

# Downtown Renewal: The Role of Business Improvement Districts

**I**magine people using words like “clean,” “safe,” and “friendly” to describe Times Square. Imagine that the program to make this happen would be paid for by business and property owners rather than by local government. Imagine that this is happening not only in midtown Manhattan but also in more than 1,000 communities, large and small, in North America. Business improvement districts are real and are having substantial impacts in renewing and revitalizing downtowns and commercial areas in local governments of all sizes throughout North America. All of this activity is part of a larger process of bottom-up renewal, or, in this case, from the street level up.

Downtown management districts, often known as business improvement districts (BIDs)—or as business improvement zones (BIZs), special improvement districts (SIDs), or special assessment districts (SADs)—take advantage of state and provincial enabling legislation allowing for property owner assessments, which will be used for both capital and operating improvements in a commercial district. Districts, which have existed for 20 years, continue to increase in number and are excellent mechanisms for supporting community and economic development.

There are two fundamental dimensions to business improvement districts. One is their use to raise money for physical improvements and enhancements in downtowns and commercial districts; the other is their use for management services that make downtowns clean, safe, and friendly. Representatives of Baltimore’s downtown district

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**Richard Bradley**

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recently announced, for example, that crime had been reduced by 27 percent after the district's first year of operation. Many communities, however, are adding other dimensions to their concepts of what districts can do, including business and economic development, transportation and parking management, management of such social problems as homelessness, and operation of major special events and arts-related activities.

### **Historic Functions**

**Improving Public Service.** The origins of the 1990s downtown management districts were rooted in a long tradition by which property owners in certain areas either have agreed to assess themselves or have been assessed to fund physical improvements. Historically, these assessments have been used to fund the creation of sewer

districts or road improvement districts or even to finance capital facilities like schools and other public-purpose programs. In the middle 1960s, cities established districts to cover the cost of putting together pedestrian and transit malls and/or major streetscape improvements, as in the case of the pedestrian and transit mall in downtown Minneapolis, Nicollet Mall. This tradition continues today, with BID monies used to pay for everything from pavement renewal and benches to newspaper stands and vending carts. The Center City District in Philadelphia is about to launch a \$35 million effort to rebuild much of the streetscape in the center of this city. Smaller downtowns may use such resources to pay for new holiday lighting.

**Supplementing City Services.** A secondary origin of the modern man-

agement district was the need to supplement city services so as to provide a high level of maintenance and security, especially for newly redeveloped areas. Once again, the most prominent early example was Minneapolis, where property owners agreed that, in addition to paying off capital costs, they would provide funds to ensure that the pedestrian mall was maintained appropriately. The New Orleans Downtown Development District followed suit in a big way, committing half of its annual funding to physical projects and the other half to increased maintenance and security for the downtown.

By the 1970s, some downtowns simply were raising funds to provide revenue to cover these supplemental services without committing any resources to physical improvements. Today, communities are using BID resources to hire off-duty police offi-

cers or full-time private security personnel—sometimes called “hosts” or “community service representatives”—to provide an on-street security presence. Santa Cruz, California, for instance, is adding seven such individuals to help in its downtown. Correspondingly, additional maintenance workers are added to do everything from sweeping streets to shoveling snow. In some areas, such as the garment district of Los Angeles, these maintenance positions are offered to formerly homeless people.

**Shopping Center Competitions.** A third purpose for districts grew out of models for shopping center management. Once the concept of using monies for public space “management” had been accepted, these funds began to be applied to management functions besides security and maintenance but still related to improving the economic climate of the downtown. Such applications included helping to organize retailers, providing marketing and promotional activities, putting on special events, and funding a variety of activities that improved both the retail and office markets in the districts.

Helping to crystallize the importance of these services to downtown property owners was the realization that suburban shopping centers that were providing these services were competing with downtown retailing. Thus, shopping center competition, together with the application of the common-area maintenance concept, became a model and an impetus for downtowns using the mechanism of a management district. Today, a continuing focus of all BIDs, from 42nd Street in New York to Main Street U.S.A., is making downtown retail work. Some downtowns, like Neenah, Wisconsin, have evolved a focused approach to improving the downtown marketplace called “centralized retail management”; through this approach, the district enables downtown property owners

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and merchants to receive the same kind of leasing assistance provided by shopping center management firms.

**Long-Term, Equitable Financing.** Underlining all the concerns that led to the initiatives described above was the need for long-term, substantial, and equitable financing. Many communities had tried voluntary contributions and assessments to pay for physical projects and/or administrative and operating costs. Given the changing economic conditions for different kinds of businesses or property owners, this strategy never provided a sufficient or reliable stream of funding.

As a consequence, many communities began using districts as a way to achieve this financing assurance. In most cases, the revenues resulted from an assessment on existing property tax, ranging from \$.05 to \$.15 extra per square foot. A delightful

paradox is that most BIDs require that property and business owners agree voluntarily to be assessed mandatorily. This requirement usually translates not only into direct financial commitment but also, equally important, into direct personal involvement and interest. This private sector involvement increases the potential for success.

**New Dimensions of BIDs**

**Economic Development.** Most recently, BIDs have launched explicit economic development and business enhancement initiatives. An implicit goal of all BIDs has been economic renewal. At the most basic levels, this effort has been directed toward retaining and attracting retail businesses. Through programs aimed at improving business management or enhancing business opportunities, retailing is improved.

On another level, these activities have been directed toward growth of other commercial enterprises through other, similar retention and recruitment activities. Many districts assign staff to contact many businesses in the district at least annually to learn what their needs are for expansion and development. In Millburn, New Jersey, for example, SID leaders helped establish a bank CDC to provide loans for businesses, after learning that access to capital was a major need.

**Social Development.** In many communities, the problems of homelessness and panhandling spill over into the downtown. Rather than treat these problems as public nuisances, many BIDs are organizing coordinated programs involving social, health, housing, and police services to address issues related to the homeless and other street people.

In Portland, Oregon, the downtown association, using BID funds, manages an antipanhandling campaign, deploys security workers to in-

tervene when someone is causing a "social disturbance," coordinates support programs for the homeless, and, when necessary, calls upon backup support from the police department. This balanced approach is acclaimed by homeless advocates, merchants, and downtown users.

**Transportation and Parking Maintenance.** In Kalamazoo, Michigan, the local downtown organization, which also operates a BID, took over the management of the city's parking "ramps" years ago. Asking themselves how Nordstrom's department stores would manage garages, the downtown group proceeded to improve facilities maintenance and customer services by offering valet parking, car cleaning, and repairs, thereby increasing uses and revenues for the facilities and making parking a downtown amenity.

Other BID-supported organizations are establishing transportation management organizations to facilitate transportation improvements. In Indianapolis, efforts are under way to improve management of on-street parking. Transportation, in other words, lends itself well to management by BIDs.

**Services.** As the use of the management district financing tool to aid in the renewal of downtowns has progressed over the last two-and-a-half decades, the range of services provided by management programs has grown and evolved. The following is a list of service categories (each of which usually encompasses a number of subservice elements) that generally describes what district funds are being used for today.

**Physical Improvements**

Streetscapes, signage, banners, benches, and lighting

**Supplementing Local Government Services**

Security

Providing additional security officers  
 Coordinating public and private security  
 Supporting mounted patrols  
 Increasing activity programming  
 Offering design assistance

**Maintenance**

Providing additional maintenance workers  
 -Sweeping and cleaning of sidewalks  
 -Removing snow  
 -Maintaining amenities  
 Increasing frequency of trash pickups  
 Providing more litter receptacles

**Improvement of the Downtown Marketplace**

Management/retention/recruitment of retail  
 -Organizing retailers  
 -Organizing property owners  
 -Undertaking market analysis  
 Developing a retention/recruitment program  
 Developing leasing plans  
 Providing leasing funds

**Events and Activity Programming**

Sponsoring image events and festivals  
 Sponsoring retail promotion events  
 Organizing downtown worker events

**Vending/Public Markets**

Developing ordinances  
 Managing street vending  
 Organizing "stall" markets  
 Establishing and managing farmers' markets  
 Planning and organizing public markets

**Assistance in Office Leasing**

Undertaking market analyses  
 Coordinating leasing assistance  
 Developing a retention program

**Informing and Promoting**

Marketing and advertising

Communications and media management

#### Animating

Programming events and activities  
Planning and managing arts and entertainment districts

#### Addressing Social Needs

Homelessness  
Daycare  
Employment assistance

#### Improving Access and Mobility

Parking management  
Employee/employer transportation management assistance

Smaller communities generally spend their resources on hiring a downtown manager, organizing retailers, running special events, and making small-scale physical enhancements. Larger communities devote a higher proportion of their budgets to supplementing city maintenance and security services.

### **Benefits of Management Programs**

While in each case the benefits of a management program are tailored specifically to the needs for which a community chooses to raise resources, there appear to be a number of generalized benefits, including:

- Providing a cleaner, safer, more attractive downtown.
- Ensuring an adequate resource base on a predictable, certain, and sufficient scale.
- Requiring direct, community-based, ratepayer oversight and direction.
- Compelling entrepreneurial management: nonbureaucratic, flexible, and creative.
- Responding to market and community needs.
- Helping to maintain and improve property sales.
- Helping to maintain and improve

retail sales and tenancy.

- Making downtown more competitive with surrounding business and retail centers.

### **Revenues and Expenditures**

The amounts of money raised in communities vary greatly, depending on the size of the area, commitment, and willingness to be assessed. Small communities with populations ranging up to 25,000 have budgets ranging from \$25,000 to \$100,000. Several medium-sized communities of up to 80,000 people have budgets as high as \$300,000 but usually average from \$100,000 to \$125,000. Big-city budgets, like that for the Center City District in Philadelphia, range as high as \$7.5 million annually.

### **Reasons for Success**

Apparently, a major reason for BID's success is that, while the districts live and work in partnership with the local government, they usually are led and governed by representatives of the businesses upon which the assessment has been placed. This feature ensures a high level of accountability and entrepreneurship. At the core, however, is the recognition that it is cooperation, not simply between the public and private sectors but also among the business people and residents/users of downtown, that is the fundamental value making for successful downtowns.

Lastly, districts succeed because of their public entrepreneurial styles. They must be responsive and must evolve quickly to stay close to their clients and to the downtown customer. BIDs likely will grow in number and size as new roles and responsibilities emerge. From Main Street to Times Square, they will play increasingly important roles. **END**

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### **Public Management**