



Why Business Improvement Districts Work

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Ordinarily, one would not think that a group of businesses getting together to clean up their neighborhoods would cause much of a commotion. But Business Improvement Districts, known as BIDs, have been accused of everything from polarizing rich and poor to imposing unnecessary taxes. Why such alarming rhetoric? Because BIDs challenge how cities have spent their money and delivered services for the last 30 years.

A BID is an organization of property owners in a commercial district who tax themselves to raise money for neighborhood improvement. Core functions usually include keeping sidewalks and curbs clean, removing graffiti, and patrolling the streets. Once a BID is formed, the assessment is mandatory, collected by the city like any other tax. Unlike any other taxes, however, the city returns the assessment to the BID management for use in the district.

The BID movement is one of the most important developments in local governance in the last two decades. There are anywhere from 1,000 to 2,000 such districts nationwide, and the number grows monthly. BIDs have unleashed an enormous amount of private sector creativity towards the solution of public problems. Philadelphia, for example, dubbed "Filthadelphia" by local wags, had been brought to its knees in the 1980s by massive deficits and intractable municipal unions. Cyclones of trash commanded the sidewalks. Now, its historic downtown is clean and orderly, thanks to the Center City business improvement district, which steam cleans the sidewalks every night and sweeps them continuously during the day. Local business activity has increased markedly. Baltimore's downtown business leaders have dispelled the area's reputation for crime with roving patrols of uniformed "ambassadors," who assist tourists and discourage panhandlers. And New York City's 34 BIDs can claim considerable responsibility for turning around once squalid neighborhoods—from Times Square to East Williamsburg, Brooklyn—and making them safe and attractive for shoppers and pedestrians.

BIDs Succeed Where City Governments Fail

The key to BIDs' accomplishments lies in their dissimilarity to big city government. They operate without civil service rules and red tape; most important, they negotiate labor contracts from a clean slate. They can hire and fire employees based on performance, not civil service status or other government mandates.

As significant as BIDs' procedural differences from big government, however, is the difference in their priorities. Starting in the 1960s, local governments turned their backs on the key missions of policing and sanitation, in favor of the creation of a massive welfare state. At the same time, the

growing clout of municipal unions meant that it cost more and more to provide fewer and fewer services. As cities grew dirtier and unrulier, customers fled to suburban shopping malls, where they didn't have to worry about getting mugged or stepping in a pool of urine.

BIDs have returned to an earlier set of values regarding public space. They understand that simple things—such as keeping sidewalks clean and safe—matter enormously to the urban quality of life. A city that has lost the will to control allegedly “minor” offenses such as trash and graffiti only invites further disorder.

And people are voting with their feet in favor of BID values. Downtown shoppers are rediscovering the pleasures of city strolling; property values in some of the most successful BIDs are rising.

Social “Advocates” Attack BIDs

Yet BIDs have attracted opposition, nowhere more vehemently than in New York. Critics charge that some of the large Manhattan BIDs harbor secret designs to drive the poor out of public spaces. One midtown BID in particular, the Grand Central Partnership, found itself mired in controversy almost from its inception, due to its homeless assistance programs, started in response to a large and troublesome homeless encampment in Grand Central Terminal.

The terminal and its environs have long provided the first glimpse of New York to thousands of visitors daily. A few short years ago what they saw was the largest homeless encampment in the city, hustlers flocking upon tourists and demanding payment for flagging down a taxi, graffiti splattered across stores, filthy sidewalks and broken streetlights. No more. The Partnership put an army of cleaners to work scouring the sidewalks and removing graffiti within 24 hours of its appearance. The BID's security patrol produced a 60 percent drop in crime. Taxi dispatchers today operate orderly queues outside the station; and new lampposts, planters and trash receptacles, paid for by the BID, are sprouting up across the district.

And the homeless problem in the area has improved dramatically, due in considerable measure to the Partnership's innovative service programs.

But those programs put the Partnership in direct competition with existing social service providers in the city. It soon started feeling the heat. No matter what the Partnership did to help the homeless, the advocates accused it of merely “sweeping the homeless out of sight.” Business and property owners, the advocates argued, were inherently unqualified to help the downtrodden, because their motives would always be impure.

The furious campaign against the Partnership culminated in a front-page article in *The New York Times* alleging that the Partnership had deliberately employed “goon squads” to beat up the homeless and drive them out of its district. The support for the charge, however, is not credible—several of the Partnership's accusers had been fired for stealing Partnership vans; all had axes to grind. There is no reliable evidence that the Partnership ever encouraged or tolerated any violence towards the homeless. Nevertheless, the advocates won the public opinion battle, and the Partnership has been forced to revamp its outreach efforts.

The lesson from the episode is sobering: businesses and property owners who become directly engaged in assisting the poor risk a powerful backlash from entrenched social service interests—at least in the political hothouse of New York City.

A more substantive criticism of BIDs is that the additional tax burden they impose on businesses will prove detrimental in the long run. Some people argue that the BID assessment is a second tax for services a city is already supposed to provide.

BIDs Would Be Hard To Replace

But many BID functions go far beyond what even the best-run city is likely to offer—BIDs model themselves not on the megalopolis, but rather on Disneyland, with its meticulous attention to cleanliness and customer satisfaction. They provide amenities—such as peripatetic tourist guides and retail assistance—that taxpayers as a whole would be unlikely to support.

And the economic argument against BIDs is at least partly belied by the evidence to date, which shows that BIDs, in fact, become a positive draw for businesses.

Buildings are starting to advertise membership in the most successful BIDs; the law firms of Simpson Thatcher & Bartlett and Davis, Polk & Wardwell say the existence of the Grand Central Partnership figured in their decision to relocate to midtown. Property owners in some areas, such as the perimeter of Bryant Park, point to the existence of the BID to explain the zero vacancy rates of many buildings. And small property owners with whom I have spoken in places like the South Bronx and East Williamsburg view the additional expense as a worthwhile investment.

At heart, most criticism of BIDs springs from a deep suspicion of private enterprise, which some people believe can be up to no good where public spaces are concerned. BIDs are disproving that belief, showing that private interest and the public good can coincide. They are providing a model of efficient public services which governments should emulate. And in a city such as New York, often swayed by anti-business sentiment, BIDs have given property owners a much-needed voice.

Perhaps one day, BIDs will not be necessary. But for now, they provide a vital and dynamic West Berlin to city governments' sclerotic East Berlin.

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