

# **Business Improvement Districts (BIDs): A Practical Tool for the Revitalization of Downtown Neighborhoods**

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## **What are Business Improvement Districts?**

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- BIDs are referred to in many ways, depending on the state or city. Terms used include special improvement districts, special assessment districts, business assistance districts, business improvement zones and special services district.
  - Bids are districts are areas in central cities defined by state and local legislation in which, “the private sector delivers services for revitalization beyond what the local government can reasonably be expected to provide.” The properties and/or businesses within this legally constituted district pay a special tax or assessment to cover the cost of providing facilities or services for which the district has a particular need. The benefits are that while the city provides some oversight authority the bids control the purse strings.
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## **How are BIDs created?**

While state and local legal requirements vary, the creation of special districts involving extra fees usually requires some form of prior approval by a simple majority of district property owners, by owners who control a majority of the land area, or by owners responsible for the majority of the fees assessed. Landowners involved in special assessment district financing may be residents desiring infrastructure improvements, developers interested in preparing property for major projects or commercial businesses helping to fund improvements that will enhance local economic activity.

Special assessment districts can be independent of local government, having almost complete autonomy to finance, construct and manage specific projects. They can also be dependent on local government, created only to raise revenue for specific projects, which are administered and implemented by local government.

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## **Characteristics of BIDs**

BIDs can be defined by the services they provide as well as by how they are shaped by legal statutes. Large BIDs (common in cities such as New York and Philadelphia) can almost resemble their own governments, ultimately creating some conflicts of interest with local governments. Some of largest bids have branched out into economic and community development activities that seek to enhance the quality of life of the entire neighborhood, a goal which ultimately intends to bring benefits both locally and on a more regional level. Smaller BIDs tend to take on roles once play by chambers of commerce and merchant associations with one major difference—they can reliably predict projected costs and revenues in advance due to legally binding payments paid by property owners.

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## **Benefits of BIDs**

BIDs represent an entrepreneurial approach on behalf of downtown leaders or participating businesses to solve their own problems. By bypassing the slow movement and cumbersome processes of local government by creating their own organizations, BIDs are able to quickly try and discard or continue different strategies which enhance the district's environment. Some specific benefits of BIDs include:

- finding innovative solutions to problems, such as helping to coordinate and facilitate the movement of homeless citizens into long-term rehabilitation environments;
- protecting and enhancing public spaces through the deployment of "security teams" or "ambassadors";
- initiating services not provided by public agencies such as sidewalk cleaning and snow removal, marketing, promotions, business retention and recruitment;
- advocating on behalf of downtown business allowing them to communicate a unified vision/message that presses local government on issues that would aid the district's revitalization;
- creating cooperation among competitive businesses which allows them to engage in activities that they would not be able to do on their own;
- generating financing for capital improvements for more attractive streetscapes
- researching and planning services such as collecting and analyze economic and demographic data, monitoring progress, setting and revising strategic goals and developing multiyear redevelopment programs.

## **History: When did BIDs first start?**

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- The first BID was created in a neighborhood in Toronto in 1965, but the concept was slow in proliferating in Canada as well as in the United States.
  - Part of the reason for the slow emergence of BIDs in the U.S. can be attributed to the popularity of urban renewal strategies during much of the 1970s which razed rather than enhanced many existing downtown neighborhoods and old commercial districts.
  - Since 1990, BIDs have been growing at a more rapid rate, with an estimated 1,200 BIDs now located throughout large, medium and small cities and towns throughout North America.
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## **Background: Why did BIDs emerge?**

Business Improvement Districts (BIDs) represent the latest organizational response to the changing dynamics of metropolitan areas over the last twenty years, a time period that has marked the decline of downtown businesses and neighborhoods.

Since the 1970s, the proliferation of suburban commercial centers and highways have lured the majority of potential shoppers away from traditional central business districts to the suburbs, causing municipal governments to lose crucial tax revenue. In many cases this loss was reflected in the deterioration of the urban landscape due to the lack of funds for maintenance and improvements.

The competitive advantages of downtown shopping areas—history, unique stores and human-scale infrastructure—were no longer enough to draw auto-dependent suburban residents away from mega-malls that offered one-stop shopping for the entire family. In addition, shoppers came to expect the amenities provided by these new shopping centers, such as free and ample parking, climate controlled environments and a visible private security force that offered the aura of safety.

Since most public agencies continued to lack the funds or political will to improve the appearance and competitiveness of older shopping districts, a new strategy for raising revenue based on “self-help” and the formation of a new structure to deliver services became the ideal solution for many downtown neighborhoods.

However, the significance of allowing a private interest group to control a public good has evolved into a legitimate public policy issue as BIDs take over management of many urban areas across the country.

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## **Examples**

### Times Square BID

One of the highest profile BIDs happens to be located at the "Crossroads of the World" -- Times Square. Formed in 1990, the Times Square BID has an annual budget of \$7 million and has been largely credited with revitalizing the Times Square neighborhood. Times Square is probably one of the best examples of how a BID can transform the aesthetics of a neighborhood.

The BID works in collaboration with city agencies, private businesses, community boards and other non-profit organizations in the area.

Times Square BID's major activities include:

- providing supplemental security and sanitation services
- providing services to the homeless in conjunction with local non-profit agencies
- promoting the area and providing services to tourists through an information kiosk
- advocating for the area's interests including the dispersal of pornography stores
- undertaking public improvements such as sidewalk lighting, public art and enhancement of pedestrian passageways
- producing publications, press releases and special events to promote the area

Before the BID formed, Times Square was a Mecca for all kinds of entertainment, but it was most notably known for being the center of the theater district as well as adult oriented businesses, such as strip bars. One of the BID's first activities was to work with New York City to pass new zoning

regulations that would deconcentrate the number of adult-oriented businesses in the neighborhood. As a result, Times Square's redevelopment has fostered significant private investment in the neighborhood, which has raised property values and created new economic opportunities for small business owners.

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### **Center City District**

Also established in 1990, the Center City District in Philadelphia includes over 2,000 property owners who joined together to establish the CCD. CCD is committed to making downtown Philadelphia safe, clean and attractive. Property owners voted to fund the CCD through mandatory assessments, approximately 6%, paid directly to the CCD in order to help maintain Center City's competitive edge as a regional employment center, a quality place to live, and as a primary visitor destination.

The CCD serves a 100 block area at the center of Philadelphia's business district, from the Liberty Bell to Amtrak's 30th Street Station, that is frequented daily by half a million employees, residents, tourists and shoppers. The CCD supplements municipal services by providing maintenance, public safety, hospitality and promotional programs and capital improvements. The CCD's main activities include:

- sidewalk cleaning
- graffiti removal
- landscape maintenance
- advocacy
- safety patrols by community service representatives
- retail security audits
- daytime outreach services to help get the homeless off the streets and to appropriate facilities
- banner program
- transit shelter program
- retail promotion and design improvements
- streetscape improvements

In addition to its core services, the CCD publishes numerous reports analyzing changes in economic and demographic indicators in the center city area, useful information for existing and prospective businesses. Guides explaining the complex permitting and regulatory processes required for business creation and facade changes are also very useful for downtown business owners.

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### **Association for Portland Progress**

APP was founded in 1979 by a group of business leaders who were frustrated that no formal organization existed to focus on the needs of downtown. The founders recognized that any successful metropolitan area needs a strong downtown as its hub, and created an organization that would act as a steward of downtown's growth and vitality.

APP works in partnership with other public and private-sector organizations and businesses to manage issues that impact the central city. APP especially tries to find solutions to challenges for which there is no clear public or private champion.

Two unique programs which APP conceived have been studied and implemented by many other BIDs across the country. The programs are:

## **Project Respond**

Project Respond is a partnership between APP's Downtown Clean & Safe Program and Mental Health Services West that employs humane, holistic approaches to resolving chronic mental health problems on the streets of the downtown core. Specially-trained counselors assist mentally ill individuals at street-level to access available treatment services and housing options.

## **Downtown District Attorney**

APP began a partnership with the Portland Police Bureau, the District Attorney's office and other partners to create a program to deal with downtown crime and public safety issues. The Downtown D.A. is different from other prosecutors in that the primary emphasis is on crime prevention strategies and community-based problem-solving, as well as prosecution of criminals. The Downtown D.A. works with local law enforcement agencies, community organizations, citizens, businesses and other entities to control crime through trainings, education and networking. A major accomplishment of the Downtown D.A.'s office has been the expansion of the Drug Free Zone in downtown, a means to legally exclude repeat offenders from public areas by charging them with criminal trespass.

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## **Critical Issues for Discussion**

The proliferation of BIDs raises many interesting questions about who is controlling our public environment and the future impacts this may have. Should an entity controlled by one interest group have such complete control over a public good?

Despite the fact that most BIDs seem to be mission driven and are dedicated to helping to make center cities attractive to business and residents, it is important that the following issues be discussed in order to ensure that cities remain accessible and diverse places.

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## **Downtown becomes Disneyland?**

- Ironically, the transformation of unplanned and sometimes threatening urban space into more familiar and secure suburban type spaces has been the root of BIDs most significant success as well as their most intense criticism.
- In many ways, the rise of BIDs parallels the rise of new urbanist communities such as Seaside and Celebration that seek to recreate the best parts of urban places and neighborhoods through strict design and building codes that leave no room for the randomness that is an inherent characteristic of great, realistic urban places.
- While no one can deny the success of BIDs in Times Square, New York City and Center City, Philadelphia in transforming formerly threatening and unsafe areas into attractive and pleasant urban destinations, critics contend, "neighborhoods have been colonized by national chains such as starbucks and the gap while local culture is vanishing, facilitated by BIDs trading the past for control of the present."

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### **A free ride for government?**

- Typically, most BIDs take on activities normally provided by municipal government, such as street cleaning, crime prevention, landscaping, and other streetscape improvements such as lighting, signage and tree planting.
- Many districts have made a vast visible difference in city neighborhood by helping to reduce crime, clean up streets and restore a sense of pride in merchants and the public. While providing services that for decades fell through cracks of city government have produced many positive results, it also allows municipalities to divert their attention to other parts of the city that don't have their own mechanisms for providing such services.
- As a result, some merchants in BID districts have complained that, "cities are promoting the districts in an attempt to palm off maintenance of public spaces on the business community."
- However, for property owners within new districts this means paying taxes to the city and assessments to the district for the same types of services like police protection and street cleaning.

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### **An unaccountable quasi-government?**

- Double-taxation in order to receive services that city agencies should be providing may be the most efficient way to see results quickly but it also represents an abdication of a public good to management by private interests that are not accountable to voters.
- Peter Salins, professor of urban planning at Hunter College calls them, "a perverse exchange of responsibility between the public and private domains."
- While many BIDs have impressive records of achievement, their internal processes can be sloppy because they are not accountable to the same type of participation and decision making models legally required by most public agencies.
- As BIDs gain more power, some business owners believe they are not given enough of a say in setting policy and that BIDs represent, "a whole new subdivision of government that is not accountable to elected officials."
- However, adding an extra layer of government oversight can take away the nimbleness which makes BIDs so effective.

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### **Private control of public space?**

- Access and diversity are essential characteristics of great cities and civic places. At one time, downtowns represented the democratic heart of society, with expensive town homes next to low-income apartment buildings. Richard Bradley, President of the International Downtown Association, describes downtown as, "still one of the few multicultural places left in the U.S., and thus essential to the future of a multiethnic, urbanized nation."

- Alarmingly, management by a private entity of public sidewalks, parks and other spaces has restricted neighborhoods of many cities to those considered desirable by BID management.
  - While the creation of cleaner, non-threatening environments has helped to revitalize urban neighborhoods, at the same time BIDs may be unintentionally sacrificing downtown's most valuable assets, access and diversity.
  - For anyone who wants to see cities remain competitive in the next century, it is hard to argue with the potential benefits of creating cleaner and safer public places. However, the impacts of trading access and diversity for economic gain may not be as essential as previously thought if the price is a sanitized environment with the same homogeneity as a suburban shopping mall.
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### **Is this what cities should look like?**

- Although many BID's have managed to clean up and improve the streets and public spaces of downtown neighborhoods, the debate continues over whether this is a positive or negative strategy for the future of cities.
  - For example, BIDs have been negatively compared to "gated communities" due to their reliance on a private governing structure to control the area within their geographic boundaries and the fact that both entities often require strict aesthetic codes.
  - Times Square is probably one of the best examples of how a BID can transform the aesthetics of a neighborhood. While most residents were supportive of the BID's effort to regulate adult-oriented businesses out of the area, the redevelopment of Times Square has been criticized as swinging too far in the opposite direction.
  - Some critics are now calling it a "static festival," with its high tech electronic signs and retail environments that function as multimedia entertainment spaces.
  - When a mass redevelopment occurs driven by private interests, such as in cities all over the world for the Olympic games, it is necessary to question how much these changes are representative of neighborhood culture, and whether certain competitive advantages are lost when what makes an area unique is sacrificed for uniformity and familiarity.
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### **Downtown benefits in the end?**

Despite the criticism, Times Square's redevelopment has fostered significant private investment in the neighborhood which has raised property values and created new economic opportunities for small business owners. Most BIDs have undertaken similar development efforts that have made neighborhoods cleaner, easier to find, more user-friendly and safer.

In addition, most BID critics will agree that the public disinvestment in many cities during the 1980s created a need for new revitalization approaches and drastic measures uncomplicated by public sector regulations in order to make cities attractive places to live, work and recreate again. The self-help approach embodied in BID structure combined with aggressive private sector management is one solution to help cities remain competitive with suburban shopping areas.

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## The Future of BIDs

Despite the criticisms mentioned on the [critical issues for discussion page of this website](#), there is widespread support for BIDs and belief that this useful mechanism can be translated for use in other types of districts. But the critics complaints also need to be taken very seriously in order to improve the BIDs of the future.

Because many large cities already have BIDs, the next decade's growth will probably include:

- more nontraditional settings, such as small towns, nonprofit clusters, industrial areas and strip shopping centers
- small BIDs--New York City and Philadelphia each already have half a dozen small BIDs with yearly budgets of under \$100,000
- more partnerships with residents, more concern for public open space and more programs to serve residential properties--since most BIDs will have more experience and expertise dealing with their core functions that serve the businesses that fund them, BIDs will be able to focus on including these new activities
- Lawrence Houston, a BID expert, has termed these efforts, "civic improvement districts," since they are more inclusive of all community stakeholders. In addition,
- more hybrid financing between big institutions and smaller businesses--the model is University City, Philadelphia, where University of Pennsylvania has teamed up with other universities and hospitals in West Philadelphia to try to improve the neighborhood for its customers.

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## Planners' Role

Due to the unique structure of BIDs that fosters cooperation not only between the public and private sectors but also among business people and residents and other users of downtown, BIDs present an opportunity for planners to bring together diverse interest groups who share common goals.

Initiating and fostering these partnerships may be one of the most important roles for urban planners in the next century as more and more communities seek new strategies to help them remain vital.

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## Fostering Discussion on Good Urban Form

Despite the questions surrounding whether BIDs should be responsible for managing public space in many of our nation's cities, overall BIDs have brought new economic opportunities to many declining sections of downtown.

Since effective revitalization strategies for inner city neighborhoods are rare, it is hard to realistically condemn the proliferation of BIDs despite the questionable philosophy on which their formation is based.

Most importantly, BIDs have revived the debate about what we as citizens want our cities to look like in the future and who they should be serving. By focusing the attention of policymakers, elected officials and the public on the tenuous ability of



cities to provide public space and access to all members of society, BIDs have refocused attention on the importance of the values inherent in good urban form.