

Business Improvement Districts and Urban Entertainment and Cultural Centers

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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:

1. *Maintenance.* Collecting rubbish, removing litter and graffiti, washing sidewalks, shoveling snow, cutting grass, trimming trees, planting flowers in public places.
2. *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.
3. *Consumer marketing.* Producing festivals and events; coordinating sales promotions, producing maps and newsletters; launching image enhancement and advertising campaigns; erecting directional signage.
4. *Business recruitment and retention.* Conducting market research; producing data-oriented reports; offering financial incentives for new and expanding businesses; marketing to investors.
5. *Public space regulation.* Managing sidewalk vending, street performances, street furniture, code compliance.
6. *Parking and transportation management.* Managing the public parking system; maintaining transit shelters; operating ridesharing programs.
7. *Urban design.* Developing urban design guidelines; managing facade improvement programs.
8. *Social services.* Creating or aiding help-the-homeless, job training, and youth services programs.
9. *Visioning.* Developing a vision or strategic plan.
10. *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 sleaze 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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