

**Business Improvement Districts:  
Typologies and Best-Practices**

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## **i. Outline**

This review of literature regarding Business Improvement District (BID) typologies and best-practices considers how this form of governance has led to successes in the realm of inner-city revitalization. Through innovative practices, BIDs have the potential to expand beyond traditional BID strategies of retail business development while developing a more broad-based neighbourhood coalition around a sustainable development vision.

Section I explains how North American BIDs can be classified according to the characteristics of size, membership, and organizational culture. These characteristics, combined with localized factors have an impact on the strategies that individual BIDs undertake for economic and social development of the community.

Section II provides an overview of BID best-practices from cities across the United States and Canada including San Diego, Philadelphia, Washington(DC), Winnipeg, and Toronto. The table on the following page summarizes the key findings of the review.

**Table 1: Criteria for BID Evaluation**

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**a) Membership**

- Business activities (retail, industrial, office)
- Business size (small, large)
- Business type (independent, chain)
- Non-governmental organizations, non-profit organizations
- Local residents
- Government officials

**b) Financing**

- Business tax levy (local district)
- Grants (government, charitable foundations)
- Self-generated revenue from entrepreneurial activities (festivals, consulting, property development)
- Other local sources (parking tax, hotel tax, development cost levies)

**c) Organizational Culture** (Wolf, 2006)

- Entrepreneurial (program growth and risk-taking)
- Managerial (business-like, efficient and effective provision of BID services)
- Urban policy makers (BID is an important player in arenas of local government, influences policies and plays a leadership role.)
- Community/business partnership (BID is a part of the broader community and is involved in various community issues and efforts.)

**d) Community Co-operation & Partnerships**

- Consultation and participation with stakeholders to create vision for the district and neighbourhood
- Strategic alliances to work toward common objectives
- Formal partnerships for specific projects

**e) Economic Development Activities** (Ferguson, 2006)

- Place promotion and marketing
- Assembly and dissemination of data real estate professionals, financial institutions, government
- Real estate market facilitation (assist with selection of appropriate properties)
- Real estate project development
  - Vision and strategic plan for the community
  - Predevelopment and project formulation
  - Predevelopment + detailed business and financing pro-forma preparation, and property site assembly
  - BID subsidiary acting as a developer (overseeing projects from start to finish)
- Business incubation and technical assistance

**f) Social Development Activities**

- Accessible public realm (safety, space for marginalized people )
- Improving employability of local residents
  - Provision of social services (facilitation, direct provision)

## **I. Best Practices: BID Operating Characteristics**

Business Improvement Districts vary substantially in size, scope, structure, and sources of revenue. Different types of BIDs also have differing relationships with government and civil society organizations.

### **1.1 BID typology**

Gross's (2005) study of BIDs in New York City revealed that BIDs performed different functions depending on their size, as measured by their annual budget. Small BIDs (Community BIDs), defined as those with annual budgets of less than \$300,000, were primarily concerned with the physical maintenance of their commercial district. Medium-sized BIDs (Main Street BIDs), defined as those with annual budgets between \$300,000 and \$1 million, were more likely to pursue marketing and promotional activities in addition to the physical maintenance. Larger BIDs (Corporate BIDs), with budgets greater than \$1 million, were most likely to also undertake capital improvements to their districts in addition to physical maintenance and marketing.

Furthermore, differences in the composition of the boards of the BIDs varied according to BID size. At the top of the hierarchy, the board of a 'corporate' BID tends to be composed of individuals with extensive business skill sets including executives of major corporations, major commercial property management firms, large retail business owners, architects, large retail business owners, and local government officials. On the other hand, 'main street' BIDs tend to have boards that are composed of second generation immigrants, with little formal education. Gross discovered through interviews with BID administrators, that in many main street BIDs, "the profit motive overshadows any development of community" (Gross: 180).

Due to their limited fiscal capacity, smaller BIDs are more likely to seek out partnerships with the wider community. This, combined with the fact that smaller BIDs tend to have more varied interests and visions among members, underscores the need for small BIDs to have well-developed group process skills. BIDs with limited resources tend to focus on activities of facilitation in contrast with large BIDs who are more likely to have their own staff to carry out all of their activities. For example, New York City's Lower East Side BID is involved more heavily in community development activities such as advocacy, technical assistance, and

training for local merchants compared with larger BIDs that operate in central business districts. According to Gross, the type of activities that BIDs pursue depend on their resource base, the type of commercial properties they represent, the composition and balance of power among the key stakeholders that are represented, and the wealth of the community where the BID is located.

Wolf (2006) characterizes BIDs according to their organizational culture. BIDs in the United States operate primarily in one of the following four categories: entrepreneurial—emphasize program growth and risk-taking; managerial: emphasize business-like efficient and effective provision of BID services; urban policy makers—BID is an important player in the policy arenas of local government and a willingness to try to influence policies and play a leadership role; community/business partnership: emphasize the BID as part of the broader community and willing to be involved in various community issues and efforts.

## **1.2 Consultation and advocacy**

BIDs are moving beyond the traditional membership base of business owners that characterizes other business organizations. This trend has highlighted the need for more complex organizational structures to govern a greater number and more diverse group of stakeholders (Segal, 2006). Traditionally, the main voice for central-city businesses was the regional Chamber of Commerce. However, in the face of increasing suburbanization of businesses, companies located in the central city saw the need for a central-city focused group to advocate for assistance with the issues that were particular to downtown and the inner city. Thus, many downtown and inner-city focused BIDs were formed to address these issues (Cloar, 2006). Joncas (2006) explains that most downtown or central city BIDs have missions that revolve around making their territory a good place to work, shop, live, play and invest whilst Chambers of Commerce are usually concerned primarily with making the *region* a good place to do *business*. With these two varied agendas and membership, each organization advocates for different measures to address their needs.

Although most BIDs do not have formal, legal requirements for participation of non-business interests, many BIDs have active involvement of a wide range of stakeholders. At the most basic level, BIDs network with other local organizations

that represent other stakeholders in the community. This is an effective practice, particularly for BIDs with limited resources as it allows them to identify opportunities for partnerships to achieve common objectives. Furthermore, wider consultation can reinforce the legitimacy of the BID in the eyes of residents, other organizations and elected officials. Many BIDs have representatives from non-business interests by incorporating them as non-voting members of their executive board.

Reinhard (2006) suggests a framework for BIDs that engage in advocacy. Three main factors determine whether a BID should conduct advocacy on a particular issue. First of all, the organizational structure of the BID is an important consideration. Engaging in advocacy that may be contrary to the views of some of the BID members is problematic because members are required by law to fund the BID and cannot opt out of the association. One solution to this problem is to create an advocacy organization that is a separate entity that runs on voluntary contributions. This has been done in St. Louis, where the Downtown St. Louis Partnership was formed as an entity separate from Downtown St. Louis Community Improvement District.

Secondly, the issue of consensus is important. There should be a 'supermajority' of members in favour of the advocacy position espoused by the BID. It follows that the BID should avoid taking sides on any issue that is between two members. A third consideration is the local area plan. It is highly recommended that the BID be involved in the municipal planning process for its local area. An effective local plan created with active participation of the BID can be useful for effective advocacy by assisting the BID in evaluated projects and issues and defending the advocacy position of the BID to the membership and the public.

### **1.3 Co-operation/co-production**

Jackson (2006) identifies three types of partnerships that BIDs can use to structure relationships with other civil society organizations. The first type of partnership is one with the BID as leader of the partnership. The Downtown Washington DC BID is an example of this type of structure, where the BID brings together and coordinates service delivery of more than twenty partner organizations. A second model is one where the partners share tasks, but maintain separate management. BIDs in Downtown San Diego, Philadelphia, and Portland (Oregon) use this model.

A third structure of partnership involves creating an entirely new organization to work on common interests. This model is effective in situations where the partners do not have longstanding pre-existing relationships as it provides a neutral territory where these new relationships can be negotiated. This model has been used by the New York City's Times Square Partnership.

Some BIDs have taken on additional roles and responsibilities that extend beyond issue-based cooperation and facilitation. Stokes (2002) examined several entrepreneurial BIDs in San Diego that engage in co-production with the municipal government. The City has pursued creative 'self-help' strategies for businesses through its Office of Small Business (OSB) that offers grants that BIDs can apply for to finance specific projects. As a result, BIDs in San Diego tend to engage in entrepreneurial activities in order to fund their operations. The City has a well-developed BID office and several programs that disburse grants for specific activities of BIDs. In terms of BID governance, San Diego BIDs only require the approval of merchants for the creation of a BID (property owners' approval is not required).

The Small Business Enrichment Program (SBEP) offers grants to BIDs for physical improvements to their districts. These grants cannot be used to fund salaries or services. Eligibility for the grants is based on economic need of the community, which is measured by determining the percentage of residents in the neighbourhood that have household incomes below the median of the council ward. BIDs are also eligible for federally-funded Community Development Block Grants (CDBG). The City also hands over other local revenue derived from a hotel tax and parking meter revenues. The main activities pursued by San Diego BIDs are: place management of the public environment, the production of special events, as well as planning and political advocacy. It is noted that in San Diego, several BIDs engage in activities that are typically the purview of community development corporations.

The state of Georgia is another jurisdiction where BIDs engage in co-production, as state enabling legislation essentially gives BIDs significant powers of taxation and borrowing. BIDs in Georgia also administer a large amount of government funding. BIDs can be very effective at capturing government funding, it is estimated that

BIDs in Georgia attract six to ten dollars for every dollar of assessment revenue (Morçöl and Zimmerman, 2006).

#### **1.4 Economic development**

Ferguson (2006) shows how BIDs can be involved in economic development indirectly and directly. Indirect activities would include interventions that make their territory attractive for development through measures such as improvements and regular maintenance of the physical environment (storefronts, sidewalks, street furniture, etc.) and there are many BIDs who only pursue these strategies. However, there is a precedent for more direct programs of economic development, which could be necessary for districts that are not well-served by the existing market. For example, in an area that is having difficulty attracting the interest of real estate professionals, BID intervention could involve assembly and dissemination of relevant data to parties such as real estate brokers, leasing agents, property managers, bankers, and government officials.

The next level of intervention would involve business facilitation. The BID would follow up on inquiries made by the real estate community and assist with the selection of appropriate properties and put the prospective businesses in touch with the relevant building owners (the Downtown Dayton Partnership is considered a good example of a business facilitator in this regard). Some programs involve more in-depth involvement of BID officials throughout the entire property acquisition process. The Ithaca, New York Downtown Partnership has pursued this type of strategy.

Inner city districts often serve as important business incubators because of the wide variety of spaces available at different lease rates and the high number of business service firms located in close proximity. In Grand Junction, Colorado, the Downtown Development Authority is involved in a partnership with local universities and government for business incubation.

Some BIDs operate in the realm of real estate development (project development). According to Ferguson, there are four main methods of BID participation in real estate development.

The first strategy that a BID can pursue is the creation of a vision for the district and the community via a strategic plan. It is noted that a well-developed strategic plan is very important for leveraging investment in the district and community from the private and public sector.

A second level of intervention would involve work on predevelopment and project formulation. The BID would conceptualize the parameters of possible developments and conduct an initial feasibility investigation, then market the project to investors in the private and public sector. Downtown Dayton, Ohio followed this strategy to secure a minor league baseball stadium. A third more aggressive strategy requires a full feasibility study to demonstrate market potential followed by detailed business and financing pro forma preparation, and property-site assembly.

The fourth most comprehensive real estate development strategy would cast the BID or a subsidiary act as the project developer to oversee the project from start to finish. It is generally only the well-financed BIDs, which have broad powers to raise money, that are able to take on this role.

## **1.5 Comprehensive planning and development**

As discussed in Section 1.3, there is a close relationship between BID organizations and the San Diego municipal government and the Downtown Partnership provides a good example of this sharing of responsibilities, particularly in the domain of urban planning. The Downtown San Diego Partnership was successful in incorporating multiple interests into the official downtown development plan. In San Diego, “the planning capacity of the Partnership rivals that of the city, and unlike the city, does not get distracted by competing political interests relating to neighborhood interests [associated with a ward city-council system.]” (Stokes: 201).

The case of the San Diego Downtown Partnership is instructive as the Partnership has also played an important role in political advocacy for downtown issues. The Partnership succeeded in linking the health of the downtown with the health of the regional economy (Stokes, 2002).

Philadelphia’s Center City District (CCD) has achieved many of the same goals as its San Diego counterpart, although its relationship with the municipal government is quite different. The CCD derives the bulk of its revenue from property-based assessment on commercial properties and therefore relatively self-sufficient in the sense that it relies very little dependence on the city government or bureaucracy for funding or other resources. The CCD formed in the early 1990s after a building boom had doubled the downtown’s office space within the span of five years. Downtown Philadelphia still remains a key part of the city’s economy, with 300,000 jobs represented more than 40% of the city’s total. The CCD encompasses an 80 block area that contains 38 million square feet of office space and 8000 hotel rooms. Seventy-five thousand people live in the central city and 8.2 million tourists visit each year<sup>1</sup>.

The CCD has one of the largest BID budgets in the U.S. The most recent figures report income of \$14.5 million, with \$12 million derived from the business tax levy, and the remainder derived from service and contract income. The CCD spends \$600,000 on research and development. This is done on a fee for service basis and is not funded from assessment revenue. The CCD also has the power to float bonds, giving it the ability to plan major infrastructure projects. With this financial clout, the

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<sup>1</sup> All figures obtained from [www.centercityphila.org](http://www.centercityphila.org)

CCD is able to undertake a sophisticated program of place-making via capital investment, place management, and marketing.

As explained by Cloar (2006), the Downtown Denver Partnership<sup>2</sup> is the umbrella organization for a well-developed constellation of four related organizations, each with specific responsibilities and capabilities. The Downtown Denver Partnership is the leading organization that is responsible for defining the vision for downtown as well as major communication and administration duties. The Downtown Denver BID is responsible for the physical maintenance of the commercial district, marketing of the district, and regulation of street-vending activities. The BID derives its revenue primarily from assessments of commercial properties.

Downtown Denver Inc. is a voluntary, member-funded organization that is active in the areas of advocacy, economic development, transportation, and marketing. A separate organization, Denver Civic Ventures is responsible for housing and special projects. Civic Ventures is funded primarily via grants and contracts with the government.

The fourth organization under the Partnership is Downtown Denver Events, which earns funding from sponsorships and other revenues associated with the events that Denver Events puts together. The spin-off of activities into multiple organizations is feasible in large, vibrant downtown areas. The main advantage of this form of organization is the added flexibility that is gained by having specific mandates tied with a specific source of revenue and membership base. In addition, maintaining ties via an umbrella organization allows for the sharing of resources and expertise as well as coordination of activities to achieve the same goals.

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<sup>2</sup> A similar type of organization exists in downtown St. Louis

## **II. Best Practices: Sustainable Social & Economic Development**

This section considers the BID strategies that range from business development to social service provision. These case studies provide examples of ways in which sustainable development objectives can be achieved under the auspices of a BID.

### **2.1 Adams Avenue Business Association (San Diego)**

The Adams Avenue Business Association (AABA) is a small BID that is located in the inner city of San Diego. It collects a modest amount of assessment from business of \$50,000 annually. However, this modest assessment revenue is augmented to nearly \$400,000 in revenue brought in through a combination of special grants and revenues earned from event production. These additional revenue streams provide the resources for the BID to be involved in several community development activities.

The four main activities that the BID undertakes are a storefront facade program, streetscape and landscape projects, special event production and management, as well as community facility planning, financing and management. The two main events that BID runs are the Adams Avenue Street Fair and the Adams Avenue Roots Fair. These fairs serve a dual purpose, on the one hand they are a significant source of revenue as the BID earns nearly 50% of its operating income in this manner. Secondly, the street fairs are also an effective way of marketing the business community to outside visitors (Stokes, 2002). An example of partnership with the community involved the construction of an annex for an overcrowded local public school that was financed partly by the BID.

### **2.2 West End BIZ (Winnipeg)**

The West End Business Improvement Zone is another example of a small BID that is able to leverage a considerable amount of outside funding to improve the its commercial district and surrounding neighbourhoods. West End BIZ receives assessment revenue of \$340,000, with an additional \$540,000 raised from government grants. The main activities of the BIZ are safety patrols conducted by BIZ staff and neighbourhood volunteers, the coordination of a seasonal central food market and an annual street festival. The BIZ also administers grants for security improvements for local businesses (e.g. lighting, alarm systems). The BIZ is linked

to the municipal government by having the district City Councillor sit on the executive board of the BIZ.

The BIZ also has close ties to the Spence Neighbourhood Association, and together the two organizations are involved in advocacy efforts. The Neighbourhood Association administers federal housing funds from the Winnipeg Development Agreement as well as provincial funds from the Neighbourhoods Alive! Program. Issues of homelessness and housing are dealt with through the Winnipeg Housing and Homelessness Initiative, which provides 'single-window' access to housing programs.

### **2.3 Liberty Village BIA (Toronto)**

The Liberty Village BIA was one of the only non-retail BIAs in Canada when it was formed in 2001. Liberty Village is a predominantly commercial/industrial area. There are a high number of 'new economy' and creative economy firms located in the Village. From a cursory examination, it appears that most of the BIA programs are aimed at improving the business environment and providing more amenities for those who work in the district. It is not clear to what extent the BIA has links with the broader community although it does have a representative from Artscape Toronto on its executive board, which would suggest some links with cultural producers.

### **2.4 Downtown Washington DC BID**

Jackson (2006) illustrates how various forms of BID partnerships pursue human service strategies that assist in the organization and provision of social services, income supports and housing. Jackson recommends that initial BID collaboration focus on immediate needs of the community by supporting outreach service programs in conjunction with existing social service providers. Housing and employment initiatives required a longer term commitment and should only be undertaken after developing well-established relationships with the social service providers and the community. By supporting social service projects such as drop-in centres, BIDs can help reduce conflict between businesses and the local homeless population while helping to address pressing medical and social needs of those in greatest need.

The Downtown Services Centre (DSC) in Washington, DC is considered a leader in the field of BID social service provision. The Downtown DC BID renovated a downtown church that was already home to an existing meals program for those in need. The renovated church became the home of the DSC, which coordinates the efforts of over 20 human services providers. The social services providers were brought in to set up 'satellite' operations in the DSC. The Center offers two meal programs, shower and laundry facilities, a medical clinic, mental health outreach, and assistance with obtaining social security and veterans' benefits. The Downtown BID budgets \$500,000 annually for 'homelessness' issues, which represents 5% of its total annual budget of \$10 million. The BID has two primary objectives on the issue of homelessness. First, it seeks to reduce the number of people living on the streets and in the parks and is an important advocate for housing initiatives. Secondly, the BID coordinates service providers to ensure a 'continuum of care' for the vulnerable. The BID is also involved in job training and placement and its organization helps place 10 people per month in permanent jobs.

## **2.5 Philadelphia Center City District**

In addition to providing comprehensive planning and development services involving place-making as discussed in chapter 6, the Philadelphia Center City District (CCD) has an acclaimed homeless outreach program, which was adopted city-wide.

The CCD is a major employer and runs its own departments that deal with security and maintenance. Security patrols are conducted by 'CSRs' whose responsibilities are conceptualized as a complement to police patrols. CSRs are a visible presence who field questions from visitors to the area (the vast majority of interactions), and document incidences of vandalism and disorderly conduct. The CCD's own data suggests that the vast majority of interactions that CSRs have involve fielding questions from visitors.

Field work conducted by Stokes (2002) suggests that many of the CSRs know most of the homeless people who frequent the area by name and are familiar with their individual histories. CSRs are not involved in the enforcement of the law, they focus on being the 'eyes and ears' of the police and business owners and provide information about criminal activities that CCD has analyzed via computer-generated models. CSRs are paid 20% less than a starting salary of a police officer, however,

they are unionized, and informal conversations with employees indicated most were satisfied with their jobs (Stokes, 2002).

The CCD has a job training program that hires formerly homeless to perform maintenance duties across the district. New employees are hired at a wage that is slightly above the minimum wage. After 90 days on the job, maintenance employees are allowed to join the union and earn a union wage rate that is 50% higher than the minimum wage. The union provision was important in ensuring that the CCD did not encounter major opposition from the workers of the City of Philadelphia.

Surveys have been conducted by the CCD to measure the effectiveness of their interventions. Feelings of safety improved between 1994 and 1999, with the number of respondents saying they feel safe in downtown rising from 44% to 77%. Respondents' positive perceptions of the general atmosphere improved from 67% to 87%.

The CCD appears to be well-respected in the wider community:

“[I]nterviews from an assortment of public and non-profit agencies suggests that the CCD has both the best interests of the City at heart and the capacity and expertise to perform its planning and policy goals. Indeed, these perceptions, and the resulting political capital extended to the organization by city leaders are unprecedented for a private group in Philadelphia”. (Stokes, 2002: 138)

BIDs vary considerably in terms of their capacity and scope of activities. Smaller BIDs provide good examples of how BIDs can leverage modest budgets to achieve ambitious objectives. The larger BIDs illustrate what can be accomplished with a framework of larger budgets and coordinated action that is sensitive to the needs and desires of businesses, visitors, and residents.

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