fear is not an abundance of armed or unarmed uniformed personnel but the presence of civilians, lots of people. Fear begins to register in places—residential or commercial—with empty sidewalks. Jane Jacobs wrote there can’t be enough police to overcome that unfortunate condition.

The RAND study concludes that “BIDs” are associated with lower rates of crime. Strangely, they don’t consider what else may have influenced the data. Did the studied places have brighter sidewalk illumination, brighter store windows or more pedestrians than comparable places? We don’t learn. Were more police assigned to the area? We don’t learn.

What is there about BIDs that the researchers believe produces lower crime rates? Not all BIDs have the same levels of uniformed Ambassadors. Do they need any? (There might lie a potentially useful and researchable comparison). A few BIDs invest heavily in joint operations facilities and make much about the consequent communication between Ambassadors and precinct police. Do the police believe these facilities reduce crime or fear? One pioneer BID director believed that clean sidewalks reassure pedestrians where litter conditions are so bad—rarely so—that people believe conditions are out of control. Another director trains its cleaning crews to be friendly, helpful, readily recognized people on the sidewalks. That does appear to work, although there is no supporting research.

Some believe that BID's clean sidewalks per se attract pedestrians, but this is rarely likely. Pedestrian counts are shaped by strong commercial destinations. People come to commercial centers because they have transactions to accomplish there.

The LA study is among the few that sought to identify BID benefits. But what specific crime or fear reduction benefits do BIDs offer? The LA study doesn't provide BIDs with useful information if your purposes is to reduce crime or fear. It certainly is of little use if you are seeking cost effective remedies for solving contemporary BID challenges.

A good opportunity for useful research would be comparisons among the following operating in comparable commercial areas during comparable time periods:

-  Ambassadors
-  Off duty police
-  CCTV
-  Brighter lights
-  More pedestrians
-  Security Vans
-  Bike patrols

BID SUCCESS: ARE WE HAPPY YET?

“This population is one of the happiest in the world.”

Alexis de Tocqueville

The most predictable question raised by property owners and merchants confronted with the prospective formation of a business improvement district (BID) is, “How do we know they are successful?” Those asked to agree to an involuntary charge to support measures previously not locally attempted understandably want to know whether their payments will produce economic returns greater than their payments. Many seek reassurance in research.

There is, however, little qualified, independent research available to provide the desired reassurance. There are no reports examining the economic benefits of a cross section of BIDs in prototypical locations and conditions, no before and after studies. What exists is confined to limited locations or limited subjects and even these studies are not wholly reassuring. A qualified economic consulting firm studied more than 100 commercial corridors in Philadelphia (eg., did the programs generate retail sales, attract merchants and other useful tests?) and found that the self financed BIDs outproduced a half dozen city-financed subsidy programs. Another study suggested that BIDs were associated with lower reported crime in Los Angeles. A hard nosed analyst,

however, might question whether BID programs (such as uniformed security patrols) reduced crime or fear or whether preexisting conditions—such as better than average business leadership that made BID formation possible—explained the more favorable outcomes. Were these locations likely to have less crime perhaps because there were more pedestrians in evidence or because of brighter lighting? Was crime reduction a major goal of the identified BIDs or were they formed to achieve broader economic goals?

Lacking persuasive research, inferential evidence is often introduced. BIDs “must be successful” because:

- Every year boards of directors dominated by the people who are paying the fees approve BID budgets and, where applicable, support reauthorization by their municipal governments for multi-year periods.
- BIDs continue to increase in numbers and they are almost never terminated by those who pay the compulsory charges. Ergo, they must be doing something right.

Nevertheless, these arguments leave unanswered, “What constitutes BID success?” A conscientious BID board of directors should look to some tests when considering what programs to support year by year and what results should be expected. Different BIDs treat this possibility in different ways:

1. Ignore the question

This is probably the most common practice. Most BIDs have only the most rudimentary goals and many lack even those. Many were formed as “safe and clean” agents (our goal is to make the sidewalks clean) and don’t see their mission as improving economic conditions.

2. Measure Inputs

- a. Some BIDs report that they spent more money year on year. This is a familiar device of governments at every level. If more money is spent, more contracts approved, the organization deems itself more successful.
- b. Many BIDs report that their employees last year removed more bags of trash; recorded more examples of assistance to pedestrians or drivers, reported more apparent crimes to police or more incidents of BID Ambassadors assisting police. Success is associated with activity—we were busy. An unaddressed problem, however, may lie behind the greater amounts of litter requiring an expensive removal system or the greater need for pedestrian assistance or aid to police. Does this constitute success or do these activities indicate that conditions are worsening? Somewhat akin to the preoccupation with “body counts” in the Vietnam war, such numbers encourage administrators to ignore the more important question—what outcomes are desired and to what degree are they being attained?
- b. The Phoenix AR BID organized a thorough and inclusive year by year examination of changes in critical aspects of the Downtown economy—vacancy rates, pedestrian counts, attendance at events, etc. While not designed as a basis for measuring BID success, it did provide evidence of how the central business district was performing, potentially useful for all of those involved in its wellbeing including police, inspections and other services.
- c. Pedestrian counts may be useful measures of BID success, although they don’t distinguish between the results of BID investments and various other factors, including overall economic trends or new redevelopment that produces new businesses, additional employees or new customers. Pedestrian counts in commercial centers are similar to user counts at urban parks and plazas; the more people, the more successful. One big city BID has more than doubled the number of properties within the district (without changing the service area). Virtually all the newly assessed properties are residential condos. This evidence of private investment is a useful metric—people like the place.
- d. The Downtown DC BID collects information on block-by-block conditions (is there excessive litter, does the area fall below BID standards for plantings?) and tracks changes. A tool for management and not designed to quantify success, the process provides useful evidence that may also be applied for this purpose.

3. Measure Outcomes

- a. A small suburban BID seeking to improve property values reports annually on the value of municipal permits for real estate improvements. More permits are approved and for larger annual total investments since the BID was formed. The BID was probably responsible for some of this growth.
- e. Early in its formation, the Seattle BID arranged for major retailers to provide confidential sales reports to an accounting firm, which then reported yearly on overall retail performance. Again, increased sales may result from forces far beyond those the BID can influence.

- f. A device measuring various aspects of BID and commercial area performance includes what are sometimes called satisfaction surveys. BIDs may ask property owners and business operators their degree of satisfaction with BID programs, the BID itself and/or with the commercial area. Downtown users—shoppers, visitors, etc.— may be asked in the early years if conditions are improving. Potential customers in the trade area may be asked in phone interviews to rate the district and, if they don't shop in the BID area, what are the reasons? Why do they choose another location? Satisfaction surveys reveal the degree to which commercial districts please shoppers, employees, visitors and increasingly residents. Philadelphia's University City District publishes measured changes in satisfaction among service area users. The Downtown Washington district asked people if there were lots of activities in the district and over a few years recorded increased awareness of entertainment, culture and other attractions. The late developer James Rouse said "Cities must be fun." Are they?

Ultimately, success depends on soft factors, perceptions and attitudes. If office employees, for example, are not comfortable as pedestrians, they will eat at their desks and in large districts \$2,000-\$3,000 a year per potential customer purchases will be lost to local businesses. Adverse reputations for poor service or limited offerings or difficult parking may steer shoppers to other markets. Do people like the district? Is it regarded as a good place to live or for leisure? Basically, does it make people happy? Perhaps the most convincing evidence of success is the widespread growth in middle income households living in town and city centers. If those with the luxury of locational choice move there or stay there, are paying rent or mortgages for the privilege, the district has legitimate claim to success.

Successful BIDs are in the happiness business, as are successful shopping malls. Retail pioneer Rouse con-

stantly tinkered with his shopping centers to make them more pleasing, an essential consideration in producing repeat shoppers. He introduced mall entertainment. He recreated an old urban feature, the shopping cart, making productive otherwise empty square footage. To reduce customer boredom, Rouse required pushcart operators to change their offerings every six months, assuring variety of choices where major tenants rarely changed. He invented the festival marketplace without department store anchors, substituting high yield restaurants and specialty retail oriented to leisure shoppers, creating nearby vacation spots within metropolitan areas. BIDs sponsoring outdoor movies, buskers, restaurant samplings and architectural tours have followed his lead. Urbanist William H Whyte derided the business magazines' annual surveys of the most successful Downtowns, such as Dallas, which he said were better described as the most broing.

At the national level, success has long been measured by money spent and is measured in reports of Gross National Product (GDP). This widely used tool assumes that economic growth tested by consumption is the nation's ultimate objective. Coming out of the Great Depression and in the context of the post war adjustment, that was probably a reasonable choice. But the concept is increasingly called into question. Is success reliably tested simply by how much is spent? It is not clear, for example, that persons who spend the most are the happiest for that reason. Are there other possible measurements?

French President Nicolas Sarkozy says "yes". Even the dollars and cents oriented Urban Land magazine last year proposed that development projects be rated on their contributions to "human interaction" as one element of sustainability and that post occupancy evaluations test if "users consider (projects) beautiful". The late Holly Whyte proposed an "enjoyability index...the number of street entertainers, food vendors, people in conversation, the number smiling." He and fellow urbanist Jane Jacobs com-

plained that cities selected as the most “business friendly” were rarely people friendly and were often pervasively boring. Dutch sociologist Ruut Veenhoven has developed the World Database of Happiness which, among other tests, asks people to rate their own happiness on a 10 point scale (the US comes in 20th at 7.4).

Bhutan’s former leader organized the government around the concept of Gross National Happiness (GNH). Statistics were collected under seven categories, each with its own set of tallies:

1. **Economic wellness—including consumer debt, income related to consumer price index and income distribution.**
2. **Environmental wellness—including measures of pollution, noise and traffic.**
3. **Physical wellness—including indices of severe illnesses.**
4. **Mental wellness—including use of anti-depressants, changes in psychotherapy patients.**
5. **Workplace wellness—including jobless claims, job changes, workplace complaints.**
6. **Social wellness—including safety, divorce rates, domestic conflict reports, crime rates.**
7. **Political wellness—including quality of local democracy, individual freedom and foreign conflicts.**

The French President last year ordered his country’s statisticians to measure “quality of life” factors including health, marital status, age, unemployment and other ingredients in individual well being.

Much of the theory supporting GNH emphasizes that happiness or satisfaction is revealed through choice; the more choices the greater satisfaction or happiness. Some BIDs emphasize expanding choices. Philadelphia’s University City District, for example, was launched as little more than a safe and clean district whose uniformed presence throughout the neighborhood was intended to reassure students, staff, parents and the substantial nonstudent residential population in the wake of a notorious murder. From the beginning, annual surveys asked key groups if they regarded the district as better, the same or worse than the previous year, revealing gradual but steady improvement in public approval. The BID now offers diverse programs such as one that organizes young post college residents to learn about architecture and to provide various community services. In a major financial commitment offering more leisure choices, the district paid to redesign and upgrade an underutilized park most convenient to residential neighborhoods. BID workers maintain the park and organize most of its activities. These investments in district happiness probably benefit owners of nearby real estate and boost university enrollments.

What might an annual assessment of district satisfaction consist of? Emphasizing outcomes rather than inputs, here are some examples:

1. **A welcoming environment—Trends in reported crimes, pedestrian and traffic accidents, noise, windows lighted after dark, friendly BID staff, helpful store employees and public event attendance. Are there progressively more people living there?**
2. **A well used environment—Sidewalk pedestrian counts day and night; numbers using parks/public spaces; retailers’ foot traffic counts; gains in bicycle use, increases in children attending school.**

3. Satisfaction Surveys—Regular users and infrequent users can rank the district as a place to work, shop, dine, visit and for entertainment. Downtown DC has shown impressive gains in the public’s appreciation that there “is lots to do there”. Daring BIDs might ask respondents to rate their districts in terms of fun.

Measuring success should reflect the BID’s intended purposes. There are three broad categories. If a BID serves as little more than an extension of local government’s responsibilities to keep the place clean, success can be easily measured—are the sidewalks clear of litter? On the other hand, if a BID’s goals consist of improving business profitability and enhancing property values, there are many models to choose from—simple ones such as tracing the value of the year’s building permits or more difficult ones such as Seattle’s retail sales reports or tallies of municipal sales taxes. Where goals emphasize user satisfaction, surveys of different user groups—eg., shoppers, residents, visitors—can reveal changes year on year by asking how people feel about important district conditions—“Do you sometimes feel frightened on the sidewalks after dark?”— or DC’s probing question of whether the district is fun (“Are there lots of things to do Downtown?”)? “Do you enjoy being there?” “Is it a friendly place?”

The BID movement at home and abroad would benefit from research that considered tests of success in a variety of circumstances, in small towns as well as large cities, emphasizing outcomes. The commercial corridor study referenced above would be a useful example—are there more shops, are they doing better? Individual BIDs would do well to explore outcomes in terms of user satisfaction, recognizing that BID success ultimately depends on how people regard the district as a place to live, work, shop or visit. Do people believe it contributes to their happiness? Shopping malls work hard at this. BIDs would benefit from such an orientation.

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April, 2010



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