

Case Studies of Local Business and Community Districts

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OLO Report 2015-7

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Executive Summary

This report responds to the County Council’s request to review the structure and characteristics of local business and community districts in other jurisdictions, and identify several models or approaches that may be applicable to different areas in Montgomery County. To do so, OLO developed case studies of 15 local districts (commonly referred to as business improvement districts or BIDs) in 10 jurisdictions.

Summary of Case Studies

For each case study, OLO collected information within seven categories: services provided, connection to local government, formation process, governance structure, funding and revenue, budget allocation, and performance management. Key findings include:

- The case study districts provide 22 different types of services, ranging from cleaning and safety to placemaking and marketing. The specific cohort of services varies by location.
- All the jurisdictions have a standard process an organization must follow to form a BID. In most cases a BID must receive a pre-determined level of support from potential BID members – such as a set percent of property owners within the proposed district signing a petition of support.
- Every district is governed by a board of directors, with most elected directly by district members.
- Some form of annual tax assessment or fee on businesses, commercial property, and/or residential property is the primary source of revenue for nearly all BIDs. OLO found a variety of assessment formulas and structures, most of which are set by district organizers during the planning phase.
- Staff from local jurisdictions and BID organizations note that BIDs initiated and led by the private sector are more successful. Also, effective models allow for the creation of districts with differing characteristics and service needs.

Legal Structure

Montgomery County law allows the formation of urban districts. While this model has proven successful in Bethesda, Silver Spring, and Wheaton, it may not be possible to replicate in other parts of the County for multiple reasons. In 2010, the State of Maryland enabled counties to create business improvement districts funded by a business improvement district tax. The State law includes several structural provisions found in the case study jurisdictions, and also exempts a business improvement district tax from “a county or municipal corporation tax cap.”

Recommended Discussion Issues

Based on research compiled for this study, OLO recommends three issues for Council discussion with Executive Branch representatives, local business and community groups, and other stakeholders:

- 1) State and County legal structures for creating local business and community districts;
- 2) Establishing a process for creating local business and community districts in the County; and
- 3) The role of local business and community districts as part of the County’s overall economic development plan.

Case Study Locations

New York, NY

- Montague Street BID
- East Brooklyn BID

Philadelphia, PA

- Manayunk SSD
- Aramingo Avenue BID

Pittsburgh, PA

- Pittsburgh Downtown Partnership

Washington, DC

- Georgetown BID
- Mount Vernon Triangle CID
- NoMa BID

Denver, CO

- Downtown Denver Partnership

Arlington, VA

- Ballston BID
- Clarendon Alliance

Los Angeles, CA

- Chatsworth BID

San Francisco, CA

- Yerba Buena BID

Chicago, IL

- Chicago Loop Alliance

Boston, MA

- Downtown Boston BID

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Chapter 1. Authority, Scope, and Organization of Report

A. Authority

Council Resolution 17-1183, *Fiscal Year 2015 Work Program of the Office of Legislative Oversight*, adopted July 29, 2014.

B. Purpose and Scope of Report

The Bethesda Urban Partnership is widely recognized as a model public-private partnership that successfully delivers government, community and business services. Although the Bethesda Urban Partnership works well in Bethesda, because of varying conditions across Montgomery County, it is not possible to exactly replicate this program in other areas. The purpose of this report is to review partnerships between government and local communities, chambers of commerce and local business groups that have succeeded in improving promotion and management of local business and community districts. Specifically, this report:

- Describes common procedures and services among districts across the United States;
- Summarizes the County legal structure governing Urban Districts and highlights State laws enabling the creation of other types of districts;
- Provides case studies for 15 improvement district programs in 10 different states;
- Presents common attributes among successful improvement districts and potential pitfalls faced by district organizers; and
- Provides the Council with issues for discussion when approaching the potential formation of improvement districts in the County.

C. Methodology

Office of Legislative Oversight (OLO) staff members Stephanie Bryant and Craig Howard conducted this study. OLO gathered information through document reviews and interviews with staff from improvement districts in 10 cities, meetings with County stakeholders and department staff, and general literature and document searches.

D. Acknowledgements

OLO received a high level of cooperation from everyone involved in this study. OLO appreciates the information shared and the insights provided by all staff who participated. In particular, OLO thanks: Fariba Kassiri, Assistant Chief Administrative Officer; Regional Service Center Directors Jewru Bandeh, Ken Hartman, Ana Lopez Van Balen, Catherine Matthews, and Reemberto Rodriguez; Sarah Miller from the Department of Economic Development; Holly Sears Sullivan from Montgomery Business Development Corporation; and the numerous department managers and district staff who participated in OLO's interviews.

Chapter 2. Overview of Local Business and Community Districts

Local improvement districts are typically referred to as business improvement districts (BID). The BID model is widely used across the United States and is also found in Australia, Japan, Europe, and South Africa.¹ The BID model has roots from the 1930s and 40s, when business leaders focused on voluntary, collective strategies and efforts to revitalize downtown districts in San Francisco and Detroit.²

In the late 1960's, BID models changed from a purely voluntary approach when a group of Toronto business leaders gained legislative support for mandatory tax assessments for BIDs. In the United States, the increased prevalence of BIDs is linked to several socioeconomic and political factors, including: the decline in city centers, urban sprawl, growth of new retail environments, inability of local governments to meet service needs due to a declining tax base, and a shift towards use of public-private partnerships for urban revitalization.³

With the expansion of the BID model to other types of government services, including neighborhood parks and mixed-use communities, developing an understanding of what a BID is and how it operates is essential to understanding this growing trend. This chapter is organized as follows:

- **Section A** defines a business improvement district; and
- **Section B** summarizes research on the characteristics of modern day BIDs, the comparative effects of large and small BIDs, and the lifecycle stages of BIDs.

A. What is a Business Improvement District?

There is no standard definition of a BID. A common starting point is to define a BID as “a privately directed and publicly sanctioned organization that supplements public services within geographically defined boundaries by generating multiyear revenue through a compulsory assessment on local property and/or businesses.”⁴ A 2010 survey of BIDs, conducted for the International Downtown Association (IDA), used a three part definition:

- 1) **Public District.** The BID is publicly-authorized, meaning a government passed enabling statutes permitting formation and mandatory fees are levied by the government on behalf of the BID.
- 2) **Administered by a Nonprofit.** Although revenues are collected by the government, funds are administered by a nonprofit which has substantial authority to decide what the level of funding will be, how funds will be expended, and level of service provide. The nonprofit's authority may be limited by federal, state, and local law.
- 3) **Performs Designated Functions.** BIDs need to perform three designated services: cleaning, security, and marketing.⁵

¹ Lorlene Hoyt and Devika Gopal-Agge, “The Business Improvement District Model: A Balanced Review of Contemporary Debates,” *Geography Compass* (2007), vol.1 Issue 4, pp. 946-958.

² Lorlene Hoyt, at p. 948.

³ *Ibid.*

⁴ *Ibid* at p. 946.

⁵ Carol Jean Becker, Seth A. Grossman, and Brenda Dos Santos, “Business Improvement Districts: Census and National Survey,” *International Downtown Association*, January 2011, pp. 6-7.

Using the three part definition, researchers found 1,002 BIDs currently in operation across the US and increasing on a yearly basis. California (232) and New York (115) have the highest number of BID organizations.⁶ While BIDs tend to have common characteristics, the names of the organizations vary considerably. The 2010 IDA Survey found 30 different names for business improvement districts as shown in the table below.

Table 1. Various Names Used for Business Improvement Districts in the United States⁷

| | |
|--------------------------------------------------------|-------------------------------------------------|
| • Business Improvement Zone | • Municipal Special Service District |
| • Community Benefit District | • Neighborhood Improvement District |
| • Community Improvement District | • Principal Shopping District |
| • District Management Corporation | • Property-Based Business Improvement District |
| • Downtown Improvement District | • Public Improvement District |
| • Economic Improvement District | • Self-Supported Municipal Improvement District |
| • Enhanced Municipal Service District | • Special Assessment District |
| • General Improvement District | • Special Benefit Assessment District |
| • Improvement District for Enhanced Municipal Services | • Special Business District |
| • Local Improvement District | • Special Community Benefit District |
| • Local Improvement Taxing District | • Special Improvement District |
| • Maintenance Assessment District | • Special Service Area |
| • Municipal Improvement District | • Special Service Taxing District |
| • Municipal Management District | • Special Services District |
| • Municipal Service District | • Voluntary Business Improvement District |

B. Characteristics of Business Improvement Districts

Business Improvement Districts are generally classified as small, mid-size, and large organizations. While research differs on the characteristics of each group, a study analyzing New York City BIDs defined small as collecting less than \$263,000 in assessments and dominated by retail uses; mid-size as those with revenues up to \$1.2 million and composed of retail and office space; and large as those with revenues greater than \$1.2 million and dominated by office space.⁸ Although the most well-known BIDs are in large cities, only 29% of BID organizations across the US are located in cities with populations exceeding 500,000.⁹ Keeping in mind the large range among organizational size and budget, this section reviews common characteristics of BIDs.

Budget and Funding. Operating budgets for BIDs across the country range from \$11,000 to \$18 million, with a median of \$342,000. The largest and most frequent revenue source is tax assessments levied on property owners and/or businesses.¹⁰ While the majority of assessments are based on assessed valuation of property, organizations often elect different calculation methods. The IDA survey found BID assessment calculations based on: square footage, linear footage, flat rate based on location and type of business, sales receipts, business license fees, number of stories or parking spaces, or a combination of one or more of those methods.

⁶ Ibid. at p. 10.

⁷ Ibid. at pp. 9-10.

⁸ Amy Armstrong, et. al., "The Benefits of Business Improvement Districts: Evidence from New York City," The Furman Center for Real Estate and Urban Policy, New York University, July 2007, p. 3.

⁹ "Business Improvement Districts: Census and National Survey," at p. 14.

¹⁰ Ibid. at p. 19.

Governance and Oversight. Business Improvement Districts are typically governed by a board of directors ranging in size from three to 70 members, with a median of 13 members.¹¹ Seats on the Board are generally reserved for individuals representing particular membership groups (e.g. retail business owners, property owners, tenants, etc.) and are selected via elections held within the district or via appointment by local governing bodies. Local government oversight often includes sunset provisions, usually around 5 years, on either BID funding sources or the contract with the BID organization to provide services.¹²

Federal government oversight is limited as many BID organizations are classified as non-profit organizations, typically 501(c)(3) and to a lesser extent 501(c)(6) and 501(c)(4) organizations.¹³ 501(c)(3) designation permits tax deductible donations, thereby increasing voluntary contributions. Regardless of designation, local governments maintain oversight via formal and informal reporting requirements. Non-profits are required to report on the use of funds, program accomplishments, assets and liabilities, income-producing activities, and relationship of activities to tax-exempt purpose.¹⁴

Services Provided. BIDs can provide a variety of services to their respective districts. BIDs generally provide maintenance, security, transportation, marketing, public space management, social service, and business recruitment programming.¹⁵ Table 2 shows the most common services performed by BIDs and the types of activities involved as identified in the IDA survey.

Table 2. Common Services Provided by Business Improvement Districts

| Service Category | Type of Activities |
|-------------------------|---------------------------------------------------------------------------------------------------------------------------------|
| Maintenance | Litter and graffiti removal, grass and tree cutting, flower planting, streetscape maintenance, snow removal, and street signage |
| Security | Uniformed ambassadors, private security, sworn police officers, security cameras, community policing, and community court |
| Transportation | Parking management, transit shelter maintenance, rideshare program, and downtown shuttle |
| Marketing | Street guides, maps, advertising, festivals and events, and decorations |
| Public Space Management | Urban Façade development and enforcement, code compliance, and management of street artists and vendors |
| Social Services | Homelessness, job training, and youth programming |
| Business Recruitment | Market research, financial incentives, recruitment activities, marketing, and performance reporting. |

¹¹ Ibid. at p. 25.

¹² Ibid. at p. 26-28. BID Board Members may also be selected by the organization's existing governing board, appointed by mayor or city council, or etc.

¹³ Carol Becker, "Government without Government: Alternatives to Market and Government Failure," Hamline University (2008), pp. 129-130.

¹⁴ Ibid.

¹⁵ "Business Improvement Districts: Census and National Survey," at pp. 33-36.

Performance Measurements. Many BIDs are required to produce annual reports for their constituents and local government partners. These reports most often include a budget and financial report, independent financial audit, and annual report on programming. Types of performance measures used by BIDs include vacancy rates, retail sales, number of visitors and businesses, crime statistics, property/rent values, and changes in employment.¹⁶

Community Impact of BIDs. One research study examining New York City BIDs found that the size and budget of the BID determines the relative effect on the residents and businesses within the district. While BIDs can increase the safety and security of a district, property values are one of the strongest reasons cited for establishing a business district. BIDs were found to have significant positive impact on commercial property values. Specifically, properties within a BID had 15% higher property values than comparable properties in the same neighborhood but outside the BID boundaries. However, this impact varied significantly by size, as the study found that large office BIDs (greater than \$1.2 million in revenue) are responsible for the 15% increase – with small retail BIDs (less than \$234,000 in revenue) having little discernable impact.¹⁷ In terms of residential properties, some research indicates that BIDs do not have long lasting impact on value, nor do they cause a spillover effect in neighborhoods surrounding their boundaries.¹⁸

The study also noted that large office BIDs are more successful for a multitude of reasons: size, services, location, and political leverage. Large office BIDs are able to allocate funds to infrastructure, technology, and staffing while devoting more resources to services that directly impact the district. Small BIDs on the other hand lack resources to achieve the same impact and often spend the majority of their budgets on administrative costs.¹⁹ While small retail BIDs focus resources on sanitation programs, large office BIDs focus on security and capital improvements, and services that directly improve a neighborhood's quality.

A final benefit attributed to large office BIDs, within the New York study, is a board of directors that is more likely to be composed of lawyers, CEOs, and financial experts. The researchers found that small retail BID boards are primarily composed of local business owners and are less connected and less-resourced than large BIDs. In contrast, by recruiting a high profile board, large BIDs benefit from more resources, more political clout, and a better ability to leverage private funding for capital improvements.²⁰

District Lifecycle Stages. Some researchers note that as BIDs evolve, they may need different structures or resources over time.²¹ Progressive Urban Management developed a framework pinpointing the "lifecycle stages" of a district – stagnant, growing, or mature – and identified characteristics and programming needs that are associated with each stage as shown by Table 3 on the next page.²²

¹⁶ Ibid at p. 30-31. The report includes a list of over 60 different performance metrics utilized by BID organizations.

¹⁷ Armstrong, pp.4-5.

¹⁸ Ibid.

¹⁹ Ibid. at p. 6.

²⁰ Ibid. at p. 8.

²¹ Progressive Urban Management Associates, "Managing Framework for Downtown and Commercial Districts" (2010), available at <http://www.pumaworldhq.com/downloads/spring2010newsletter.pdf>.

²² Progressive Urban Management Associates, "Managing Framework for Downtown and Commercial Districts: Organizing Development Tools and the Toolbox for Each Phase of a Business District's Growth Cycle," available at http://www.pumaworldhq.com/downloads/PUMA_MgmtFrameworkMatrix8-10.pdf.

Table 3. District Lifecycle Stages, Organizational Tools, and Funding Mechanisms

| | District Lifecycle Stage | | |
|-----------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | Stagnant | Growing | Mature |
| General District Conditions | <ul style="list-style-type: none"> Challenged business district High vacancy rate Underutilized properties Uninviting public realm and poor regional image | <ul style="list-style-type: none"> Up and coming business district New Business Investment Pioneering an image of a district in transition | <ul style="list-style-type: none"> Established business district Strong mix of retail restaurants and jobs Inviting public realm Strong regional image |
| Private Sector Champions? | <ul style="list-style-type: none"> Several local leaders committed to change High levels of apathy among property and business owners creates a barrier to public/private partnerships | <ul style="list-style-type: none"> Core group of vested property and business owners New entrepreneurs entering the district Motivated to explore public/private approaches | <ul style="list-style-type: none"> Experienced group of vested property and business owners A history of being organized and participating in public/private partnerships |
| Program Priorities | <ul style="list-style-type: none"> Attract new investment Stabilize the environment and create confidence among local stakeholders Combat regional stigma | <ul style="list-style-type: none"> Attract new businesses Market the area to consumers Beautify and improve the public space Provide meaningful participation for new property owners and businesses Convey emerging image | <ul style="list-style-type: none"> Retain and grow businesses Manage new investment Market area to consumers Parking management Keep stakeholders engaged Maintain a positive image |
| Organizational Options | <ul style="list-style-type: none"> Appointed commission Community development organization Redevelopment agency Main street program | <ul style="list-style-type: none"> Membership organization BID Downtown development authority Foundation or 501(c)3 | <ul style="list-style-type: none"> Entrepreneurial holding company Parking districts Event production company Transportation management organization |
| Tools & Resources | <ul style="list-style-type: none"> Tax incremental financing Local government support (money and services) Charitable grants Earned income from development | <p>Preceding plus . . .</p> <ul style="list-style-type: none"> Property and business assessments Revenue generating promotions and special events Membership dues | <p>Preceding plus . . .</p> <ul style="list-style-type: none"> Parking revenue Local improvement bonds Philanthropic grants Merchandising the district |

Source: Progressive Urban Management Associates, “Managing Framework for Downtown and Commercial Districts: Organizing Development Tools and the Toolbox for Each Phase of a Business District’s Growth Cycle,” available at http://www.pumaworldhq.com/downloads/PUMA_MgmtFrameworkMatrix8-10.pdf.

Chapter 3. Structure for Local Districts in Montgomery County and Maryland

The Montgomery County Code authorizes the creation of urban districts and urban district corporations – special taxing districts that provide additional services within a defined area. The County currently has urban districts in Silver Spring and Wheaton, and an urban district corporation in Bethesda. The Maryland Code also includes both location-specific and statewide authorizations for different forms of local taxing districts. This chapter reviews the governance structures created in County and State law, as well as the structure of districts created under each. It is organized as follows:

- **Section A** reviews Montgomery County’s urban district model, and details key characteristics and features of the districts; and
- **Section B** details two types of local districts established in State law – special benefit districts and business improvement districts.

A. Montgomery County Urban Districts

Chapter 68A of the County Code creates urban districts in Bethesda, Silver Spring, and Wheaton to ensure “prosperous, livable urban centers.”²³ The Code also allows for an urban district corporation to serve as the management authority for the district. The Bethesda Urban District is the only district to have transitioned to this form of management. This chapter provides a brief overview of the County’s urban district structure across five areas: programs and services, formation process, governance structure, funding sources and budgets, and performance evaluation.

1. Programs and Services

Urban districts in Montgomery County are authorized to provide a specific cohort of services, including streetscape maintenance, creating public amenities, promoting district interests, holding special events, etc.²⁴ The actual services provided for each urban district are detailed below.

| Urban District | Sample of Programs and Services |
|------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Bethesda Urban Partnership | <ul style="list-style-type: none"> • Streetscape maintenance and clean teams • Ambassador programming • Special events • Transit enhancements and the Bethesda Circulator • Security services • District promotion and marketing |
| Silver Spring Urban District | <ul style="list-style-type: none"> • Ambassador programming • Security services • Streetscape and walkway maintenance • Marketing and promotions • Special Events |
| Wheaton Urban District | <ul style="list-style-type: none"> • Clean and safe programming • Special events |

²³ § 68A-2.

²⁴ Ibid.

2. Formation Process

Urban districts in Montgomery County are formed via legislation introduced by the County Council. The Code does not require a formal process or procedure that must be followed prior to introduction of a bill to create an urban district.

Urban District Corporations. The Code does include a defined process for an urban district to create an urban district corporation as its management authority. The law states that an urban district corporation “is not within the Executive or Legislative branches of County government, is separate and distinct from the County, and is an independent entity,” but also that a corporation “is a public instrumentality of the County.”²⁵

A corporation is formed by a resolution that is adopted by the Council and approved by the Executive. Historically, the resolution to designate the urban district corporation is initiated by the Urban District Advisory Committee.²⁶ After the resolution is introduced, the public is granted a 30 day comment period on the articles of incorporation and by-laws. At the conclusion of the comment period, a public hearing and committee worksession are held prior to a Council vote on the resolution.²⁷ The Executive signs the resolution and files the articles of incorporation with the State Department of Assessments and Taxation. The Council may amend the Articles of Incorporation by resolution, subject to approval by the Executive.²⁸ Additional authorities granted to a corporation by the law include the ability to:

- Publicize events and sell advertising;
- Hold, acquire, and use property;
- Enter into contracts for goods and services;
- Sue and be sued; and
- Accept grants, gifts, or other contributions.²⁹

An urban district corporation must go through a renewal process every five years.³⁰ In the year prior to the renewal resolution, the Office of Legislative Oversight (OLO) evaluates the corporation’s performance. OLO’s evaluation includes a survey of property owners, businesses, and residents located in and around the urban district. Upon release of the OLO recommendations and public hearings, the Council may adopt a resolution for renewal.³¹

3. Governance Structure

The law requires every urban district is required to be governed by either an advisory committee or an urban district corporation board of directors.³²

²⁵ § 68A-9

²⁶ OLO Report 98-3.

²⁷ § 68-A9(c)(1).

²⁸ § 68-A9(c)(4).

²⁹ § 68A-11(a)(1)-(6).

³⁰ § 68A-13(a).

³¹ § 68A-12(e).

³² § 68A-5(a).

Urban District Advisory Committee. The Committee advises the County government (Executive Branch/Regional Service Centers) on all aspects of the program, including management and finances of the district. Potential board members apply via a public vacancy announcement, and are nominated by the Executive and confirmed by the Council. The Code defines the size of the board and the required board composition for each urban district. Committees have between eight and 13 members who serve a three year term with the option of reappointment. An advisory committee ceases to exist when an urban district corporation is created.³³

Urban District Corporation Board of Directors. Similar to the advisory committee, potential board members apply via a public vacancy announcement and are nominated by the Executive and confirmed by the Council.³⁴ Board members serve a three year term, with the option of reappointment for one additional term. Code stipulates that a board is comprised of 11 members from the following groups:

- Four business owners, including one small business owner;
- Two members of the local chamber of commerce;
- Four members who live in or close to the district; and
- A non-voting member who is the County Executive or designee.³⁵

The Board drafts the corporation by-laws, determines a committee structure, and hires an executive director to manage day to day operations.

4. Funding and Revenue

Urban district advisory committees work closely with the Regional Services Center Director and other Executive branch staff to develop the district's budget. The annual budget and an urban district tax rate is included in the Executive's recommended budget to the Council. Following the public comment period, the Council may amend the budget prior to approval.³⁶

The urban district corporation is afforded greater budgetary control. The corporation develops its own annual budget and submits it to the Office of Management and Budget for review. In conjunction with the budget submission, the corporation also submits an annual audit and report for review. The budget request is included in the Executive's recommended budget for Council approval. Once approved by the Council, the Department of Finance distributes the funds to the corporation. This transfer and subsequent expenditures are subject to a yearly agreement executed between the County and the urban district corporation.³⁷

The Code outlines five funding mechanisms for urban districts:

- **Urban district tax.** An ad valorem tax on real and personal property in an urban district. This tax may be no greater than \$0.30 on each \$100 of assessable property.
- **Parking Lot District Fees.** This is a transfer of fees to the Urban District, limited to the number of parking spaces multiplied by the number of enforcement hours per year multiplied by \$0.20.

³³ § 68A-5.

³⁴ § 68A-10(a).

³⁵ § 68A-10(a)(1)-(8).

³⁶ § 68A-7(a), (b).

³⁷ § 68A-12(a)(1)-(2), (d).

- **Maintenance Charge of Optional Method Developers.** A County charge for maintenance of off-site amenities on public properties, such as streetscape improvements.
- **Transfers from the General Fund.** These transfers are subject to repayment.
- **Miscellaneous Revenue.** This may include charges for services and private contributions for use solely in the urban district.³⁸

The urban district tax is subject to the County's spending affordability and property tax limitations. The charter limit requires the approval of all nine Councilmembers to set property tax rates on existing development at a level that generates more revenue than in the previous year (adjusted for inflation). For FY15, the following table outlines the tax rate for all three urban district.³⁹

Table 4. Urban District Property Tax Rate by District

| District | Tax Rate (per \$100 in assessed value) | |
|---------------|----------------------------------------|-------------------|
| | Real Property | Personal Property |
| Bethesda | 0.012 | 0.030 |
| Silver Spring | 0.024 | 0.060 |
| Wheaton | 0.030 | 0.075 |

Funds collected from the urban district tax may only be used in the districts where they were collected and for the purposes outlined in the law. Despite the establishment of the urban district tax, the parking lot district fees are the primary source of revenue. In FY15, parking lot district revenue account for 82% of budgeted Bethesda Urban Partnership resources, 74% of Silver Spring Urban District resources, and 64% of Wheaton Urban District resources.

Based on all funding sources, the approved FY15 budget for all urban districts is \$8,741,302. The table below breaks down the budget by district.⁴⁰

Table 5. FY15 Urban District Approved Budget

| Urban District | Personnel Costs | Operating Expenses | Total |
|----------------------------|--------------------|--------------------|--------------------|
| Bethesda | \$131,760 | \$3,586,621 | \$3,718,381 |
| Silver Spring | \$2,217,059 | \$991,920 | \$3,208,979 |
| Wheaton | \$1,237,841 | \$576,101 | \$1,813,942 |
| Total Appropriation | \$3,586,660 | \$5,154,642 | \$8,741,302 |

³⁸ § 68A-3(a)(5).

³⁹ Montgomery County Tax Levy Resolution No. 17-120 (2014).

⁴⁰ Approval of and Appropriation for FY 2015 Operating Budget for the Montgomery County Government, Resolution No. 17-1111 (2014).

5. Performance Management

Budgetary performance metrics are utilized by the Executive Branch to evaluate urban districts. The Executive Branch identifies common metrics across all three urban districts. These include marketing and promotion, hospitality, and street scape maintenance.⁴¹ Table 6 details program specific measures by program category.

Table 6. Performance Metrics by Program Category

| Program | Specific Metrics |
|-------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Marketing and Promotion | <ul style="list-style-type: none"> • Average number of website sessions per month • Number of social media followers • Overall satisfaction with the urban district' promotional events |
| Hospitality | <ul style="list-style-type: none"> • Overall satisfaction with the "value added" of the urban district hospitality team |
| Streetscape Maintenance | <ul style="list-style-type: none"> • Overall satisfaction with cleanliness levels of the urban district • Overall satisfaction with the urban district's landscape maintenance |

B. Improvement District Structures in State law

While the Express Powers Act grants Charter and Code Home Rule Counties broad authority to create special taxing districts, State law also creates other location-specific or statewide authorities for special benefit and business improvement districts.

1. Special Benefit Districts

Anne Arundel County Special Benefit Districts. Anne Arundel County has a long history of using special benefit districts to provide four types of services, and documents describing these districts indicate that they were authorized by the State beginning as far back as the 1960's:⁴²

- Maintenance and improvement of community property;
- Provide pest control;
- Maintain private roads; and
- Provide police services.⁴³

To form districts and promote private sector involvement, Anne Arundel established a formation process driven by residents and businesses. While the Anne Arundel County Code enables district creation, the County's Office of Budget developed administrative guidelines, including a process for establishing a Special Community Benefit District (SCBD).⁴⁴

A community association initiates the two phase process to become a SCBD – a petition phase and a legislative phase. The petition phase covers the development, review, and distribution of a petition for creating a SCBD. Key steps or requirements in the petition phase include:

⁴¹ Ibid.

⁴² For brief overview of the London Towne SBD (Anne Arundel County) see resources available at <http://ltpoa.info/SCBD.pdf>.

⁴³ Anne Arundel County Code, § 4-7-201 (2014).

⁴⁴ Special Taxing District Coordinator, Anne Arundel County, "Special Community Benefit Districts", March 31, 2004.

- More than 50% of district property owners must sign the petition supporting the establishment of the district.
- The organizing association lists the properties in the district and defines a proposed method of assessment. One of three assessment methods may be chosen: 1) uniform rate applied to each tax account; 2) uniform rate applied to each lot owned; or 3) using the taxable value of the properties to determine the tax due.
- The County's Special District Taxing Coordinator and Office of Law, and the State Department of Assessments and Taxation review the petition and proposed assessment method.
- The Special Taxing District Coordinator approves the petition and initiates the legislative process.⁴⁵

The legislative phase details the responsibilities of the County Council and Executive in approving a SCBD that has moved past the petition phase. Key features include:

- The Executive sends the legislation to the Council and a public hearing is held. If the Council votes to approve the district, the district is effective 45 days after the Executive signs the bill.
- The association's board of directors also prepares, adopts, and submits a final budget to the County (included in the Executive's operating budget).
- The Council holds two public hearings on the proposed tax rate prior to enactment.⁴⁶

Baltimore City Special Benefit Districts. The State of Maryland amended the Baltimore City Charter to permit the formation of up to six special benefit districts (SBD). According to the enabling legislation, each district must be approved by a referendum vote, achieving 58% of voters supporting the district's establishment. In addition to property owners, any registered voter living in the district is eligible to vote in the referendum. Following State authorization, the City of Baltimore passed its own legislation creating the districts.⁴⁷

In 2000, the General Assembly passed legislation transferring authority to establish procedures for review and renewal of SBDs to the Mayor and City Council. Utilizing both grants of legislative authority, the City codified a process to create SBDs.⁴⁸ District organizers initiate the creation of a SBD, define the by-laws, develop a financial plan (including a supplemental tax) and operating plan, and recommend board members. Services provided by Baltimore's Special Benefit Districts (SBD) include:

- Maintenance services;
- Supplemental security services;
- Sanitation educational resources;
- Events; and
- Public area amenities (community parks, tree planting).⁴⁹

⁴⁵ Ibid.

⁴⁶ Ibid.

⁴⁷ Baltimore City Charter, Art. II, General Powers § 63. See also Maryland General Assembly SB514 (1997) – Reauthorizing State review of Benefit Districts; HB323 (2000) – Establishing the Midtown Benefit District; and HB1152 (2003) Reauthorizing the Charles Village Benefits District.

⁴⁸ § 63.

⁴⁹ Baltimore City Code, Art 14. § 7-1-17 (2014).

The referendum vote is certified by the Board of Estimates which has primary oversight of the district. The Board of Estimates determines the tax base, approves the board of directors, establishes the rate schedule and charges, and reviews the financial plan and by-laws. A renewal process takes place every four years consisting of an evaluation of district activities through public hearings. The Mayor and City Council vote on renewal.⁵⁰

2. Business Improvement Districts

Adopted in 2010, the Business Improvement District Act is the most recent form of special district available in Maryland. The mission of a BID is to “promote the general welfare of the residents, employers, employees, property owners, commercial tenants, consumers, and the general public within the geographic area of the BID.”⁵¹ Under the Act, a BID is restricted to commercial property owners and tenants.⁵² The law authorizes a County or Municipal Corporation to create a BID after substantial effort is undertaken by district property owners.⁵³ The formation process is divided into a Planning and Legislative Authorization phases.

Planning Phase. During this phase property owners who seek to establish a district are required to draft a district plan. The plan is submitted to the governing body of the county where the district is located. BID organizers are required to submit the following materials:

- Name and address of the district corporation;
- Street address of each owner of nonexempt property;
- Proposed three year business plan containing district goals, proposed BID tax, the assessment formula, and maximum amount of start-up costs incurred before district establishment;
- Tax assessor’s map of the geographic area of the proposed district;
- List of initial board of directors;
- Proposed articles of incorporation and by-laws;
- List all nonexempt properties in the proposed district and their most recent assessed value; and
- List and names of all commercial tenants in the proposed district.⁵⁴

In addition to the materials above, the application package must have a petition, indicating intent to establish a BID, signed by at least 80% of property owners representing the total amount of property in the district.⁵⁵

Legislative Authorization Phase. The completed application is submitted to the Council. Within 45 days after submission, the Council is required to schedule a public hearing on the application. Notice of the hearing is published at least 21 days before the hearing and notice is sent to all nonexempt property owners and commercial tenants within the proposed district. If the Council determines that the needs of the district meet the purposes of the BID Act, the Council shall authorize the district’s formation by local law within 10 days of the hearing.

⁵⁰ § 63.

⁵¹ MD. Economic Development Article § 12-403.

⁵² § 12-401.

⁵³ Includes only nonresidential real property.

⁵⁴ § 12-407.

⁵⁵ § 12-407(b)(2).

Board of Directors. The Act defines the size of the board and its obligations. The board of directors are appointed by district members and appointment procedures are defined in the local law establishing the district. A board is required to have five members.⁵⁶

Funding and Revenue. Within 10 days after the Council authorizes the district, the BID organizers are required to provide the governing body with a preliminary BID tax roll. The governing body imposes the BID tax at the rate specified by the Board and approved during the authorization phase. The tax is collected in the same manner as real property taxes and “may not county against a county or municipal corporation tax cap.”⁵⁷ In addition to the BID tax, the district may also receive funding from its incorporating county or municipal corporation and charge fees for its services.⁵⁸

Annual Review and Renewal Process. A Board of Directors is required to submit to the governing body an annual report that includes: a financial statement, proposed operating budget for the current fiscal year, proposed revisions to the business plan, and results of performance metrics.⁵⁹ The county or municipal corporation is required to review the effectiveness and desirability of continuing the district every three years. This includes developing policies and procedures for evaluating the district’s performance if continuance of the district is requested by BID members.⁶⁰

⁵⁶ § 12-404.

⁵⁷ § 12-409.

⁵⁸ § 12-406.

⁵⁹ § 12-403.

⁶⁰ § 12-411.

Chapter 4. Summary of Case Studies, Feedback, and Other Programs

In order to better understand how other jurisdictions design and manage BIDs, OLO researched policies, procedures, and funding mechanisms for 15 different local business districts across ten local jurisdictions (shown in the table below). This chapter summarizes characteristics and common components across the case studies, while Chapter 6 (beginning on page 36) includes a complete case study write-up for local jurisdiction and district.

Case Study Locations

| | |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>New York, NY</p> <ul style="list-style-type: none"> • Montague Street BID • East Brooklyn BID <p>Philadelphia, PA</p> <ul style="list-style-type: none"> • Manayunk SSD • Aramingo Avenue BID <p>Pittsburgh, PA</p> <ul style="list-style-type: none"> • Pittsburgh Downtown Partnership <p>Washington, DC</p> <ul style="list-style-type: none"> • Georgetown BID • Mount Vernon Triangle CID • NoMa BID | <p>Denver, CO</p> <ul style="list-style-type: none"> • Downtown Denver Partnership <p>Arlington, VA</p> <ul style="list-style-type: none"> • Ballston BID • Clarendon Alliance <p>Los Angeles, CA</p> <ul style="list-style-type: none"> • Chatsworth BID <p>San Francisco, CA</p> <ul style="list-style-type: none"> • Yerba Buena BID <p>Chicago, IL</p> <ul style="list-style-type: none"> • Chicago Loop Alliance <p>Boston, MA</p> <ul style="list-style-type: none"> • Downtown Boston BID |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

This chapter is organized as follows:

- **Section A** summarizes the similarities and differences among the business district case studies across seven structural and policy categories;
- **Section B** details characteristics of successful business district programs and structures identified by district or local jurisdiction staff;
- **Section C** reviews common BID problem areas; and
- **Section D** identifies other notable BID-related programs, services, and structures OLO found while researching the case studies.

A. Characteristic of Business Improvement Districts

OLO selected the case studies based on several different factors, including: availability of information, age/longevity of the district, programming and governance attributes, size, service delivery, funding mechanisms, and potential similarities to local business areas in Montgomery County.

Overall, OLO found several similarities among the case studies in the components or features of a local areas districts, but variation in how different locations choose to implement those features. For example, OLO found that each jurisdiction establishes a uniform formation process and overarching governance structure based on a grant of authority from the state level. A standard formation process provides a framework for local jurisdiction approval and oversight, while permitting a district to adapt programming and services to the specific needs of the area. At the same time, OLO found variation in the level of autonomy provided to districts, the level and type of support needed to establish a district, and control over funding mechanisms. This section summarizes the similarities and differences of the local business district case studies across seven different categories:

- Mission and Programming;
- Connection to Local Government;
- Formation Process;
- Governance Structure;
- Funding and Revenue;
- Budget Allocation; and
- Performance Management

As noted in the research summary in Chapter 2, local jurisdictions call districts by several different names. This held true among the case studies, as OLO found nine different names for local districts:

- Community Benefit District
- Special Service Area
- Business Based Business Improvement District
- Community Improvement District
- Neighborhood Improvement District
- Business Improvement District
- Special Service District
- Property Based Business Improvement District
- Partnership Organization

For simplicity, this chapter uses the term business improvement district (BID) when collectively discussing the case study jurisdictions.

1. Mission and Programming

While mission statements and goals vary, the different BIDs reviewed tend to share common elements - a partnership made of community members, businesses, and government officials, in which residents/business elect to self-tax or pay a fee contributing to the maintenance, promotion, and development of the district. Variance across jurisdictions in terms of mission and purpose depends on legal framework and public policies. **Pennsylvania, Washington, DC, and California** permit residents to be assessed and participate in the BID organization. These organizations are called neighborhood improvement districts (NID) or community benefit districts (CBD).

Defining a district. As part of a formation process to establish a BID, every jurisdiction reviewed defines what constitutes a local district. Geographically, the district may be required to meet a certain land use percentages pertaining to commercial, retail, industrial, or mixed use property (**Boston**) or be composed of contiguous blocks (**Chicago, Washington, DC**). The organizations reviewed vary in size and scope, ranging from 17-80 blocks, 95-4,000 businesses, 87-4,500 properties, and up to 8,000 residents.

Programming. In general, BIDs identified similar reasons behind formation: branding, economic redevelopment, provision of additional services, and community building. While many BIDs provide similar services and programs, OLO found a total of 22 different types of services and programs offered:

- Commercial sector development
- Community/social service
- Hospitality/walking escort ambassadors
- Visitor, business, and resident resources
- Tourism promotion
- Streetscape improvements
- Capital improvements
- Placemaking and branding
- Business retention and recruitment
- Partnering with non-profits
- Creating public spaces
- Government ombudsman/liaison
- Clean and safe teams
- Marketing and promotion
- Capacity building
- Day/night security patrols
- Snow removal
- Public art
- Economic development
- State of downtown reports
- Urban planning and design
- Special events/community building

While some BIDs have a set portfolio of services, others are able to add or subtract services depending on changing needs of the district and/or member opinions through the performance evaluation process (**Arlington, Denver**). Further, most of the BIDs researched utilize a service-based budget to fund programming – meaning the BID determines how much it will cost to provide its services each year and develops an annual budget based on those projected costs (as opposed to determining services after receiving a budget allocation).

2. Connection to Local Government

All BIDs are connected to the local jurisdiction in which they are located to varying degrees. State enabling statutes not only permit BID creation but also outline core requirements for the district plan, formation, funding, governance, and termination/renewal. Rights and obligations of both the district management authority, board of directors, and city officials are defined by law and policy. Many cities have extended legal requirements to provide additional local government oversight and assistance to BID organizers (**Philadelphia, New York, Chicago, Boston, Los Angeles, and San Francisco**).

One of the key policy components offered is planning assistance from various government agencies. **Philadelphia, New York, Arlington, Washington, DC, Denver, Boston, Los Angeles** all use a government department, typically the economic development or finance department, to provide assistance to BID organizers during the planning stages. This level of assistance ranges from providing the tax assessment rolls to defining performance metrics and determining the tax rate. In some locations, the government department is required to make independent recommendations on establishing a district prior to a legislative vote on the matter (**New York, Philadelphia, Washington, DC, and Los Angeles**).

Typically, the final decision to establish a BID rests with the local elected governing body (City Council, Board of Supervisors, Mayor, etc.). In many models the governing body approves district by-laws, annual budgets, and operating plans; changes to the district plan (services, rates, and boundaries); the type of property included or exempted from the district; and the assessment rate and formula (**San Francisco, Los Angeles, Boston, Chicago, Denver, Washington, DC, Arlington, New York, Philadelphia, and Pittsburgh**). Many enabling statutes also contain sunset provisions and renewal requirements, where the local governing body must formally re-authorize a BID.

In **Boston**, however, district members cast the renewal vote and inform the City if the district failed to be renewed. The governing body also has authority to terminate a BID due to misappropriation of funds, malfeasance, or violation of the law (**Los Angeles, San Francisco, Boston, Denver, New York, Philadelphia, and Pittsburgh**).

3. Formation Process

Enabling statutes require a formation process, but vary in the degree to which the process is defined in law. For example, in the **Illinois** statute, the local municipality has broad authority to determine a process. In comparison, **Pennsylvania** has four specific statutes under which a BID can be created. Different models for how the BID formation process is initiated include:

- Entirely by the private sector (**Pittsburgh, New York, Washington, DC, Denver, Boston, San Francisco and Los Angeles**);
- Either by a public official or the private sector (**Philadelphia, Chicago**); or
- By a joint public/private effort (**Arlington**).

In all the case study districts, local government departments oversee the work completed by BID organizers throughout an application process. The formation process in **New York, Philadelphia, Chicago, and Denver** is divided into phases: Planning, Outreach, and Legislative Authorization. These cities outline specific tasks and deadlines BID organizers need to complete in each phase. **Boston, Philadelphia, Chicago, and New York** require BID organizers to complete a feasibility analysis as the first step in the planning stage to determine whether a BID is the right fit for the area. This is an informal analytical process designed to understand the current status and needs of the district. **New York and Philadelphia** request the organizers examine the following criteria in the feasibility analysis:

- Property use/concentration of commercial or multi-family dwellings;
- Commercial/office vacancy rate;
- Real estate values (**Philadelphia** only);
- Established common interests among district organizers about BID programming and district needs (**Philadelphia** only);
- Local support from the community and elected officials; and
- Schedule of capital improvements in the area (**New York** only).

These criteria guide discussions between government departments and BID organizers. If it is determined that the area requires capacity building or further economic development before it is ready for a BID, organizers can restart the BID process at a later time (**New York and Philadelphia**).

Support requirements. A key feature of BID programs, often included as part of the state enabling statutes, is the amount of support required from potential members before a BID can be approved. OLO found that while all the jurisdictions reviewed had a support requirement, the level of support and type of support required varied by community. During the outreach phase, BID organizers must distribute community mailings, educate district members on BIDs, hold public meetings, and ultimately collect petition/ballot signatures in support of BID formation. The table below highlights the percent and type of support from potential BID members that organizers must achieve as part of the petition process before a BID can move forward.

Table 7. Percent and Type of Support Required for Petition Process

| Jurisdiction | Petition Percentages |
|--------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------|
| New York | 51% of assessed value; and 51% of property owners |
| Arlington | 50% of property owners; and 50% of assessed square footage |
| Washington, DC Central Business District | 51% of assessed value; and 25% of property owners |
| Washington, DC (Outside Central Business District) | 51% of commercial tenants; and 51% of individual property owners; and 51% of assessed value |
| Denver | 50% of assessed value; and 50% of acreage |
| Chicago | 20% of tax payers responsible for paying the assessment |
| Boston | 60% of property owners representing 51% of the assessed value |
| San Francisco | 30% of property owners who pay the assessment |
| Los Angeles | 15% of business owners; or 50% of property owners |

Philadelphia and **Pittsburgh** do not require a petition of support to establish the district; instead requiring an opposing petition to stop the proposed district. After enacting an ordinance to form a district, there is a mandatory objection period. During this period, the opposition must collect signatures amounting to 51% of assessed valuation (**Pittsburgh**) or 51% of property owners who own property totaling 51% of the assessed value (**Philadelphia**). If the opposition fails to provide a signed petition, the district is automatically created.

To stop legislative authorization of a district in **Chicago**, a petition must be signed within 60 days by 51% of electors residing in the special service area and 51% of land owners. In **Los Angeles**, a “business-based” BID may be established if the protest level was less than 50%. For “property-based” BIDs, a separate ballot is conducted for the assessment in which support must outweigh opposition votes. In **San Francisco** the requirement is a two-thirds weighted vote based on share of assessment paid.

4. Governance Structure

BIDs are typically governed by a Board of Directors with a management entity hired to oversee day to day operations. The composition of the board of directors is often determined in law. Most boards are comprised of BID members, including property owners, commercial tenants, residential tenants, residential property owners, and non-voting government officials. BIDs may also reserve seats on the Board for institutions (hospitals, universities), community organizations, and exempt properties. Among the case studies included in this report, the number of members on a Board ranges from a low of seven to a high of 44. Some cities further restrict Board composition beyond the minimum legal requirements. For example, 40% of seats on a BID Board of Directors in **San Francisco** are reserved for non-property owners within the district.

The method of selecting the board of directors depends on statute or policy. In most of the local jurisdictions OLO reviewed, the board of directors are elected directly by BID members (**Philadelphia, Pittsburgh, New York, Washington, DC, Virginia, Denver, Los Angeles, San Francisco, Boston**). **Denver** requires an affirmative statement in the District Plan for an election to occur, otherwise the City Council may appoint board members. **Chicago** appoints members to a Commission which oversees the BID and hires the executive director.

Some jurisdictions divide both board membership and voting rights into property type or classes. **New York** assigns five classes of BID membership (real property owners, tenants who occupy commercial leases, etc.) that must be represented on the Board of Directors, and district members may only vote for board candidates from their respective class. **Pittsburgh** and **Los Angeles** have similar voting requirements. In some cities, the law allows votes to be weighted and allocated based on square footage, street frontage, location of property, BID assessment, or voluntary contributions (**New York, Washington, DC, Los Angeles**). **New York** and **Washington, DC** require that no one entity can hold more than 33.33% of the vote.

5. Funding and Revenue

With the exception of the Clarendon Alliance (**Arlington**), all the case studies included in this review levy some form of tax assessment on district businesses, property, and/or residents. In many models, subject to local government oversight, BID organizers bear the responsibility of defining the service based budget, assessment formula, and tax rate (**Pittsburgh, Philadelphia, New York, Washington, DC, Denver, Boston, San Francisco, and Los Angeles**). The **New York City** Neighborhood Development Division runs a mock budget for the organizers to test the assessment formula and the rate is approved by the State Comptroller. In **Arlington** and **Chicago**, the county and city have a role in establishing the assessment rate. OLO found nine different assessment formulas that are used in various combinations among the case studies:

- Assessed value
- Front footage
- Equalized assessed value
- Property class
- Business type, location, and size
- Proportion to benefits received
- Gross building square footage
- Flat rate per unit (hotels, condos, apartments)
- Benefit zones

In most cases, the City or County collects the assessment and distributes it to the BID. However, **Pennsylvania** law grants BIDs the authority to collect the assessment directly. Some jurisdictions establish a revenue cap as a way of providing oversight on the assessment rate (**Pittsburgh, Philadelphia, Arlington, and Boston**). **Pittsburgh** and **Philadelphia** develop a fixed budget model, based on planned revenue increases, to forecast the budget for the term of the BID contract.

Variation exists on the type of property assessed. **Pittsburgh, Denver, Virginia, Chicago, Denver, and Boston** assess only commercial property. **Philadelphia**, some BIDs in **Washington, DC**, and **New York** levy assessments on residential properties as well as commercial property. Typically, apartments are considered commercial property since there is direct link between BID improvements and increased rents. Condominiums are assessed a flat fee per unit (**Washington, DC**) and residential property owners received a reduced fee in **New York** and **Philadelphia**. Mixed-use property is typically assessed based on the percentage of the building dedicated to commercial uses (**Pittsburgh, Philadelphia, and New York**).

While most jurisdictions exclude tax-exempt properties from the assessment, under **California** law all properties are deemed to receive a benefit from the BID's existence. **San Francisco** specifically excludes affordable housing units, private parking lots, non-profit office space, places of worship from its square footage charge, but does levy a linear footage charge against those property types. Government buildings are also required to pay an assessment in **California**. In **Washington, DC**, both District and Federal government buildings, along with other tax-exempt property, may voluntarily contribute to the BID (thus earning voting rights).

6. Budget Allocation

Among the specific BIDs detailed in the case studies, annual budgets range from \$184,000 (**Arlington**) to over \$10 million (**Denver**). For a large jurisdiction like **New York City**, with 70 different BIDs, operating budgets range from \$50,000 to over \$17 million. The most common types of programs funded are marketing, clean and safe programs, capital improvements, streetscape improvements, beautification, special events, economic development, and leadership activities. General administrative costs (including personnel) exhibit the greatest variation across BIDs. The relatively smaller BIDs, OLO reviewed, tend to devote a higher proportion of their budget to administrative costs, often over 40% of the budget. Comparatively, larger BIDs had administrative costs ranging from 8% to 21% of the total budget. To help monitor administrative expenses, the Georgetown BID (**Washington, DC**) uses a performance metric to keep administrative costs below 21%.

7. Performance Management

Performance metrics are utilized by both BID organizations and government departments to evaluate performance on a regular basis. **Chicago** assists BID organizers with defining performance metrics during the formation process. To produce the annual report and develop the budget, BID organizations use both surveys and metrics. BID staff analyze service delivery rates (e.g., number of bags of trash removed) to ensure the BID's mission aligns with the quality expected by constituents. Due to the diversity of BIDs, **New York City's** Neighborhood Development Division uses standard set of metrics (compliance with non-profit laws, performance of contract terms, and board composition) to create common performance reporting for all BIDs.

Improvement District Comparison Charts. For further comparison, the charts on the following pages compare each jurisdiction (including the Montgomery County urban districts) across several categories. Definitions for each of the comparison categories are listed below, prior to the charts.

| CATEGORY NAME | DEFINITION |
|---------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------|
| Enabling Statute | Does a statute grant authority to create an improvement district? |
| ASSESSED MEMBERS | |
| Commercial | Are commercial property owners/tenants assessed a tax or fee? |
| Residential | Are residential property owners/tenants assessed a tax or fee? |
| GOVERNANCE STRUCTURE | |
| Board Elected | Do the district members elect the board of directors? |
| Board Appointed | Does the governing municipality appoint the board of directors? |
| Residents Vote | Are residential property owners/tenants assigned a vote? |
| Exempt Property Vote | Are exempt properties able to cast a vote? |
| Only Vote for Representative Class | Do members cast a vote only for board members that representative their particular class (i.e. business owners, commercial tenants, etc.)? |
| Weighted Vote | Are votes weighted based on property type, assessment rate, etc.? |
| CONNECTION TO GOVERNING MUNICIPALITY | |
| Planning Assistance | Does the governing municipality provide assistance to district organizers during the planning stage? |
| Department Approval | Must a district application receive approval from a government department/agency prior to starting the legislative process? |
| Council Approval | Does the council vote to approve the district's establishment? |
| Renewal | Is there a renewal process (sunset provision) outlined by law or policy? |
| Termination | Is there a process for terminating the continuance of a district? |
| FORMATION PROCESS | |
| Defined Process | Is there a clear policy dictating roles and responsibilities required of the private sector when working to create an improvement district? |
| Led by Private Sector | Is it clearly stated, in law or policy, that the formation process is to be driven by the private sector? |
| Phased Approach | Does the formation process have distinct phases (i.e. planning, outreach, and legislative authorization)? |
| Petition Support | Are district organizers required to obtain a signed petition containing a certain percentage of signatures, prior to starting the legislative process? |
| Assessment Ballot | Is a separate vote on the assessment rate and formula required by law? |
| ASSESSMENT STRUCTURE | |
| Tax | Is funding based on a property or business based tax? |
| Fee | Is funding based on a flat fee? |
| City/County Funding | Excluding service based contracts, is the district funded in whole or in part by funding generated by the governing municipality? |
| Defined by BID | Is the assessment formula and tax/fee rate defined by district organizers? |
| Defined by City/County | Is the assessment formula and tax/fee defined by the governing municipality? |
| Levied by BID | Is the district organization granted authority to directly levy the assessment? |
| Residential Property Included | Are residential property owners or tenants required to pay the assessment? |
| Exempt Property Included | Are exempt properties assessed or permitted to voluntarily contribute to the organization? |
| PERFORMANCE MANAGEMENT | |
| BID Defined | Are performance metrics defined by the district organizers? |
| City/County Defined | Are performance metrics defined by the governing municipality? |

Chart 1. Jurisdiction Comparison – Assessed Members and Governance Structure

| City, State | Enabling Statute | Assessed Members | | Governance Structure | | | | | Weighted Vote | |
|------------------------------------------|------------------|------------------|-------------|----------------------|-----------------|----------------|----------------------|-------------------------------|---------------|---|
| | | Commercial | Residential | Board Elected | Board Appointed | Residents Vote | Exempt Property Vote | Vote for Representative Class | | |
| Montgomery County Urban Districts | ✓ | ✓ | | | ✓ | | | | | |
| Arlington, VA | ✓ | ✓ | | ✓ | | ✓ | | ✓ | | |
| Boston, MA | ✓ | ✓ | | ✓ | | | | ✓ | ✓ | |
| Los Angeles, CA | ✓ | ✓ | ✓ | ✓ | | | | ✓ | | |
| San Francisco, CA | ✓ | ✓ | ✓ | ✓ | | ✓ | ✓ | ✓ | ✓ | ✓ |
| Chicago, IL | ✓ | ✓ | | | ✓ | | | | | |
| Denver, CO | ✓ | ✓ | | ✓ | ✓ | | | ✓ | | |
| New York, NY | ✓ | ✓ | ✓ | ✓ | | ✓ | | ✓ | ✓ | ✓ |
| Philadelphia, PA | ✓ | ✓ | ✓ | ✓ | | ✓ | | ✓ | ✓ | ✓ |
| Pittsburgh, PA | ✓ | ✓ | | ✓ | | | | ✓ | | |
| Washington, DC | ✓ | ✓ | ✓ | ✓ | | ✓ | ✓ | ✓ | ✓ | ✓ |

Chart 2. Jurisdiction Comparison – Connection to Governing Municipality and Formation Process

| City, State | Connection to Governing Municipality | | | | | Formation Process | | | | |
|------------------------------------------|--------------------------------------|---------------------|------------------|---------|-------------|-------------------|-----------------------|-----------------|------------------|-------------------|
| | Planning Assistance | Department Approval | Council Approval | Renewal | Termination | Defined Process | Led by Private Sector | Phased Approach | Petition Support | Assessment Ballot |
| Montgomery County Urban Districts | | | ✓ | ✓ | ✓ | | | | | |
| Arlington, VA | ✓ | ✓ | ✓ | ✓ | ✓ | | | | ✓ | |
| Boston, MA | | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | |
| Los Angeles, CA | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| San Francisco, CA | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Chicago, IL | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | ✓ | |
| Denver, CO | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | |
| New York, NY | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | |
| Philadelphia, PA | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | |
| Pittsburgh, PA | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | |
| Washington, DC | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | |

Chart 3. Jurisdiction Comparison – Assessment Structure and Performance Management

| City, State | Assessment Structure | | | | | | | | Performance Measurement | |
|------------------------------------------|----------------------|-----|---------------------|----------------|-----------------|---------------|-------------------------------|--------------------------|-------------------------|---------------------|
| | Tax | Fee | City/County Funding | Defined by BID | Defined by City | Levied by BID | Residential Property Included | Exempt Property Included | BID Defined | City/County Defined |
| Montgomery County Urban Districts | ✓ | | ✓ | | ✓ | | | | ✓ | ✓ |
| Arlington, VA | ✓ | ✓ | ✓ | | ✓ | | | | ✓ | |
| Boston, MA | ✓ | | | ✓ | | | | | ✓ | |
| Los Angeles, CA | ✓ | ✓ | | ✓ | ✓ | | | ✓ | ✓ | |
| San Francisco, CA | ✓ | ✓ | | ✓ | ✓ | | ✓ | ✓ | ✓ | |
| Chicago, IL | ✓ | | | | ✓ | | | | ✓ | ✓ |
| Denver, CO | ✓ | | | ✓ | | | | | ✓ | |
| New York, NY | ✓ | | | ✓ | | | ✓ | | ✓ | ✓ |
| Philadelphia, PA | ✓ | | | ✓ | | ✓ | ✓ | ✓ | ✓ | |
| Pittsburgh, PA | ✓ | | | ✓ | | ✓ | ✓ | ✓ | ✓ | |
| Washington, DC | ✓ | | | ✓ | | | ✓ | ✓ | ✓ | |

B. Characteristics of Effective Business Districts

During the course of interviews for this project, staff from various government departments and BIDs discussed policies and practices that, in their experience, help create effective BID programs. This section highlights six common themes OLO heard from these staff.

- **BIDs initiated and led by the private sector are more successful**

All staff interviewed stressed the importance of the private sector driving the formation process. According to staff, when government officials and/or residents alone spur a district's creation there is no "sweat-equity" from the business community. Staff from several BIDs indicated when a local government drives the process it increases the likelihood of conflict among stakeholders. Specific practices cited as helpful include a stringent establishment process that requires businesses to foster public support and increase organizational capacity. A peer-led formation process and funding strategy, establishes capacity within the local business community to monitor problems, develop solutions, and maximize services.

- **Successful structures allow for BIDs with differing characteristics, and provide support for organizations to grow or evolve into BIDs**

Several staff discussed the applicability of BID program in areas with differing characteristics – particularly in small commercial corridors and effectiveness of their service provision. Small BIDs need a different structure and funding mechanism that helps build capacity (e.g., partnership organizations). Staff also indicated that through other types of programs and supports, communities can work toward increasing local economic development and community support so the area can eventually form a BID.

- **Availability of programs to support and train BID leaders increase accountability and success**

BID staff mentioned the invaluable role of the local government in aligning BID organizations with local economic development departments. Once organizations are created, staff discussed establishing a liaison role for the appropriate government department. This liaison can assist organizations with BID requirements, navigate government programs, and connect best practices. Specific support programs identified as helpful included training programs for BID leaders and board members put on by the local government or other organizations, and utilizing legal clinics and interns from local colleges.

- **Oversight and monitoring of BID organizations ensures public accountability**

Staff described that the government has a role in ensuring the tax assessment collected is utilized appropriately and aligns with program goals. This often entails the use of sunset provisions and requirements for an annual report and independent financial audit. Reserving non-voting seats on the BID board of directors for department managers and elected officials assists with monitoring BID operations. Additionally, staff mentioned using performance metrics to track compliance across all BIDs.

- **Service based budget and assessment structures, determined by BID members, create stronger community buy-in and autonomy**

Nearly all interviewees mentioned that a key element in the effectiveness of BID operations is the size of the business community subject to the tax. BIDs in small commercial districts sometimes lack capacity to provide meaningful services. In larger commercial districts, staff indicated, organization efficacy is promoted by allowing BID participants to define the assessment formula and rate. The legal authority over financial decisions provides a self-taxed community with the ability to determine an equitable tax structure. Several staff did mention that while providing deference to the organization is important, having the elected governing body reserve the ability to approve the rate and formula, elicit public comment, etc. provides a good balance.

- **Placemaking and economic development are prominent programs of well-established BIDs**

BIDs can provide a range of programs and services. Consistently, however, staff indicated that the ability of a district to promote its businesses and attract visitors creates long lasting success. A few staff indicated that as a BID grows, operations can change from cleaning, upkeep, and safety programs to providing economic development services. Larger BIDs often produce their own marketing materials, develop business retention/recruitment strategies, and publish annual economic reports. Depending on the type of local business area, marketing, placemaking, and economic development services may be more useful than traditional cleaning and upkeep services.

C. Common BID Problem Areas

Overall, it appears that the BID model is successful in creating lasting organizations. When surveyed in 2010, only 50 BIDs were terminated or disbanded, amounting to less than a 5% failure rate.¹ In reviewing news articles and government documents surrounding troubled or failed BIDs, common themes develop. While OLO did not include these BIDs in the case study write-ups, this section summarizes these common factors and gives examples for each.

1. Participation Levels

Dissolved BIDs often faced decreasing levels of participation from board members or the community. In one case, a single person performed all primary board functions (**Baily Amherst DMA, Buffalo, NY**).² In another case, board members disagreed with operations and led the petition to dissolve the BID (**Rutherford, NJ BID**).³

Examining community level participation, BID organizations can face opposition from district residents and competing interests. Most notably in the formation process, BID organizers may focus recruitment efforts on large property owners, leaving small business owners/tenants without an organized voice in the project (**U Street BID, Washington, DC**).⁴ The lack of a joint effort to garner support from all district participants affects BID formation perceptions and can hinder final success. Neighborhoods may also have multiple neighborhood associations and merchant groups vying for funding and providing

¹ "Business Improvement Districts: Census and National Survey," p. 18.

² City of Buffalo, Department of Audit and Control, "Audit Report for the Bailey Amherst District Management Association" (2008).

³ "Members Petition to Dissolve Rutherford's Special Improvement District" available at <http://www.northjersey.com/news/business/property-owners-petition-to-disband-special-improvement-district-1.877986?page=all>.

⁴ David Alpert, "U Street Biz Debate BID," Greater Greater Washington Blog (2008).

overlapping services (**Adams Morgan BID, Washington, DC**).⁵ In this situation, the public may increase scrutiny of BID programs and operations and evaluate success relative to competing organizations.

2. Programming

Common programming difficulties include non-compliance with contract terms, program prioritization, and the connection between assessments and programs.

Contract terms. Some BIDs have contractual performance requirements with the local government oversight authority, and failing to meet those requirements has led to dissolution (**Baily Amherst BID**).

Program prioritization. Prioritizing programs, or lack thereof, can create disagreement between district businesses and residents. For example, a high percentage of revenues devoted to administrative costs reduces resources available for district events and beautification, two programs most visible to district business owners (**Rutherford BID**). In another example, problems can arise when programming appears to benefit only a segment of district businesses (**Adams Morgan BID**).

Connection between assessment and programs. In California, BID activities came under question due to the incorporation of economic development activities (i.e. marketing materials) funded by a general assessment on all district members (**Arts District BID, Los Angeles**).⁶ Complainants argued that a BID's agenda was too broad and could not fairly allocate economic development activities to residents and businesses alike. While many BIDs provide economic development programs, in the California example, there was a weak association between the assessment and direct benefit to the district. As a result, California BIDs are required to identify special and general benefits and collect assessments accordingly.

3. Government Oversight

Lack of government oversight plays a large role in contributing to the dissolution of BID programs. Oversight activities range from a poorly executed formation process to lack of monitoring of BID programs and operations. Failure of a city to make an independent determination of whether the BID petition complied with statutory requirements, ultimately resulted in the dissolution of the **Northampton BID, MA**.⁷ In this example, BID organizers gathered signatures before the final petition was authorized, changed the petition without notifying signors, and routinely redefined district borders to increase support. In addition, the city assessor did not compare signatures with property records, the city clerk failed to conduct an independent certification, BID organizers filed their own certificate of compliance, and many signatures were invalidated upon court review.

Poor monitoring and/or oversight of BID operations can also lead to long-term problems. In one example, a BID was permitted to operate and collect assessments with an expired contract and did not follow proper accounting procedures for paying vendors for maintenance activities (**Baily Amherst BID**). In another example, the local government did not uniformly enforce the consequences (i.e. a tax lien) for different categories of property and business owners required to pay the BID assessment. As a result, many business owners ultimately neglected to pay the assessment due to the lack of enforcement procedures (**Rutherford BID**).

⁵ Lydia DePhillis, "Neighborhood Hangover" Washington City Paper (Nov. 2, 2011).

⁶ Ryan Vailancourt, "Judge Orders Arts District BID to Dissolve," DT News (May 16, 2013).

⁷ Chad Cain, "After BID Signatures Approved, City Clerk Wendy Mazza Harbored Doubts About Their Legitimacy," Daily Hampshire Gazette (Nov. 19, 2014).

4. Public Responsibility

There is an ongoing debate over whether a BID is a public or private entity. Part of the debate deals with the local government collection of the BID tax assessment. In the view of many jurisdictions, the act of collecting the assessment and redistributing it to the BID defines the BID organization as a public entity and creates a public duty. However, even when strong oversight exists, some BID organizations often do not share this view. New York City dissolved the **Grand Central Partnership** after the BID failed to cooperate with officials.⁸ The Partnership failed to allow the City to oversee its activities, including review of financial documents and participation in the City's competitive bidding laws. Further, the director of the Partnership held the same salaried post at two other BIDs in violation of City policy.

D. Other BID-Related Programs, Structures, and Functions

While researching business improvement or other types of local area districts, OLO came across several jurisdictions with companion programs, specialized BID programs, or BID-like structures to reflect the diversity of community. This section highlights some of these programs.

1. Capacity Building – New York, NY

New York City, through its Small Business Services (SBS) Neighborhood Development Division, offers two categories of programs for BIDs that are up and running – Grant Based Commercial Revitalization and BID Organizational Management.

a. Grant Based Commercial Revitalization

Avenue NYC. This program funds community based development organizations in low to middle income communities (including BIDs). Funding for Avenue NYC comes from the U.S. Department of Housing and Urban Development's Community Development Block Grant Program. Funded project include:⁹

- **Merchant organizing** – forming merchant associations or revitalizing former associations.
- **Capacity building** – providing technical assistance and strategic planning to ensure merchant association's continued growth.
- **Business attraction** – enhancing the quality and diversity of goods and services and growing the merchant base.
- **Façade improvements** – Beautifying the commercial corridor, including soft costs like design and outreach, and changing resident perceptions of the neighborhood.
- **Placemaking** – Leveraging changes in the commercial district to re-introduce businesses to community. Not to be used to attract tourists or non-residents.

Neighborhood Challenge. The Challenge is a partnership between SBS, New York City Economic Development Corporation, and New York City Business Assistance Corporation. This competitive grant based program funds four project categories:

⁸ Thomas Lueck, "Business Improvement District At Grand Central is Dissolved," New York Times (July 30, 1998).

⁹ New York City Dep't of Small Business Services, "Avenue NYC Program Description," available at http://www.nyc.gov/html/sbs/html/neighborhood_development/avenue_nyc.shtml.

- Business attraction, retention, and growth;
- District planning, streetscapes improvements, and public space activation;
- District-wide marketing and events; and
- Property activation and development.¹⁰

Eligible applicants are either from BID or community-based development organizations. Grant awards are made based on the “boldest” ideas and funded up to \$100,000. Past winners include storefront improvements, public art installations, marketing campaigns, and business attraction initiatives.¹¹

b. BID Organizational Management

To foster good governance, public accountability, and strong BID leaders, NDD developed overarching leadership and technical assistance programs designed to help areas grow.

Capacity Building and Leadership Programs. These programs focus on either BID organizations or community-based development organizations and provide services to enhance an organization’s capacity. NDD contracts with an outside consulting firm to provide training sessions on a range of issues including financial management, board recruitment, and police activities.

In addition to general organizational training, NDD partners with the Coro NY Leadership Center to provide a yearly 6 month training program to 20 staff from organizations across the city. This is a skills based training for Executive or Deputy Director-level positions in running organizations and legal requirements. In five years, the program has trained over 100 leaders.¹²

Technical Assistance. NDD provides three areas of programming that allow for BID leaders to receive legal and economic development assistance. Partnering with a local law school, the Neighborhood Legal Fellows Program utilizes 2nd and 3rd year law students and recent grads to provide recommendations on by-laws and nonprofit governance. In the 2014 pilot program, four students assisted eight organizations, with 99% of the work being completed remotely. In the future, NDD is looking to expand this program to merchant groups, chambers of commerce, and local development corporations. Other technical assistance programs focus on economic development and rebranding. NDD partnered with a local consultant to develop a market analysis for districts to assist with retail recruitment efforts. In addition, NDD partnered with the School of Visual Arts to provide pro bono design work for projects geared to engagement design, marketing materials, and programming.¹³

¹⁰ New York City Dep’t of Small Business Services, “Neighborhood Challenge,” available at, http://www.nyc.gov/html/sbs/html/neighborhood_development/neighborhood_challenge.shtml.

¹¹ Ibid.

¹² Interview with SBS Neighborhood Development Staff.

¹³ Ibid.

2. Peer Reviewed Competitive Grant (Cincinnati, OH)

Cincinnati's Neighborhood Business Districts Program operates within the Department of Trade and Economic Development. This section highlights the background of the Neighborhood Business Districts Program and funding initiatives.

Cincinnati has distinct neighborhoods each with their own community councils and downtown business districts. As the City grew small neighborhoods were incorporated into the city limits. During the population migration to the suburbs in the nineties, these traditional downtown neighborhoods suffered economically. As the population transitioned, the City focused more resources on the downtown core and Fortune 500 companies. In response to this concentrated effort, neighborhoods advocated for the Council to expand economic development efforts.¹⁴

The Council assigned a development officer to each geographic area and provided funding for neighborhood revitalization efforts. Business leaders in low to moderate income neighborhoods met with church and non-profits, receiving DHHS community block grants for social services, and worked with them to dedicate \$1 million to economic development. For communities who could not participate in the Block Grant funding, the City leveraged the capital budget. Business leaders formed the Cincinnati Neighborhood Business Development United (CNBDU), a monthly advisory group, to oversee the two funding sources.¹⁵

Neighborhood Business District Support Fund. The Support Fund operates as an entitlement program to business districts. The total amount allocated depends on the City's overall economic climate and has ranged from a high of \$12,000 to a low of \$4,800 (FY14). The fund has few restrictions and past projects included newsletters, signs, banners, and payment of parking lot taxes. The CNBDU reviews the projects throughout the year then recommends them for approval by the City. The City contracts with the business districts to distribute the funds directly.¹⁶

Improvement Fund. This program operates a yearly competitive application process. There is approximately \$2 million for project funding (\$1 million from Community Block Grants and \$1 million from capital funds). The program includes a specified timeline that governs the application and approval process.¹⁷ The City reviews the selected projects and determines whether the job can be completed in-house. For example to create a public parking lot, the district would allocate funds to the City to complete the project, but the management of the parking lot would revert to the business district.¹⁸ If the district lacks capacity to manage the project, the project generally will not receive funding. However, CNBDU will work with a district to build capacity. For example, if a district could not manage the new parking lot, the district could hire staff from another area to manage the lot. According to staff, this stringent review process ensures that the program funds successful projects.

At times a district may receive funds but then lose interest in the project. If need be, CNBDU has the authority to remove funding from a project and award it to another project. This increases accountability in the process because of the peer decision making policy.¹⁹

¹⁴ Interview with Neighborhood Business District Program Staff.

¹⁵ Ibid.

¹⁶ Neighborhood Business District Support Fund, available at <http://choosecincy.com/services/NBDSP>.

¹⁷ Interview with Staff. Neighborhood Business District Improvement Program, available at http://choosecincy.com/services/Neighborhood_Business_District_Improvement_Program.

¹⁸ Interview with Staff.

¹⁹ Ibid.

3. Multi-Municipality Districts (Philadelphia, PA)

The Pennsylvania General Assembly passed a law in 2000 establishing neighborhood improvement districts and provided municipalities the “broadest discretion in establishing by local ordinance the type of assessment-based programs most consistent with neighborhood needs, goals, and objectives as determined and expressed by property owners in the designated district.”²⁰ Using this enabling legislation, the City of Philadelphia established eight BIDs; including two unique BIDs that cross municipal boundaries. This section uses these two BIDs – the Greater Cheltenham Avenue BID and the Center Avenue Special Services District (SSD) – to discuss the rationale for creating multi-municipality districts, the cooperative government process, and potential governance issues that can arise when bridging geographic boundaries.

Rationale for Forming Multi-Municipality Districts. Both the Greater Cheltenham Avenue BID and Center Avenue SSD were formed to provide continuity of services and revitalization efforts along shared economic corridors bridging the City of Philadelphia and neighboring suburban townships. In each case, the collaboration is between a densely settled affluent suburban neighborhood and a less affluent central city neighborhood. By targeting consistent economic development and neighborhood revitalization efforts, city officials hoped to avoid the “notion of the line” and “downplay the racial, economic, and political divisions between the city and suburbs.”²¹

Center Avenue SSD was initially formed to reduce crime in the district but has grown to incorporate rebranding with a focus on developing a pedestrian friendly mixed-use neighborhood.²² In comparison, the Greater Cheltenham Avenue BID had broad program goals from the start which included pedestrian safety, high-quality retail investment, traffic congestion, streetscape improvements, and changes in land-use controls.²³

Cooperative Government Process. Establishing multi-municipality districts is based on a shared vision, broad political support, and collaboration of resources. In order form a multi-municipality district, each municipality must independently pass a resolution establishing the BID and renew the BID every five years. Support for BID initiation came from local elected officials from each district. In the case with Greater Cheltenham, BID creation followed years of joint cooperation efforts between both municipalities. Cheltenham Township’s comprehensive plan outlined a policy statement for establishing a BID with the City of Philadelphia three years before actual passage of the BID resolution. The township established a joint planning initiative with Northwest Philadelphia focusing on land development and zoning changes, feasibility and implementation of a BID, and application of shared planning concepts to retail corridors in the district.²⁴

²⁰ Richardson Dilworth, “Business Improvement Districts and the Evolution of Urban Governance” *Drexel Law Review*, v.3.1 (2010), p. 2.

²¹ Christine Kelleher Palus, “There is No Line: The City Avenue Special Services District,” *Drexel Law Review*, Vol.3:287 (2010), p. 297.

²² Palus, p. 290, 297.

²³ Craig M. Wheeland, “The Greater Cheltenham Avenue Business Improvement District: Fostering Business and Creating Community Across City and Suburb,” *Drexel Law Review*, vol.3:357 (2010), p. 358.

²⁴ *Ibid* at pp. 362-63.

Unlike other business districts where BID support is driven by the private sector, multi-municipality districts in the Philadelphia area rely heavily on support from local elected officials, including councilmembers, ward representatives, the mayor and township supervisor, and state representatives. The elected officials worked with property owners and business leaders to develop the district concept and gather support.²⁵ Organizationally, the BID Board of Directors represents property owners from each municipality and non-voting representatives from the townships and City.²⁶

Services are also shared between the districts. Assessments are applied uniformly to each assessed property across the district, regardless of geographic boundaries.²⁷ These assessments help pay for programs leveraging a variety of community resources. For example, Center Avenue hired joint community service representatives to patrol the district, shared a common radio band with Lower Marion and Philadelphia police, and partnered with the Philadelphia Police Department to share crime information.²⁸

Governance Issues. Developing districts across municipal boundaries can present a series of potential conflicts. Since both districts must pass their own resolutions establishing the districts, the failure of one district to complete the petition correctly could derail the district. After formation of the Greater Cheltenham Avenue BID, including hiring of the executive director, staff in a Philadelphia Councilmember's office found that the City relied on incorrect data of Philadelphia property owners. The ordinance was ruled invalid and it took a year to get a new ordinance passed.²⁹ Problems can also arise from the merger of two diverse areas. In Cheltenham Township, business assessment revenue is 10 times greater than that provided by Philadelphia businesses. The BID addressed this disparity by requesting tax-exempt properties on the Philadelphia side to donate resources and grant funding.

²⁵ Palus, p. 294

²⁶ Commissioners of Cheltenham Township, Ordinance No. 2147-07, p. 13-14.

²⁷ Ibid.

²⁸ Palus, p. 290.

²⁹ Wheeland, p. 358.

Chapter 5. Recommended Issues for Council Discussion

Based on models used in other jurisdictions, the current State and County legal structure, and constituent interest for these types of districts in different areas of the County, OLO recommends three issues for Council discussion with Executive Branch representatives, local business groups, community organizations, and other stakeholders.

Issue 1. State and County legal structures for creating local business and community districts

Currently, the County Code allows for the formation of Urban Districts to ensure “prosperous urban centers” by allowing district-specific services, capital improvements, and event programming. While this model has proven successful in Bethesda, Silver Spring, and Wheaton, it may not be possible to replicate in other parts of the County for two reasons: 1) the reliance on parking lot districts as a funding source, and 2) the inclusion of urban district taxes within the County’s charter limit calculation.

In 2010, the State of Maryland enacted legislation authorizing counties to create business improvement districts funded by a business improvement district tax. One notable provision in the State law is that a business improvement district tax “may not count against a county or municipal corporation tax cap.” This provision may exempt such a tax from the County’s charter limit calculation, although the County would likely need a legal opinion on this issue since the charter limit is not as much a tax cap as a supermajority voting requirement. The state BID law also requires support from 80% of property owners in a proposed district, a threshold much higher than OLO found in the case study jurisdictions. Other jurisdictions in Maryland use a special benefit district model, in some cases (Baltimore City) receiving specific grants of authority from the State to do so.

OLO recommends that the Council discuss the current governance structure related to establishing these type of local business and community districts in Montgomery County with Executive Branch representatives and other stakeholders. Specific discussion questions include:

- Should Montgomery County develop a mechanism for local business or community groups to create voluntary taxing or assessment districts outside the current urban district structure? If so, how would this impact current urban districts?
- Is the BID framework established in State law sufficient for Montgomery County, or are additional provisions, authorizations, or other changes needed?
- Alternatively, can the current urban district structure be revised or expanded to permit greater flexibility? Should the County review the special benefit district model used by other Maryland jurisdictions?

Issue 2. Establishing a process for creating local business and community districts in the County

In researching case studies and best practices, OLO found that many jurisdictions create a formal process for organizations to follow to become a business improvement or similar type of district. Additionally, feedback from other jurisdictions indicates that having a standard formation process is an important factor for success.

If there is interest in forming new types of local business or community districts in Montgomery County, OLO recommends that the Council discuss with the Executive Branch and stakeholders establishing a formal process and structure. Based on the case studies of other locations, specific components and/or guiding principles that should be discussed as part of a formal structure include:

- Developing a process that is initiated and led by the private sector, non-profit, or community organization seeking to become a district;
- Creating meaningful opportunities for the business community to be involved in the process;
- Determining the role of the County Government in providing guidance and support during the formation process, and ensuring organizations meet basic criteria to form a district;
- Determining which department or office is best positioned to be the conduit between districts and the County;
- Determining how much support should be required from potential district members (e.g., set percent of affected property owners signing a petition, etc.) before a district is established;
- Defining the types and/or formats of funding and assessment structures, including who should define the assessment rates and formulas and whether non-commercial properties should be included in assessment structure; and
- Creating clear criteria for oversight, review, and evaluation components.

Issue 3. The role of local business and community districts as part of the County's overall economic development plan

Through research and interviews with BID and department staff, OLO found that many jurisdictions link business and community districts with overall economic development planning for a region. Interviewees recount numerous opportunities for promotion, retention, and recruitment of businesses when this link was created. Additionally, OLO found that "mature" local business districts often take the lead on developing marketing and promotional efforts for an area.

OLO recommends that the Council discuss with Executive Branch staff how local business and community districts might fit in with the County's economic development goals and strategies. Specific discussion questions include:

- Should the County consider local commercial district vitality when planning for economic development?
- Can the County leverage local business and community districts to help achieve existing economic development goals?
- Should the County partner with existing non-governmental economic development organizations to work with or assist groups interested in forming a business district?

Chapter 6. Case Studies

OLO researched 15 improvement districts across 10 cities. This chapter provides individual summaries for each improvement district. For cities with multiple improvement districts listed, a separate introductory description details the City's procedures, process, and oversight role in developing and managing their respective districts.

Additionally, for New York, Philadelphia, Denver, and Chicago a process map is provided showing roles and functions of key stakeholders during the formation process. The table of contents below lays out a road map for this chapter.

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New York, NY

Mission and Purpose

New York City defines a BID as “public/private partnership in which property owners and business owners elect to make a collective contribution to the maintenance, development, and promotion of their commercial district.”¹ This definition encompasses a range of programs including sanitation and maintenance, public safety and hospitality, marketing and promotions, capital improvements, beautification, and economic development.²

Government Involvement

The City Code outlines core BID requirements that are enhanced via policy initiatives developed by the Neighborhood Development Division (NDD), under the Department of Small Business Services.³ NDD oversees the City’s BID program. Key features include:

- A BID cannot be formed without NDD assistance. NDD staff serve as the government contact for the BID management association and its board of directors.
- New York leverages NDD’s policy capabilities by joining it with other economic development offices, including Workforce Development, Business Development Division, Business Acceleration, and Minority and Women Owned Businesses.
- A NDD staff member is assigned to every BID, reviews and approves the BID District Plan, and initiates the legislative approval process.
- Annually, NDD reviews the BID financial audit and operations report, conducts performance assessments, and oversees the renewal process.
- NDD assists with budget development by providing real estate tax rolls and reviewing the initial operating budget.⁴
- NDD determines whether a BID received the required number of signed ballots in support of district creation.
- The City Planning Commission holds its own public hearings and receives reports from the County and Borough Boards on district establishment. The Commission either approves, rejects, or submits a qualified approval to the City Council.
- Council Finance Committee holds two public hearings and votes to approve district creation.
- State Comptroller reviews the assessment rate and formula to ensure the district’s creation will not exceed the debt and tax limits of New York City. Unless the Comptroller finds that the tax and debt limitations will be exceeded, the city may proceed with the district.⁵

City Program Overview

The New York City Administrative Code enables the creation of business improvement districts. (N.Y. ADC. §25-401-417).

City BID Program Highlights

1. Driven by private sector leadership.
2. The City’s Neighborhood Development Division oversees BID operations.
3. Class based voting structure.
4. Flexible assessment formula.

¹ New York City Dep’t of Small Business Services, “Starting a Business Improvement District: A Step-By-Step Guide, p. 1, available at http://www.nycbidassociation.org/documents/starting_bid_guide.pdf.

² New York City Dep’t of Small Business Services, Neighborhood Development Division, “Business Improvement Districts”.

³ N.Y. ADC. § 25-401 – § 25-417(2013). Pursuant to N.Y. General Municipal Law § 980a – q (2013).

⁴ See generally N.Y. State Dep’t of Taxation and Finance, “Special Assessment Rolls,” (November 25, 2013).

⁵ See §§ 25-405-08; “Step by Step Guide, pp. 8-23; Interview with Neighborhood Development Division Staff and website materials.

Formation Process

The Department of Small Business Services developed a step-by-step guide covering the eleven steps of the BID formation process from initiation to legislative approval.⁶ The formation process has three phases: Planning, Outreach, and Legislative Authorization (See process map on page 41).⁷

- **Planning.** A policy based phase spearheaded by the BID Steering Committee and supported by NDD, designed to ensure business buy-in and public support for the district.
- **Outreach.** The BID Steering Committee is required by statute to achieve a petition signed by: (1) owners of at least 51% of the assessed valuation of all the taxable real property within the proposed boundaries; and (2) at least 51% of the owners of real property in the proposed district.⁸ If the percentage is not reached, BID organizers can hold additional meetings.⁹
- **Legislative Authorization.** A statutorily mandated approval process involving multiple layers of review by government agencies and elected officials.

The formation process is driven by the private sector. The following is a list of duties required to be performed by BID organizers as part of the formation process.¹⁰

- Analyze feasibility factors to determine the district's success
- Elicit Councilmember and public support
- Draft articles of incorporation and bylaws
- Raise money for BID establishment
- Conduct a needs assessment survey to determine service priorities
- Establish BID boundaries
- Decide BID governance structure
- Define needs and funding sources
- Determine budget, program allocation, and assessment formula
- Document public support and opposition for the district

New York City's process requires BID organizers to thoroughly plan the establishment of the district. As mentioned above, BID organizers review four feasibility criteria with NDD.¹¹

1. **Property Usage.** Majority of parcels in a BID should be commercial. Residential, vacant, and tax exempt properties kept at a minimum.
2. **Stable Commercial Occupancy Rates.** Commercial vacancy rates should not exceed 20%.
3. **Strong Local Support.** Local elected officials and community board members should be involved in the planning process.
4. **Future Development.** The BID can play a role in the maintenance of future planned capital improvements.¹²

In reviewing the above components it may be determined by NDD and BID organizers that the area is not currently ready for a BID. If this is the case, organizers return to focus on capacity building, increase strategic investments, and adopt business recruitment strategies. Organizers may restart the BID formation process again at a later date.¹³

⁶ "Step-By-Step Guide, p. 1.

⁷ Ibid.

⁸ N.Y.C. ADC § 25-405(a)

⁹ Ibid. at pp. 18-21.

¹⁰ "Step By Step Guide," pp. 9-21. For a full list of plan components see N.Y. ADC. § 25-403. Interview with Neighborhood Development Division Staff.

¹¹ Interview with Neighborhood Development Division Staff.

¹² "Step by Step Guide," p. 9.

¹³ Ibid at pp. 9-10. Interview with Neighborhood Development Division Staff.

Governance Structure

Once a BID is legally recognized, a Board of Directors is elected by BID members. The Board is composed of a minimum of 13 members. There are five classes of BID membership:

- **Class A:** real property owners;
- **Class B:** tenants who occupy commercial leases;
- **Class C:** tenants who occupy a lease for dwelling unit or cooperative unit;
- **Class D:** representatives appointed by the Mayor, Comptroller, Borough President, and City Council Member; and
- **Class E:** community board representatives.¹⁴

The majority of Board members are required to be property owners and all are elected at an annual public meeting by members of their representative classes. Voting representation may be weighted in proportion to the assessment levied against the district properties, provided that no member controls 33.33% of the total number of votes to be cast.¹⁵ NDD staff sit on every board of directors and serve as the government's liaison. They assist the Board of Directors and staff with planning and implementing programs, sharing best practices, providing governance and financial oversight, and coordinating with other city agencies.¹⁶

Funding and Revenue

Start-up fees are paid by BID members and reimbursed when the BID receives assessment revenue. The Department of Small Business Services may award a limited number of BID planning grants to low or moderate income neighborhoods.¹⁷ NDD staff provide guidance to the Steering Committee on budget development, however budget formulation, program allocation, and assessment formula are determined by the Steering Committee and published in the district plan.¹⁸ The BID operates on a service based budget and the assessment formula serves as the measure to achieve baseline services.¹⁹ Across the 70 BIDs in New York City the annual revenue derived from assessments and other sources ranges from \$50,000 to over \$17 million.²⁰

¹⁴ "Step by Step Guide." See also § 25-414(a); Lawyers Alliance for New York, "Sample By-Laws of the NYC District Management Association, Inc." (6/20/10), available at http://www.nyc.gov/html/sbs/downloads/pdf/neighborhood_development/business_improvement_districts/sample_bid_bylaws.pdf.

¹⁵ § 25-414(a)-(b).

¹⁶ Interview with Neighborhood Development Division Staff.

¹⁷ "Step by Step Guide", p. 13.

¹⁸ For a full list of plan components see N.Y. ADC. § 25-403.

¹⁹ See generally N.Y. State Dep't of Taxation and Finance, "Special Assessment Rolls," (November 25, 2013).

²⁰ Interview with Neighborhood Development Division Staff.

Small Business Services outlines three different assessment formulas BID can choose from:²¹

- **Front Footage Assessment.** Based on the length of the property at the main entrance measured corner to corner. This structure is preferred for districts where the most benefit will be enjoyed by ground floor retail.
- **Gross Building Square Footage.** Based on the total square footage of the lot. This structure is preferred for mixed use districts with both ground floor retail and above ground floor office space, etc.
- **Assessed Valuation.** Based on real property tax valuation. This structure is preferred for districts where the assessed value per square foot is highly variable.

These formulas (which may be used in combination) are selected and defined by the BID Steering Committee and reviewed during the public hearings.²² The final formula is approved during the legislative authorization phase.²³ The City collects the tax and distributes it to the BID in semi-annual disbursements. Non-profit owned and operated properties and government occupied (local, state, and federal) properties are exempt from paying the BID assessment. Residential and vacant properties pay a reduced assessment.²⁴

Performance Evaluation

Performance evaluation examines internal and external BID operations. Internally, BID managers define metrics and measure success by service delivery rates (e.g. number of bags of trash collected, number of people assisted through the Ambassador Program), commercial vacancy rates, and renewal rates.²⁵ Metrics are used internally by BID management in publishing the BID's annual report to NDD.²⁶ Externally, due to the diversity of services and budgets of BIDs, NDD uses broader measures to compare performance across multiple BID organizations. These measures include compliance with non-profit laws, performance of contract terms, and board composition requirements (e.g. number from each Class, percent of property owners). These measures are reviewed on a yearly basis.²⁷

Example of New York BIDs in Operation

Key program highlights from the Montague Street BID and East Brooklyn BID are detailed following the process map.

²¹ N.Y. RPT. LAW § 102 (14)-(15) (2013).

²² "Step by Step Guide," p. 17.

²³ *Ibid.* at p. 23.

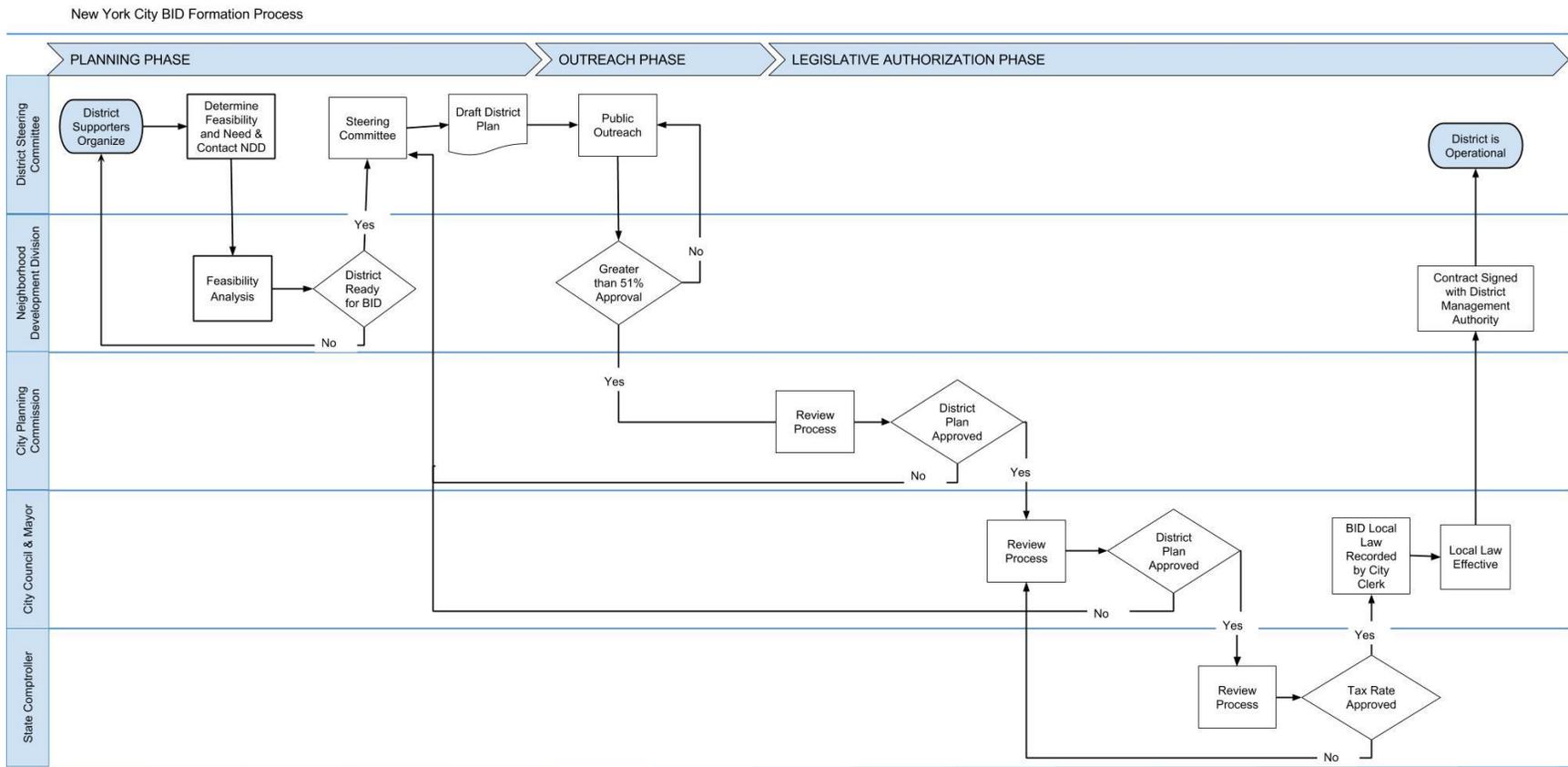
²⁴ *Ibid.*

²⁵ "Step by Step Guide," p. 5.

²⁶ New York City Dep't of Small Business Services, "SBS Annual Report Submission Guidelines," available at http://www.nyc.gov/html/sbs/html/neighborhood/neighborhood_bid_managing_annualreports.shtml.

²⁷ Interview with Neighborhood Development Division Staff.

New York City Business Improvement District Formation Process



Developed based on N.Y. ADC. §§ 25-401 - 417; New York City Dep't of Small Business Services, "Starting a Business Improvement District: A Step-By-Step Guide, available at http://www.nycbidassociation.org/documents/starting_bid_guide.pdf.

Montague Street BID – New York City

Services

The mission of the Montague Street BID is to “improve all aspects of the district, from beautifying the public realm to supporting our local and national retailers.”²⁸ The BID currently has four programs areas: clean streets, beatification and landscaping, marketing and promotion, and business development.

Governance Structure

Currently, the Montague Street BID has 20 members on its Board of Directors, including:

- 10 Class A commercial property owners,
- 3 Class B commercial tenants;
- 1 Class C residential tenant;
- 4 Class D government representatives; and
- 2 Class E community board and non-profit members.

The BID staff is supported by a part-time executive director and support staff. The BID contracts for district cleaning and maintenance services.²⁹

Funding and Revenue

The original BID assessment was based on a mixed assessment rate for commercial properties. Properties devoted in whole or in part to commercial uses paid \$20.01 per front foot plus 0.0009 percent of assessed value. All commercial properties where residential uses occupy 90% of the building are assessed at one half the commercial rate. All residential buildings pay \$1.00 per year.³⁰

Budget Allocation

The Montague Street BID 2013 budget is \$180,044. BID tax revenues comprise \$175,000 of the total revenue, with the remaining income from an annual summer arts and entertainment event. Sixty-nine percent of operating expenses are spent on administration costs (42%) and street maintenance (27%). The remaining budget goes to marketing (16%), street beautification (7%), and special events (5%).³¹

District Overview

Established in 1998, the BID covers a three block radius and provides services to over 100 businesses in Brooklyn Heights. The district is contains both commercial and mixed use properties.

BID Highlights

1. Retail focused BID.
2. Tenants, exempt property, and community board members have reserved Board seat(s).
3. Only commercial properties are assessed.
4. Percentage based assessment used for mixed use buildings.

²⁸ Montague St. Business Improvement District, “2013 Annual Report,” available at http://montaguebid.com/_pdf/2013_AnnualReport.pdf, p. 11. Montague St. Business Improvement District, “BID Programs,” available at <http://montaguebid.com/bid-programs/>.

²⁹ Annual Report. p. 10; New York City Department of City Planning, “Montague Street BID District Plan,” Plan No. N 970635 BDK (June 25, 1997), p. 5; “Bid Programs”

³⁰ New York City Department of City Planning, p. 3.

³¹ Montague Street District Management Association, Inc. “Financial Statements: Year Ended June 30, 2013 and 2012,” p. 4, available at http://montaguebid.com/wp-content/uploads/2014/01/Montague_Street_DMA_Financial_Statements_June_30_2013.pdf.

East Brooklyn BID – New York City

Services

Beyond the typical clean services, the BID serves as an ombudsman for the district members to navigate government permitting process, provides real estate assistance to developers, and supports community service activities (SAT prep courses and youth sports programs).³²

Governance Structure

The Board of Directors has 15 members:

- 7 Class A commercial property owners,
- 1 Class B commercial tenant,
- 1 Class C residential tenant,
- 5 Class D government representatives, and
- 1 Class E community board and non-profit members.³³

The BID staff includes executive director supported by five staff members.

Assessment

The assessment formula is defined by five different property types.³⁴

East Brooklyn BID Assessment Formulas

| |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> • Utility Properties (Property Assessed Value of the Parcel/ Total District Assessed Value) x Total BID Annual Budget |
| <ul style="list-style-type: none"> • Industrial Properties (Total BID Annual Budget x ((100 - % paid by Utility properties) + 1%) /100) + (Total BID Annual Budget x (Property Assessed Value /Total District Assessed Value) |
| <ul style="list-style-type: none"> • Non Industrial Properties Same formula as Industrial properties. No mandatory minimum payment. |
| <ul style="list-style-type: none"> • Unimproved Properties Assessed at 1% of the Industrial Property Formula |
| <ul style="list-style-type: none"> • Public Use Properties \$1.00 per year per property |

Budget Allocation

The 2013 East Brooklyn BID budget is \$95,000, funded entirely by BID assessments. Expenditures for 2013 were \$89,324. Management operations comprise 52% and clean and sweeping program activities consume 34% of the operating budget. The remaining 14% is dedicated to economic development (6%), district promotion (6%), and pest extermination (2%).³⁵

District Overview

The BID is the first industrial BID (1983). The district covers a 40 block radius and provides services to 95 businesses and 500 residences, religious organizations, and a commercial strip.

BID Highlights

1. Industrial Business Improvement District.
2. Focus on government relations, real estate assistance, and clean services.

³² East Brooklyn BID, "Our Services", available at <http://www.eastbrooklynbid.org/services.html>.

³³ East Brooklyn District Management Association, "Board of Directors 2014," available at http://www.eastbrooklynbid.org/uploads/6/4/5/8/6458522/bid_board_of_directors_2014.pdf.

³⁴ New York City Department of City Planning, "East Brooklyn BID District Plan" No. N840492BDK, March 7, 1984.

³⁵ East Brooklyn District Management Association, Inc. "Financial Statements and Auditor's Report (06/30/13), available at http://www.eastbrooklynbid.org/uploads/6/4/5/8/6458522/audit_report_2013.pdf.

Philadelphia, Pennsylvania

Mission and Purpose

BIDs are formed in Philadelphia to allow stakeholders within a business district to cooperatively improve the area. In Philadelphia the same statute is used to create business, industrial, retail, and residential improvement districts. The mission of each of these types of districts is as diverse as the districts themselves.

Government Involvement

BIDs in Philadelphia are governed by the Municipal Authorities Act if established prior to 1998 or the Community and Economic Improvement Act (CEIA) if established after 1998. CEIA permits more flexibility, than the Municipal Authorities Act, to create a new or existing nonprofit organization to run the BID. This change allows members to select the board of directors.³⁶ Under CEIA, the City's oversight and responsibilities include:

- Under both Acts, the City Council must approve the creation of a district and the ordinance is signed by the Mayor.
- The City can provide preliminary funding to assist organizations with planning and conducting feasibility study.
- District initiation may come from community members or the municipality.
- A signed an agreement between the BID management association and the City outlines minimum provision of government services, sets a sunset provision, and assigns responsibility for collecting fees to the BID.
- The governing body must approve any changes to the final district plan.
- The termination of a district is decided by a public hearing and approved by the municipality.
- The City reviews an annual audit and program report each fiscal year.³⁷

Formation Process

The BID formation process is governed by CEIA and enhanced by the City of Philadelphia. The process has four phases: (1) Feasibility, (2) Planning, (3) Outreach, and (4) Legislative (See page 47 for a process map).³⁸ Although ultimate approval rests with the municipality, the process encourages property owners to develop the preliminary district plan. When the petition is introduced in the legislative session, affected property owners are granted the right to testify prior to adoption of the ordinance.³⁹ The list below highlights distinguishing characteristics for each of the four phases.

City Program Overview

BIDs established prior to 1998 are based on the Municipal Authorities Act (56 PA.C.S. Ch. 54). After 1998, the State granted broader authority by way of the Community and Economic Improvement Act to create BIDs and NIDs (53 P.S. §§18101-18112).

City BID Program Highlights

1. One law authorizes creation of a wide range of improvement districts.
2. City allowed to fund planning or feasibility studies for organizations.
3. Grant based trial operations period.
4. Law does not require a showing of support (signed petition percentage).

³⁶ Ibid. p. 7.

³⁷ 53 P.S. §§ 18102-18112.

³⁸ "Starting a Business Improvement District in Philadelphia."

³⁹ Daniel Hoffman and Lawrence O. Houston, Jr. "Business Improvement Districts as a Tool for Improving Philadelphia's Economy," *Drexel Law Review*, v.3, pp. 89-107 (2010).

Feasibility Phase. The City identifies five characteristics of successful BIDs. District organizers use the following characteristics to determine BID feasibility and district readiness:

1. **Concentration of commercial or multi-family properties.** These types of property share an economic interest in joining together to increase property values.
2. **Low vacancy rates.** Property owner opposition may rise with increased number of vacant property.
3. **Adequate real estate values.** Real estate values must be high enough to provide sufficient income to generate meaningful services. Recommended a minimum budget of \$100,000.
4. **Common interests among owners in the district** in recognizing core services.
5. **Strong local support.** Organized districts must have a group of owners capable of being BID champions to build community support.⁴⁰

CEIA allows organizers the flexibility to assess residential property. Since single family and condo properties receive a lower benefit from BID services, owners pay a lower assessment rate than commercial property. However, residential rental property (apartments) is defined as commercial property and assessed at the commercial property rate.⁴¹ After organizers complete the feasibility analysis and determine properties subject to the BID tax, to receive assistance from Commerce Department staff, BID organizers must complete an application.

Planning Phase. After the Commerce Department determines that a BID is feasible, district organizers schedule a meeting the district's Councilmember. Organizers must gain the support from the councilmember in order to proceed in the process. BID organizers draft a district plan that includes district boundaries, assessment structure, name of the management organization, and properties to be assessed.⁴²

Outreach Phase. After two community meetings, the district plan and documents showing support for the district are submitted to the Commerce Department and Councilmember.⁴³

Legislative Phase. CEIA does not require a specific percentage of district supporters' signatures. However, following two public hearings, a 45 day objection period begins. CEIA requires more than 51% of affected property owners or owners whose property valuation totals 51% of the total property valuation, to register their disapproval of the final plan and amendments in writing to reject a BID. If opposition fails to register the required level of disapproval with the clerk of the governing body, the ordinance establishing the BID is adopted.⁴⁴

Governance Structure

Under CEIA, the BID Steering Committee can create a new organization or designate an existing nonprofit or municipal authority as the BID management association. A new organization ensures that the mission of the management association matches the goals of the BID and ensures members have an ongoing role in the management association.⁴⁵ If the steering committee elects to create a new organization the board must have between five and nine members and one representative from City Council. The remaining members should be individuals who directly or indirectly pay the BID assessment (business owners, property owners, and institutions).⁴⁶

⁴⁰ "Starting a Business Improvement District in Philadelphia," pp. 11-12.

⁴¹ Ibid. p. 12.

⁴² Ibid. pp. 11-12.

⁴³ Ibid.

⁴⁴ 53 P.S. § 18105

⁴⁵ "Starting a Business Improvement District," p. 25.

⁴⁶ Ibid.

Funding and Revenue

The BID Steering Committee determines the budget and assessment formula. Most Philadelphia BIDs follow a fix budget model where the annual budget is identified for each year that the BID will be authorized. This model increases transparency by allowing the budget to be determine several years in advance.⁴⁷ The BID management association is responsible collecting the assessment. CEIA provides flexibility in determining the assessment formula. If assessed value will not work, the Commerce Department can assist the Steering Committee in determining other rates (front footage).⁴⁸ All property owners in a BID must benefit directly or indirectly from the provided services, however CEIA outlines that property owners do not need to benefit equally.⁴⁹ Where a BID encompasses business, residential, and institutional property owners, a weighted assessment may be utilized. The fee paid by business owners, industrial or institutional properties may be higher than residential properties.⁵⁰

Budget Allocation

Under CEIA the total revenue raised by the assessment cannot exceed the estimated cost of proposed programs and services. The Steering Committee creates an initial budget that is approved by the City Council. The BID management association is required to submit an annual audit report to the Council and an annual report to all district stakeholders.⁵¹

Performance Evaluation

Each BID has a sunset provision under either authorizing statute. Continued operations depend on the passage of an ordinance by the City Council after a review of the program and services provided by the management association. Sunset provisions can vary, but typically range between five and 10 years.⁵²

Example of Philadelphia BIDs in Operation

Following the process map on page 47, key program highlights from the Manayunk SSD and Aramingo Avenue NID are detailed.

⁴⁷ Starting a Business Improvement District

⁴⁸ Ibid.

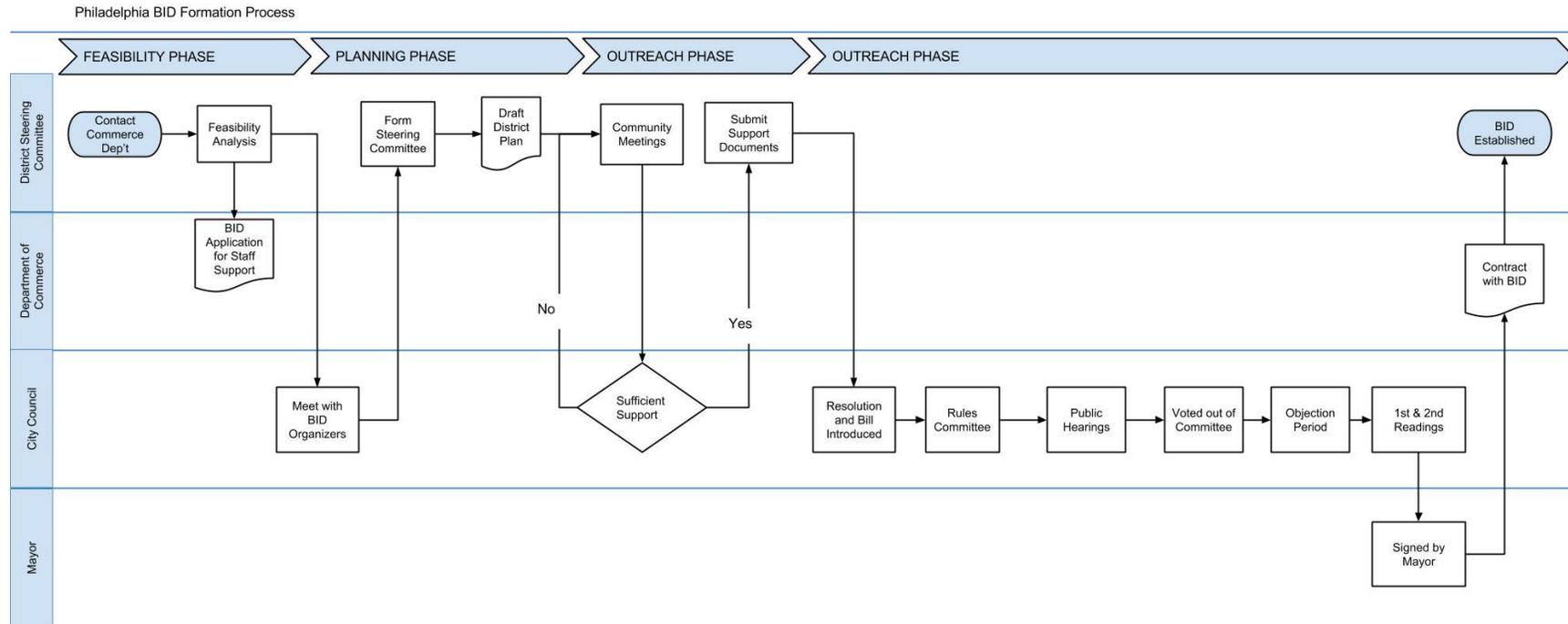
⁴⁹ § 18103

⁵⁰ § 18107

⁵¹ § 18109.

⁵² § 18104.

City of Philadelphia Business Improvement District Formation Process



Developed based on the City of Philadelphia Department of Commerce and Drexel University’s Center for Public Policy, “Starting a Business Improvement District in Philadelphia.”

Manayunk SSD - Philadelphia

Services

Established in 1996 under the Municipal Authorities Act, this District provides maintenance services, capital improvements, and marketing.

Governance Structure

Nominations for new board members are submitted in February and elections are held in April. The current board has 13 members.

Assessment

Funding is based predominantly on property assessments. However the Manayunk SSD leverages additional funding from grants and business contracts. The 2013 assessment rate is 1.0765% of the benefited property’s assessed value based on 2012 tax year assessment. Each individual property’s share is based on the equation that divides assessment of owner’s property by assessment of all properties in the district. This share is then multiplied by the 2013 district budget to determine the yearly assessment.⁵³

Neither vacancy nor non-use of a property qualifies it for an exemption from the assessment under any circumstance. If a property that is subject to assessment later converts to a tax exempt property, the property owner may petition the Manayunk SSD board for an exemption (applied to the following year’s property tax bill). In contrast, owner occupied residential property (single family homes and condominiums) are not subject to the assessment. However, if a property that is not subject to the assessment later converts its usage, the assessment is levied against the property owner immediately.⁵⁴

The renewal ordinance caps growth at 3%. Property owners may experience a decrease or an increase in assessment rates for any given year depending on total assessed value of the district. The Board has the power to raise funds in order to fund all planned activities.

Budget Allocation

The 2013 budget is \$240,000. Capital improvements cost \$90,000 (38%), Program and services 130,000 (54%), and personnel and administration \$20,000 (8%).⁵⁵

District Overview

The SSD is designated as a national historic district located fifteen minutes from the center of Philadelphia. The district was renewed in 2012 for a 10 year period.

SSD Highlights

1. Assessment is based on a property’s share of assessed value.
2. Assessment revenue is capped at 3%.

⁵³ City of Philadelphia, Bill No. 120618 (2012).

⁵⁴ Ibid.

⁵⁵ Ibid.

Aramingo Avenue BID - Philadelphia

Governance

The district is run by the Impact Services Corporation. The organization operates in seven locations in Philadelphia and operates programs from employment training to community development to youth services. The Board of Directors is appointed by the Board of Impact Services and by law is required to have no more than 15 members.⁵⁶ The district was renewed in 2013 by the City Council for an additional 5 years.

Funding and Revenue

The assessment payment for each property is determined in a similar manner to the Manayunk SSD. Residential properties are not included in the assessment.

Budget Allocation

The budget for 2013 was \$370,842. The breakdown by program is outlined in the following table.⁵⁷

| Service | Budget | Percent of Total Budget |
|----------------------------------|-----------|-------------------------|
| Cleaning | \$114,204 | 31% |
| Safety Ambassadors | \$108,000 | 29% |
| Marketing | \$33,600 | 9% |
| Streetscape Improvements | \$33,000 | 9% |
| Personnel | \$53,250 | 14% |
| Uncollected Assessment Allowance | \$28,788 | 8% |

The budget is designed to increase annually by 4% to adjust for the cost of inflation.

District Overview

Authorized in 2008, BID represents an auto-dependent commercial corridor comprised of strip malls, big box stores, fast food restaurants, and auto repair shops. The southwestern end is largely residential.

BID Highlights

1. Operated by an existing non-profit.
2. Only commercial property is taxed.

⁵⁶ City of Philadelphia Bill no. 080251.

⁵⁷ Ibid.

Pittsburgh Downtown Partnership

Mission and Purpose

The Pittsburgh Downtown Partnership, which manages the BID, outlined five goals in its strategic plan.

- Make Downtown Pittsburgh clean, safe, efficient and manageable;
- Market Downtown Pittsburgh;
- Foster sustainable economic development and improve the physical environment within the district;
- Be a resource for visitors, businesses, and residents; and
- Assure long term organizational capacity and capability.⁵⁸

Government Involvement

Pennsylvania statutes grant broad authority to BIDs. The Pennsylvania Municipal Authorities Act of 1935 (amended 1945) provided municipalities with the power to establish new government entities that were not subject to legal debt limits. Pennsylvania built upon this law and passed the Business Improvement District Act (1996) and the Neighborhood Improvement District Act (2000). All three laws provide broad discretion to local entities, greater flexibility for organization operations, and the ability to use assessment based programming designed to meet local community needs.⁵⁹ The Pittsburgh Downtown Partnership is established under the 1996 BID act. The list below outlines the City's oversight and responsibilities under the Pennsylvania law.

- Final authority to establish a business improvement district rests with the City Council.
- The City can authorize both capital improvements and administrative services designed to improve the ability of commercial establishments to serve the consumer.
- Once approved, the City Council approves the service contract with the BID operator, in this case the Pittsburgh Downtown Partnership. Contract is renewed at a minimum every 5 years.
- The City Council authorizes the assessment on commercial property and approves a revenue cap for each fiscal year.
- At the request of the BID, the Department of Finance can file liens for delinquent assessments.
- The City Council reviews and approves amendments to by-laws. Annual reports and audited statements are presented and reviewed annually.⁶⁰

District Overview

The Downtown Pittsburgh BID was created in 1997 and renewed for a third time in 2011. The BID provides services to 100 acres and more than 4,000 businesses and 350 property owners.

BID Highlights

1. Grant based trial period.
2. Law does not require a showing of support (signed petition percentage).
3. BIDs can be organized as municipal authorities with the power to levy taxes and issue bonds.
4. Assessment revenue capped.

⁵⁸ Pittsburgh Downtown Partnership, Strategic Plan 2012-2016, available at http://www.downtownpittsburgh.com/_files/docs/pdp_strategicplan_2012-2016.pdf.

⁵⁹ Richardson Dilworth, "Business Improvement Districts and the Evolution of Urban Governance," *Drexel Law Review*, v.3:1, p.2.

⁶⁰ 53 PA.C.S. §§ 5401-5406. "Resolution for continued designation of Downtown Pittsburgh BID, 2011-1577, effective date 5/20/2011."

Formation Process

In 1996, the Partnership was formed through City of Pittsburgh grant funding. The BID was provided a two year trial period to garner political and business support. At the conclusion of the two years the Partnership was up and running.⁶¹ Following the trial period, public hearings are required prior to passage. Pennsylvania is unique in that the enabling statute does not require a certain percentage of signatures to approve the BID's establishment. The burden to stop a district's creation rests with property owners who own more than 50% of the district's assessed property valuation. Within 20 days after enactment, the opposition must submit a signed petition with the court of common pleas. If the petition is not submitted, the district is automatically created.⁶²

Governance Structure

Legislation requires a specific Board of Directors composition. Specific classes include property owners, large commercial and small commercial owners, retail, commercial tenants, residential tenants, and residential property owners. For example, the resolution establishing the Oakland Business Improvement District requires additional representatives from area financial institutions, Oakland Planning and Development Corporation, University of Pittsburgh, University of Pittsburgh Medical Center, and an area non-profit.

The Pittsburgh Downtown Partnership has a 44 person board, with 25 of the seats proscribed by law and the remainder for at large representatives. Non-voting representatives from the Mayor's Office, City Council, and Department of City Planning serve on the board. To elect the Board, BID members cast votes for candidates from their respective classes.⁶³

Funding and Revenue

The State statute outlines property tax assessments by one of three methods:

1. Multiplying the total service and improvement cost by the ratio of the assessed value of the individual property to the total assessed valuation of all benefited properties in the district.
2. On several properties in the district in proportion to the benefits, as ascertained by BID members.
3. Where several properties abut the improvement or benefit from the services or more than one type of services is involved, front-foot method may be used and must account for corner properties.⁶⁴

The Pittsburgh Downtown Partnership has a 4.997 millage tax rate based on land values. This rate is established by the Board of Property Assessments, each December, based on recommendation from the Partnership. The rate may be adjusted up and down as necessary to achieve the revenue cap. In FY14 the cap equaled \$1,580,590 and will increase to \$1,693,167 in FY16.⁶⁵ The Pittsburgh Downtown Partnership has a 17 member committee that reviews the budget annually and submits it to the City Council for review and inclusion in regular budget hearings. Although reviewed, deference is given to the Partnership.⁶⁶

⁶¹ § 5403(2). Interview with Pittsburgh Downtown Partnership Staff.

⁶² § 5403(2).

⁶³ Interview with Downtown Pittsburgh Staff. "Resolution for continued designation of Downtown Pittsburgh BID, 2011-1577, effective date 5/20/2011." "Resolution for continued designation of the Oakland Business Improvement District, 2004-86 (3/18/2004).

⁶⁴ § 5406.

⁶⁵ "Resolution for continued designation of Downtown Pittsburgh BID."

⁶⁶ Interview with Pittsburgh Downtown Partnership Staff.

Residential property is excluded from the assessment, but mixed used property may be taxed. However, assessments are levied only against the commercial portion of the property based on the percentage of property attributed to commercial use (square feet) then multiplied by the land value. Mixed use owners have the right to appeal the percent allocation to the Pittsburgh Downtown Partnership. The Partnership's Appeals Committee consists of three members from the Board of Directors.⁶⁷

State authority also grants BIDs the power to collect the BID taxes. Either the City's Department of Finance or the BID is responsible for mailing the tax notifications. All payments are remitted to the BID, regardless of who mails the notification. The Department of Finance establishes guidelines for assessment collection (i.e. establishing a separate account in the name of the BID).⁶⁸

Budget Allocation

BIDs have the authority to raise additional revenue beyond the property assessment, which is not subject to the revenue cap. Only 45% of the Pittsburgh Downtown Partnership's budget is based on assessment payments. Other revenue sources include voluntary dues, foundation support, government grants, and earnings from advertising, fees and sponsorships. Administrative costs account for 11% of the Partnership's budget. The top programs receiving the most funds are marketing (38%), clean and safe (27%), and economic development (17%).⁶⁹ Staff interviewed highlighted two successful programs.

- **Pittsburgh to Paris.** Pittsburgh had an absence of outdoor dining and businesses not willing to use high quality design and materials for façade improvements. The Partnership started Paris to Pittsburgh, which is a matching grant to encourage businesses to renovate store fronts and provide outdoor seating. A committee of private business owners and architects review project submissions and select projects to receive funding.
- **Project Pop-up.** In conjunction with the Mayor's Office and Department of City Planning, this program is a competitive grant proposal program for entrepreneurs to utilize vacant downtown store fronts for a limited time with rental cost assistance. Three full time businesses successfully started under this program. The program was extended to include the Pittsburgh Night Market and Fashion Market.⁷⁰

Performance Evaluation

For the Pittsburgh Downtown Partnership, BID performance is evaluated through stakeholder surveys and program metrics. Metrics analyze program goals, such as the amount of trash collected, graffiti removed, homeless assistance provided. Performance has a role in the production of the annual report and meeting, and in budget development. Every five years, for the renewal process, the Partnership conducts a perception survey to evaluate the effectiveness of operations and to gauge stakeholder opinions on the BID's impact.⁷¹

⁶⁷ "Resolution for continued designation of Downtown Pittsburgh BID."

⁶⁸ Ibid. See also "Resolution for continued designation of the Oakland Business Improvement District."

⁶⁹ Interview with Pittsburgh Downtown Partnership Staff. See also Pittsburgh Downtown Partnership, "The Changing Face of Downtown: 2013 Annual Report," p. 33, available at http://www.downtownpittsburgh.com/_files/docs/annualreport_web.pdf.

⁷⁰ Interview with Pittsburgh Downtown Partnership Staff. See also Pittsburgh Downtown Partnership website at <http://www.downtownpittsburgh.com/what-we-do/programming>.

⁷¹ Interview with Pittsburgh Downtown Partnership Staff.

Washington, DC

Mission and Purpose

The District of Columbia defines a BID as a commercial area that collects a self-tax from property owners to provide services to the district beyond what the city provides. According to D.C. Code, the geographic area should be mostly commercial or industrial in nature and consist of at least 5 contiguous blocks (may be noncontiguous if in the same neighborhood's commercial district).⁷² Services provided by BIDs in the District include clean and sanitation programs, security services, economic development and marketing, capital improvements, and homeless and youth services.⁷³

Government Involvement

D.C. Code outlines the process for establishing a BID. The Mayor's Office and the Administrator for Business Services and Economic Development have the primary role in reviewing and authorizing the proposed BID.⁷⁴ The City Council passes legislation establishing BID boundaries and supplemental tax rate.⁷⁵ Oversight responsibilities are shared between the Mayor's Office and the City Council.

- BID organizers must enlist the support of the Councilmember representing the Ward where the proposed BID is located.
- Based on a feasibility study conducted by BID organizers and an agency interview, the Mayor's Office makes a preliminary determination of whether the formation process can proceed. If the application fails, BID organizers cannot resubmit the application for one year.
- At the conclusion of a public hearing, organized by the Mayor's Office, the Mayor makes the final determination on whether the BID is ready to be registered.
- Changes to BID by-laws, plan or expansion of boundaries are certified by the Mayor's office.
- The Chief Financial Officer (CFO), Mayor's Office, and Council have the opportunity to inspect the BID's financial records. The Mayor and CFO certify the tax roll.
- A BID must file an annual report and financial statement packet with the Mayor and Council. Mayor's Office renews the BID's registration every five years.
- The Mayor can revoke a BID's registration if the BID commits unlawful conduct or jeopardizes the ability of the BID to deliver services, or a BID is dissolved/operations cease to exist.⁷⁶

District Program Overview

In 1996 the DC Council passed enabling legislation for business improvement districts and community improvement districts. (D.C. Code §2-1215.01-.22).

BID Program Highlights

1. BIDs are independent organizations.
2. Mayor's Office has primary responsibility to oversee BID operations and renewal.
3. Exempt property owners, government entities, and residents may become BID members.
4. Votes can be allocated based on a number of factors.
5. Apartments and condominiums can be assessed.
6. Law permits BID organizers to correct and resubmit BID application during the formation process.

⁷² D.C. Code 2-1215.02(7).

⁷³ Department of Small Business Services, "Business Improvement Districts," available at <http://dslbd.dc.gov/service/buisness-improvement-districts-bids>.

⁷⁴ D.C. Code § 2-1215.04(a).

⁷⁵ "Business Improvement Districts."

⁷⁶ §§ 2-1215.05-.19.

Formation Process

The formation process is driven the private sector. Emphasis is placed on private sector leadership to build community confidence and capacity for the BID organization. The goal of the process is to ensure that businesses and communities take ownership of organizations.⁷⁷ To achieve organizational independence, BID organizers bear a heavy burden. Below is a list of duties and obligations required to be performed by BID organizers as part of the formation process:⁷⁸

- Elicit Councilmember and public support for the district
- Form a non-profit BID corporation
- Designate initial board of directors
- Draft articles of incorporation and bylaws
- Raise money for establishment of the BID
- Hire an executive director or consultant to guide the BID process
- Establish BID boundaries
- Develop a database of property owners and commercial tenants in the BID
- Decide BID governance structure
- Define tax formula and proposed first year charges.
- Develop a business plan for the first 3 years of operations.

D.C. Code requires a demonstration of public support for the proposed BID based on its geographic location in or outside of the central business district. If a BID is located in the central business district, the application must be signed by owners who own at least 51% of the assessed value of the property and at least 25% of individual property owners. Requirements are more stringent outside of the central business district, although they are relaxed on a case by case basis by emergency legislation.⁷⁹ The application must be signed by 51% of commercial tenants, property owners who own at least 51% of assessed value of properties, and at least 51% of individual property owners.⁸⁰

Governance Structure

The Board of Directors are elected by district members, however the Code outlines specific voting requirements. Under the law, each member is entitled to one vote. Membership includes commercial property owners and tenants, each residential tenant (if elected to participate), and exempt property owners/government who make voluntary contributions to the BID. Votes may be allocated based on assessed value, square footage, street frontage, property location, obligation to pay BID property taxes (owners), voluntary contributions, and any payment for services under contract (General Services Administration).⁸¹ The number of votes assigned should not exceed 33.33% for any one member or total members under common ownership.⁸²

Funding and Revenue

Budgets, assessment formulas, and rates are defined by BID members and the Board of Directors. The tax roll is based on information provided by the Office of Taxation and Revenue and receives final approval from the City's CFO and Mayor's Office. Tax rolls are sent twice per year by the BID, taxes are collected by the City, and then redistributed to the BID.⁸³ Under the law, residents can elect to be taxed. This typically applies to condominiums and apartments where the tax is a surcharge to the real property tax liability of the commercial property and is passed onto tenants as an additional fee.

⁷⁷ Interview with Georgetown BID staff.

⁷⁸ "Business Improvement Districts."

⁷⁹ Interview with Georgetown BID staff. Generally the commercial tenant requirement is waived.

⁸⁰ § 2-1215.04

⁸¹ § 2-1215.11

⁸² Ibid.

⁸³ § 2-1215.16.

Additional revenue can come from voluntary contributions paid by the District government, federal government, or exempt properties in return for services provided.⁸⁴

Performance Evaluation

Performance metrics are determined by the BID organization and are used for the annual report and during the renewal process. Sample metrics include occupancy rates, quality and number of publications, articles authored by the BID, development activity, increase in property values, increase in jobs located in the district, increase in housing units, number of sidewalk cafes, number of people assisted by district ambassadors, and number of homeless assisted.

Example of Washington, DC BIDs in Operation

Key program highlights from the Georgetown BID, the Mount Vernon Triangle CID, and the NoMa BID are detailed on the following pages.

⁸⁴ "Business Improvement Districts."

Georgetown BID – Washington, DC

Services

The Georgetown BID funds six program areas: marketing and communications, destination management, transportation, economic development, street services and streetscape programs. The BID's programming is designed to enhance the quality and vitality of life in Georgetown. For example, the BID partnered with the Georgetown Ministries Center to create a "volunteer to work" program to recruit individuals for the Clean Team and assist with funding programs to reduce area homelessness and panhandling.⁸⁵

Governance Structure

The BID is governed by a Board of Directors which sets overall policies and goals, an Executive Committee, and a CEO who manages the day to day BID operations. The Executive Committee serves as the primary governance contact with the CEO and completes the yearly audit requirement. The Board of Directors typically has between 22 and 28 voting members, with policy requiring a majority of three or more property owners than tenants. Seats are reserved on the Board for community organizations to serve in a non-voting capacity. Voting members are elected to a three year term, with approximately one-third of members reelected each year.⁸⁶

Assessment

The assessment rate is set for a five year period and only changes if property is sold, significantly renovated, or the non-exempt portion of property changes. The current tax rate is \$.1545 per \$100 of assessed value.⁸⁷

Budget Allocation

Yearly budgets are developed by the CEO and staff and approved by the Executive Committee and Board of Directors. An annual audit is conducted and reviewed by the Board's Audit Committee. The auditor is available for questioning from BID members and makes recommendations on how to improve the organization's financial health. Examining the FY14 operating budget, the Georgetown BID's funding almost entirely derived from the BID assessment (98%). Street Services, Streetscape projects, and marketing account for 75% of the BID's expenses. The Transportation and Economic Development Program comprise almost 20% of the remaining budget.⁸⁸

District Overview

Established in 1999, the BID is located in historic Georgetown (covering 35 blocks), and has over 1,000 members. Total operating budget for FY14 is \$2,944,000.

BID Highlights

1. Only commercial properties and tenants are members.
2. Produces a State of Georgetown Report to show trends and measure changes in the neighborhoods population, development, and economy.
3. Strong internal budget oversight and review.

⁸⁵ Georgetown BID, "2013 Annual Report," p. 11, available at <http://www.georgetowndc.com/content/2013-annual-report/>. Interview with Georgetown BID staff.

⁸⁶ Georgetown BID, "5 Year Renewal, p. 3-5, available at http://www.georgetowndc.com/customer_media/gbid_2014_5-year_renewal_plan_graphics_included_photo_credits.pdf.

⁸⁷ Ibid. p. 14.

⁸⁸ Georgetown BID, "5 Year Renewal, pp. 14-15.

Performance Measurement

The Georgetown BID employs numerous performance metrics to analyze program success and provide its members with justifications for the BID's existence. The table below displays service areas and a sample of metrics.⁸⁹

Georgetown BID Performance Metrics by Service Area

| Service | Metrics |
|-------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------|
| Street Services | Tons of trash collected; Amount of graffiti removed |
| Streetscape | Light poles painted; Treeboxes repaired; Installation of street furniture |
| Transportation | Improved bicycle facilities; Pedestrian safety improvements; Improvement to parking information and systems |
| Marketing and Communication | Event attendance; Pedestrian counts; Website hits; Social media followers |
| Economic Development | Circulation/downloads of State of Georgetown; Attendance at broker briefings; Impact of activity on business attraction and leasing |
| Destination Management | Agreements with National Park Service; Fundraising success for canal bridge; Success in setting up or improving visitor centers |
| Public Safety | Incident response time; Impact of programs that support the Metropolitan Police Department; Impact of public safety communications |
| Public Health | Effectiveness of communications and actions to reduce vermin; Incident response time |
| Homeless Services | Effectiveness of partnership with Georgetown Ministry Center; Effectiveness of communication with members about ways to help the homeless |
| Management and Administration | Success at keeping Administrative Cost below 19%; Clean annual audits; Efficient use of storage space; Success at retaining personnel |

⁸⁹ Georgetown BID, "5 Year Renewal, pp. 12-13.

Mount Vernon Triangle CID – Washington, DC

Services

The Mount Vernon Triangle area was a collection of surface parking lots, underdeveloped property, and vacant buildings. Working with the City, CID organizers developed programming to transform the community into a walkable, downtown community.⁹⁰ The CID provides clean and safe teams, streetscape maintenance, economic development, planning and transit enhancements, advocacy, and community building and events.⁹¹

Governance Structure

The CID is governed by a Board of Directors (currently 17 members), who are nominated by an executive committee and elected by district members. Votes are based on property type and ownership status:⁹²

- **Property owner:** two votes per 100 square feet of land.
- **Condominiums:** single vote as directed by each board.
- **Tenants:** receives one vote per square foot of land occupied. Where the owner and tenant are the same party, the total votes would be three per square foot.
- **Exempt property owner and tenant:** votes allocated by multiplying the votes the owner would have been entitled to (if not exempt) by the amount of money contributed.

Assessment

Similar to other DC BIDs, assessments are based on property type. Tax bills are sent twice a year and based on land records maintained by the City. The current CID assessment rates are as follows:⁹³

- **Vacant Land:** \$0.35 per square foot
- **Commercial Space:** \$0.15 per square foot
- **Residential Unit:** \$120 per unit
- **Hotel Room:** \$90 per room

Budget Allocation

The CID's FY14 budget was \$681,689, with nearly all revenue coming from assessments (84%) and a clean team grant (15%). Among expenditures, administrative costs accounted for 41% of the budget, with remaining expenses for the clean, safe, and landscape team (39%); marketing, communications, and economic development (19%); and contingency reserves (1%).⁹⁴

District Overview

Established in 2004, the district encompasses 17 blocks and contains 1.7 million square feet of commercial space and over 3,600 residential units making it one of the densest concentration of residents in DC.

CID Highlights

1. Includes both residential and commercial property.
2. Votes are allocated to members based on ownership status.
3. Exempt properties have voting rights.

⁹⁰ Mount Vernon Triangle CID, "Business Plan 2015-2019," pp. 5-6, available at http://www.mountvernontriangle.org/sites/default/files/Documents/MVTCID%20Renewal%20Business%20Plan_Submitted_3_31_14.pdf.

⁹¹ Mount Vernon Triangle CID, "Programs," available at <http://www.mountvernontriangle.org/about/programs>.

⁹² "Business Plan 2015-2019," p. 12.

⁹³ Mount Vernon Triangle CID, "BID Tax Payment," available at <http://www.mountvernontriangle.org/about/bid-tax-payment-instructions>.

⁹⁴ Mount Vernon Triangle CID, FY14 Approved Budget, available at http://www.mountvernontriangle.org/sites/default/files/Documents/MVTCID_FY14_FINAL.pdf.

NoMa BID – Washington DC

Services

The NoMa BID provides an array of services to enhance the neighborhood, support the emerging business development, and act as a liaison between public and private partners. Current services include escorts to a vehicle or transit stop, beautification, public safety, marketing, events, community outreach, urban planning and design, and economic development.⁹⁵

Governance Structure

The NoMa BID is governed by a 17 member Board of Directors who serve a staggered three year terms. While the Board oversees all activities, the Executive Director is in charge of the day to day operations and the Executive Committee provides oversight. Additionally the Executive Committee nominates the Board of Directors for full vote by district members.⁹⁶ Votes are allocated by property type and ownership status.

- **Property owners:** one vote for every \$100,000 of the previous year's property assessed value.
- **Commercial tenant:** one vote for every 5,000 rentable square feet of property.
- **Voluntary contributors:** number of votes determined by multiplying the amount paid by the number of votes the owner would receive as a nonexempt property.
- **Condominium and home owners associations:** vote collectively by a single representative from each association.⁹⁷

Assessment

Assessment rates are allocated based on property type and size.

- **Buildings greater than 50,000 square feet:** \$0.15 per rentable square foot
- **Buildings less than 50,000 square feet or unimproved land:** \$0.05 per \$100 of prior year's assessed value.
- **Hotels:** \$90 per hotel room annually.
- **Condominium Units:** \$120 per unit for nonexempt properties.⁹⁸

Budget Allocation

FY14 BID revenue totaled \$2,430,701, predominantly from BID assessments (88%). Additional funds are derived from contributions, grants, and in-kind donations. NoMa BID operating expenses for FY14 were \$2,402,100 and are categorized by program. Administrative costs accounted for 43% of the operating expenses, followed by the clean program (23%), hospitality & outreach program (18%), placemaking (6%), events (5%), and marketing (5%).⁹⁹

District Overview

The BID was founded in 2007 and encompasses a 35 block mixed-use neighborhood north of Capital Hill and Union Station.

BID Highlights

1. Flat tax rate on hotels and apartments.
2. Votes allocated by property type and ownership status.
3. Condominium properties are assessed.

⁹⁵ NoMa BID, available at <http://www.nomabid.org>.

⁹⁶ NoMa BID, "NoMa BID Renewal, Fiscal Years 2013-2017," available at http://www.nomabid.org/wp-content/uploads/2011/02/NoMa-BID-Renewal-2012_Web.pdf.

⁹⁷ NoMa BID, "Amended and Restated Bylaws of the NoMa Improvement Association" (2013), available at http://www.nomabid.org/wp-content/uploads/2011/02/NoMa-BID-Bylaws_April2013.pdf.

⁹⁸ NoMa BID, "Assessments," available at <http://www.nomabid.org/about-the-bid/administrative-documents/>

⁹⁹ "NoMa BID Renewal, Fiscal Years 2013-2017."

Performance Measures

Similar to other DC BIDs, the NoMa BID assigns performance measures to each service area. The table below displays a sample metrics by service area currently utilized for NoMa's BID renewal for 2013-2017.¹⁰⁰

Table. NoMa BID Performance Metrics by Service Area

| Service | Metric |
|------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Clean Campaign | Trash collected; Number of trees and flowers planted; Stakeholder and visitor perception of cleanliness |
| Public Safety Campaign | Stakeholder/visitor perception of safety; Numbers and types of crimes reported; Number of noise complaints; Incident response time |
| Hospitality and Community Outreach | Sponsor kid friendly movie series; Neighborhood stakeholder communication; Infrastructure and reporting; Property manager meetings |
| Marketing, Branding, and Events | Website traffic, social media followers, and newsletter subscribers; Presence in press; Event attendance |
| Infrastructure and Placemaking | Occupancy rates; Number of publications; Increase in property values, jobs, and available housing; Meetings and partnerships with investors, business, local government, and stakeholder groups |

¹⁰⁰ Ibid.

Downtown Denver BID

Mission and Purpose

Denver defines a BIS as a “quasi-municipal corporation and political subdivision of the state, in which property and business owners elect to make a collective contribution to the maintenance, development, and promotion of their commercial district.”¹⁰¹

The Downtown Denver BID grew from cleaning and maintenance services in the 16th Street Mall area (1.25 mile pedestrian and transit corridor) to sidewalk sweeping, trash removal, graffiti removal, streetscaping, and snow removal. Building on BID services, the Downtown Denver Partnership focuses programming on the downtown economy, transforming public spaces, enhancing transportation options, and building the downtown community.¹⁰²

Government Involvement

The City’s oversight role is based on a responsibility to ensure funds collected from BID commercial property owners align with the BID’s mission. State governing statutes provides the following oversight roles:

- The City Council must approve and pass the ordinance establishing the BID.
- If the BID does not meet Council requirements, the Council may deny the Operating Plan and Budget and effectively cease BID operations.
- Unless indicated in the BID petition, the BID Board of Directors are appointed by the Mayor’s Office (Boards and Commissions) and confirmed by a vote of the City Council.
- The City Council can remove a board member or the entire board due to inefficiency, neglect of duty, or misconduct.
- City Council must approve the Annual Operating Plan and Budget each year.
- To dissolve a BID there must be a public hearing and an ordinance from the City Council.¹⁰³

Formation Process

In Denver the formation process is started by BID organizers. BID organizers develop a petition that contains the name of the district, description of the boundaries, types of services or improvements that will be provided, names of district petitioners, a request for the district, and a cash deposit covering start-up fees.¹⁰⁴ This petition must be signed by owners of real or personal property of at least 50% of the value of all assessed property in the BID and at least 50% of the acreage within the BID.¹⁰⁵ Once at the petition stage, the formation process incorporates reviews by both government departments and elected officials (see the process map on page 64).

City Program Overview

In 1988 the Colorado General Assembly passed enabling legislation permitting municipalities to form Business Improvement Districts (C.R.S. §§31-25-1201 – 1228). Currently there are 44 BIDs in Colorado.

BID Highlights

1. Applies only to commercial property (owners and tenants).
2. The City may appoint the BID Board of Directors.
3. Assessment Benefit Zones where properties pay different rates by zone.

¹⁰¹ Office of the Auditor, “Business Improvement Districts: Performance Audit,” July 2014, Audit Services Division, City and County of Denver, p. 1.

¹⁰² Downtown Denver Partnership website, accessible at <http://downtowndenver.com>

¹⁰³ Office of the Auditor, pp. 6-7.

¹⁰⁴ C.R.S. § 31-25-1205(2014).

¹⁰⁵ Downtown Denver, p. 6.

The government review includes several steps. First, the City's Department of Finance works closely with BID organizers prior to presenting the Creation Ordinance to the Council. Second, the City Clerk, Department of Finance, and Department of Public Works all must approve the ordinance prior to the City Council vote. Third, the Ordinance is prepared by the City Attorney and submitted to the Business, Workforce, and Sustainability Committee of the City Council.¹⁰⁶

Governance Structure

The BID is operated by a board of directors who hires a management entity to run the daily functions of the BID. The board of directors may be comprised of one of the following groups:

- Appointed government officials;
- Popularly elected BID members;
- Government appointed BID members; or
- An appointed downtown development/urban renewal authority.¹⁰⁷

Regardless of whether board members are appointed or elected, anyone serving must be an "elector" of the BID. Statute defines elector as one who: has a primary residence in the district, owns real or personal property in the district, is a commercial tenant, or is a designee for a property owner.¹⁰⁸ Additionally the governing body always participates on the board in a non-voting capacity.¹⁰⁹

Currently there are seven Downtown Denver BID board members representing diverse property types. Each board member is elected and serves a three year term. The Board of Directors hires the Downtown Denver Partnership to administer district services. The Partnership operates in a similar manner to a Chamber of Commerce and is managed by a President/CEO and a Manager of the Executive Office.¹¹⁰ This executive team is supported by a membership and public affairs departments, economic development services, downtown environment team, and events staff.

Funding and Revenue

Denver BIDs receive funding primarily from an ad valorem property tax on all commercial real and personal property in the district. The law allows a BID Board of Directors to authorize an additional special assessment on a portion of district property. The assessment rate may differ among the affected properties based on the amount of benefits received. To provide oversight on assessment rates, the City Council may set a rate cap and periodically review services.¹¹¹ Any changes to the BID rate must be approved by a vote of district members and members may submit a petition against the proposal.¹¹²

The City collects the BID assessment and redistributes it to the Downtown Denver BID. The BID then funds the contract with the Downtown Denver Partnership. Assessed on an annual basis, the formula is based on a separation of BID activities into 16th Street Mall activities and district wide activities. The assessment rate is based on benefits received from both types of activities, with 16th Street Mall activities decreasing the further a property is from the Mall.

¹⁰⁶ Auditor, p. 3.

¹⁰⁷ Downtown Denver, p. 6.

¹⁰⁸ C.R.S. § 31-25-1203(2014)

¹⁰⁹ Auditor, p. 3

¹¹⁰ Interview with Partnership Staff.

¹¹¹ Auditor, p. 3.

¹¹² C.R.S. §§ 31-25-1201 – 1228.

The BID is divided into 12 assessment benefit zones, where Zone One pays \$.497991 per assessable square foot and Zone 12 pays \$.186126 per assessable square foot. The assessment formula is defined as $[(\text{Land Square Footage} + 15\% \text{ Building Square Footage}) * \text{Any Special Zoning Discount}] * \text{Price per Assessable Square Foot} = \text{Assessment Payment}$.¹¹³

The Downtown Denver BID's operating budget is funded entirely from the property assessment. In 2014, over 73% of its \$6.5 million operating budget is allocated to four primary programs: maintenance, management services, safety, and enhancing the pedestrian environment. The Partnership receives additional funding from events, membership fees, grants and sponsorships, and additional service contracts. Utilizing additional funding, the Partnership expended over \$10 million in 2014. Leadership programming accounted for 32% of the budget, followed by event programming (24%) and partnership administration costs (21%).

Performance Evaluation

To ensure that a BID is meeting program goals, the City Council and Department of Finance review the BID's operating plan and budget on an annual basis.¹¹⁴ Organizationally, the BID measures performance both internally and externally. Internally, the BID staff can act as quality control managers, measuring for example, the number of times services are conducted. Externally, BIDs can measure performance through customer and property owner surveys.¹¹⁵

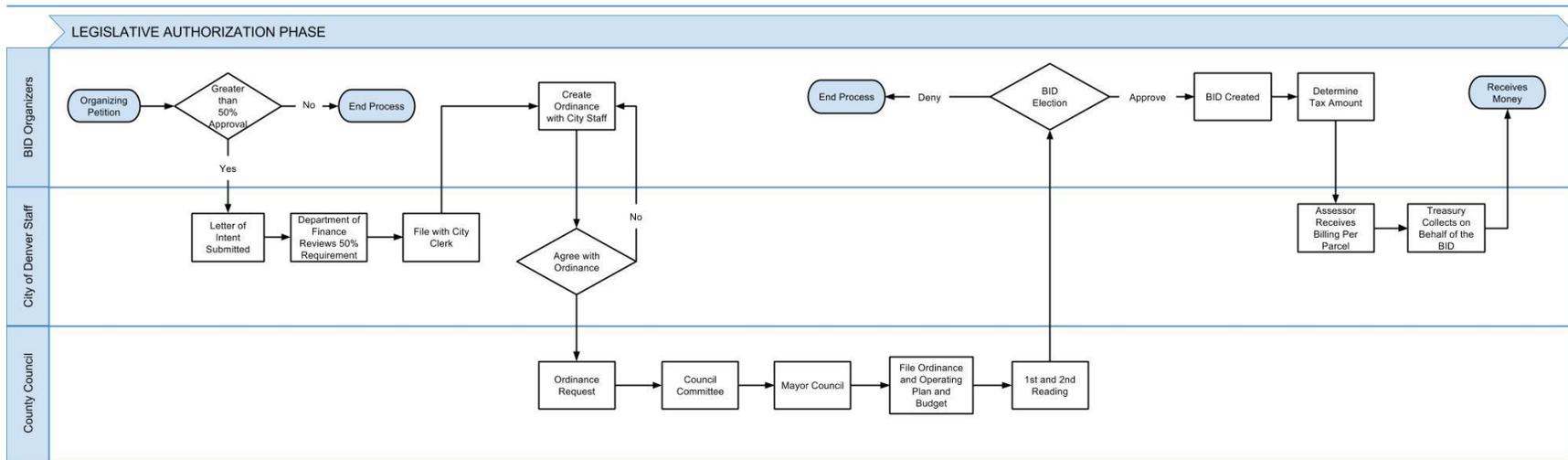
¹¹³ Downtown Denver BID, "About the BID," accessible at <http://www.downtowndenver.com/category/about-the-bid>.

¹¹⁴ *Ibid*, p. 7.

¹¹⁵ Interview with Downtown Denver Staff.

City of Denver Business Improvement District Formation Process

City of Denver Business Improvement District Formation Process



Source: Office of the Auditor, “Business Improvement Districts: Performance Audit,” July 2014, Audit Services Division, City and County of Denver, p.18.

Arlington, Virginia

Mission and Purpose

Partnership Organizations and BIDs were formed to address perception/branding issues, office vacancy rates, and to provide bridge services between business and residential partners. Both Partnership Organizations and BIDs provide similar programming including business retention and recruitment, community outreach, and special events. However, BID organizations extend programming to branding, beautification efforts, and transportation enhancements.¹¹⁶

Government Involvement

By law, BIDs and Partnership Organizations are required to have a county government liaison. In the past this duty was shared by either the County Manager or economic development staff. To better leverage business opportunities, Arlington Economic Development (AED) currently serves as the single liaison to all BIDs and Partnership Organizations.¹¹⁷ AED, a public organization, focuses on Arlington's business community, tourism industry, and real estate development. AED provides industry trend analysis, conducts county sponsored economic development research, site location services, and act as a government liaison for complex projects.¹¹⁸ The County's oversight role for both types of organizations includes:

- Arlington County Board must approve the formation of the organization. For both types of organizations, the Board signs a multi-year service agreement.
- BID tax rates are set by the County and assessments are collected and redistributed to the BID.
- AED staff work with organizations to develop work plans and provide necessary oversight to ensure activities are meeting work plan objectives.
- AED staff presents the workplan and budget to the County Board for approval.
- The County appoints at least two board representatives.
- AED assists BIDs with permitting, zoning, and signage.¹¹⁹

Formation Process

Arlington's formation process utilizes both business owners and AED. To assist organizations, especially in proposed districts with multiple property owners, AED helps survey the business community to assess willingness to support a BID. A petition of support must be signed by at least 50% of property owners and 50% assessed square feet in support of the BID.¹²⁰

City Program Overview

State law allows municipalities to establish special service tax districts to provide enhanced services to a geographic area. (V.A. Code §§15.2-2400-2413).

BID Highlights

1. Model allows for growing a public-private partnership into a BID.
2. Oversight and assistance provided by Arlington Economic Development.
3. Fixed assessment rate across all Arlington BIDs.

¹¹⁶ Interview with Clarendon Alliance Staff. See also Clarendon Alliance at <http://clarendon.org/> and Ballston BID at <http://www.ballstonbid.com/>.

¹¹⁷ Interview with Arlington Economic Development Staff.

¹¹⁸ Arlington Economic Development, at <http://www.arlingtonvirginiausa.com/about-aed/arlington-economic-development>.

¹¹⁹ Interview with Arlington Economic Development and Clarendon Alliance staff. Review of the Ballston Business Improvement District Strategic Plan FY 2012-2014.

¹²⁰ Interview with Arlington Economic Development staff.

Through the Rosslyn BID, the County has experience growing organizations into BIDs. Initially organizations begin as civic organizations funded in part by county funds. When an area, like Rosslyn, is ready to grow its service base and establish a brand, the county works with the organization to establish a BID. In the Rosslyn example, the BID and the Rosslyn Renaissance group coexisted until the BID was successfully up and running, then the Renaissance group was folded into the BID. The two organizations shared staff and program goals, but funding and oversight were separate and distinct.¹²¹

Governance Structure

The board of directors' structure is determined by the individual partnerships and BIDs. Individual descriptions of the governing boards are provided for the Clarendon Alliance and the Ballston BID.

Funding and Revenue

Funding varies based on the type of organization. In a BID, a large portion of the operating budget is dependent on the property assessment. Arlington County's tax priorities guide the rate and ensures that all BIDs pay the same rate of \$0.045 per \$100 of assessed value for each non-residential commercial property. A BID may also accept voluntary contributions from tax-exempt properties in support of BID programming.¹²² If BID boundaries are expanded, the BID adjusts its rate for the number of new properties. This provides a funding cap and allows for a rate decrease so all parcels receive a benefit.¹²³

Partnership Organizations receive two grants from the County, but are permitted to charge fees to members. The county provides \$45,000 in core funding each fiscal year plus an additional \$20,000 matching grant is available. The request for core funding must be made each year and include the organizations goals, objectives, budget, and work plan. Yearly audits are also required.¹²⁴

Performance Evaluation

Performance metrics are utilized by both BID and Partnership Organizations for the completion of the annual work plan and budget submittal to the Arlington County Board.¹²⁵ Metrics are also provide district constituents with a status update on the success of the BID's mission, programming, and overall effect on the district as a whole.¹²⁶

Example of Arlington BIDs in Operation

On the following page, key aspects of the Ballston BID and Clarendon Alliance are detailed.

¹²¹ Ibid.

¹²² Ibid. See also Ballston Business Improvement District Strategic Plan FY 2012-2014 p. 12.

¹²³ Ibid.

¹²⁴ Public-Private Partnership Agreement between Arlington County Board and the Clarendon Alliance (2002).

¹²⁵ Ibid. See also Ballston Business Improvement District Strategic Plan FY 2012-2014 p. 2.

¹²⁶ Ballston Business Improvement District Strategic Plan FY 2012-2014 p. 2

Ballston BID – Arlington

Services

The Ballston BID’s mission is to enhance Ballston as a vibrant, innovative, and attractive urban space. Being a relatively new BID, the organization has focused its efforts on branding, marketing, and physical and beautification enhancements. This includes a “LaunchPad Challenge” to provide commercial space for entrepreneurs, provide public art and to hold special events.¹²⁷

Governance Structure

The BID is governed by a Board of Directors (21 members). Members are elected by commercial property owners and tenants who represent the economic constituencies of the district. Two Board Members are appointed by and represent Arlington County. The Board establishes committees and hires staff to oversee the day to day operations of the BID.¹²⁸

Funding and Budget Allocation

As previously discussed, the BID receives a fixed assessment rate of \$0.045 per \$100 of assessed commercial property within the district. In 2013, the operating revenue totaled \$1.6 million, with 85% funded by assessments and the remaining from program fees. The largest portion of the operating expenses is devoted to marketing and promotion (45%). The BID spent 21% of operating expenditures on beautification projects and events. The remaining expenses were allocated to personnel costs, general administration, and county fees.¹²⁹

District Overview

The BID was founded in 2010 and encompasses a 25 block mixed-use neighborhood including 8,000 residential units and 8.3 million square feet of office space.

BID Highlights

1. Programming focus on marketing and branding.
2. Flat assessment rate.

¹²⁷ Ballston BID, Annual Report FY13, available at

http://www.ballstonbid.com/sites/default/files/file_uploads/2013%20Ballston%20BID%20Annual%20Report%20Final.pdf.

¹²⁸ Ballston Business Improvement District Strategic Plan FY 2012-2014, p. 2.

¹²⁹ Annual Report FY13.

Clarendon Alliance – Arlington

Services

The 2014 work plan includes establishing a community calendar, engaging in social networking, organize special events, and participating in a strategic planning process with Arlington County.¹³⁰

Governance Structure

The board of directors is composed of three classes of voting members:

1. Property owners/real estate developers/brokers/agents
2. Businesses and professional members, and
3. Civic association members.

Each group votes to select their own board members. Non-voting members include Arlington County government officials and independent citizens. Currently the board has 15 members – 12 voting members and three non-voting members. Additionally, the Alliance is staffed by one full-time member.

Assessment

The Alliance is funded by County grants, membership dues, fees, and sponsorships. Although County funds may fluctuate, the membership fee is determined by the Alliance. Dues are divided based on membership classes:

- Property Owners paid \$6,000 in FY15 dues. Fees are assessed based on size of property and whether member is a real estate broker or an active development project.
- Business and Professional members paid \$3,000 in dues based on the number of employees.
- Civic associations and individuals pay separate dues totaling \$800.

Budget Allocation

Total operating budget for FY15 is \$184,725. Arlington County funds \$80,000 or 43% of the budget in FY15. Event and programming expenses represent 42% of the FY15 operating budget and the remaining expenses were spent on administrative costs.¹³¹

District Overview

Established in 1985, this Partnership Organization is a joint effort between residents, businesses, landowners, and the Arlington County government to improve the vitality of the Clarendon Corridor.

Program Highlights

1. Membership open to residents and civic organizations.
2. Voluntary dues set by the Board of Directors.
3. Strong county oversight of budget and operations.

¹³⁰ Clarendon Alliance, FY15 Work Plan, available at <http://clarendon.org/about-the-clarendon-alliance/fy-2015-workplan>.

¹³¹ Clarendon Alliance, FY15 Budget, available at <https://clarendon.org/about-the-clarendon-alliance/ca-fy15-budget>.

Los Angeles, California

Mission and Purpose

State law permits the municipality to establish three different types of BID:

- **Property Based** - Assessments on real property.
- **Business Based** - Assessments paid by business owners.
- **Tourism Based** - Assessments on hospitality and tourism related businesses.

This section examines property based and business based improvement districts. Regardless of type, California BIDS are designed to provide the same services including: maintenance, security, marketing, special events, parking and transportation, economic development, tourism promotion, human services, and capital improvements.¹³²

Government Involvement

State statute and City policies outline Los Angeles’s oversight role. Key highlights include:

- Council must pass a motion directing the City Clerk’s office to work with the BID organizers on district planning.
- City may allocate or share startup costs with BID organizers.
- The City Clerk’s Office, Special Assessment Unit conducts an initial plan evaluation and technical review. The City Attorney’s Office reviews any legal questions.
- City Clerk’s Office recommends the establishment of the district to the City Council.
- The City contracts with the BID’s operating entity to administer and implement services and programs.
- The City levies the assessment on behalf of the BID community.
- The BID management association is obligated to provide the City financial reports on a yearly basis. The City may also independently review the financial condition of the BID.
- The City can terminate a BID based on misappropriation of funds, malfeasance, or violation in law by the management association.¹³³

City Program Overview

State law allows municipalities to establish improvement districts through the Property and Business Improvement District Law of 1994 (Cal Sts & Hy Code §§36600-36671). There are currently 40 in Los Angeles.

BID Program Highlights

1. State law permits property based and business based BIDs.
2. City Clerk’s Office provides oversight and assistance services for BIDs.
3. District opposition is afforded the right to be heard.
4. Fixed assessment rate across all Arlington BIDs.

Formation Process

Under the enabling statute, the process for forming BIDs differs between business based and property based improvement districts. These differences are noted through examining the City of Los Angeles’ three stage formation process. The following includes highlights from each stage.

¹³² California Downtown Association, “The ABCs of California BIDs,” p. 2, available at <http://www.subasalin.com/PDF/SUBABIA/The%20ABCs%20of%20CA%20BIDS.PDF>.

¹³³ § 36670. City of Los Angeles, “Citywide Business Improvement District Program: District Formation Activity guidelines, available at http://clerk.lacity.org/stellent/groups/departments/@clerk_bid_contributor/documents/contributor_web_content/lacityp_025626.pdf. City of Los Angeles, “The Citywide Business Improvement District Program Frequently Asked Questions (And Answers),” available at http://clerk.lacity.org/stellent/groups/departments/@clerk_bid_contributor/documents/contributor_web_content/lacityp_025636.pdf

| |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>Stage One: Formation</p> <ul style="list-style-type: none"> • The City Clerk’s office helps the organizers determine whether a BID is appropriate. • Start-up costs are funded entirely by the organizers, the city, or shared between the groups. • A consultant is generally hired by BID organizers to organize the community, construct the member database, define the assessment formula, recommend Advisory Board members, develop the management entity, and draft the district plan to be delivered to the City Clerk’s office. If a consultant is not hired, staff from the City Clerk’s office informally provide assistance. • Supporting petitions must be obtained that equal at least 15% of business owners or more than 50% of property owners. • The Special Assessment Unit in the Clerk’s Office conducts reviews the workplan, activities, budget, and assessment methodology. • The City Clerk’s office initiates the legislative process by approving the district plan package.¹³⁴ |
| <p>Stage Two: Establishment</p> <ul style="list-style-type: none"> • For Business Based BIDs the opposition is given a chance to be heard. The City ratifies the district by counting the opposing and supporting documents filed with the City. The district may be established if the protest level is less than 50%. • Property Based BIDs involve public hearings and written protest levels. However prior to counting any protests, the district organizers must collect petitions in support of district creation that are signed by a majority of property owners. • Under the California Constitution, the City Council is required to hold a public hearing on the assessment and count ballots against the proposed tax (for Property Based BIDs only). If opposition ballots outweigh support ballots the district is not created. This applies to both the formation and reestablishment process.¹³⁵ |
| <p>Stage Three: Administration</p> <ul style="list-style-type: none"> • City signs a contract with the operating entity for the provision of services. • Business based BIDs are reestablished on a yearly basis. Property based BIDs sign a one to five year contract.¹³⁶ |

Governance Structure

Under the state enabling statute, the BID is governed by the “owner’s association” or management authority. This group contracts with the City to provide programs and services. The group may be a new or existing nonprofit entity, but it is not to be considered a public entity and its board members or staff are not public officials.¹³⁷ The entity must adhere to state procedures for hearings and meetings.¹³⁸ The BID by-laws establish procedures for appointment and election of the board of directors and voting rights for BID members.

¹³⁴ Ibid.

¹³⁵ Ibid.

¹³⁶ Frequently Asked Questions.

¹³⁷ § 36614.5

¹³⁸ Ralph M. Brown Act, ch. 9 § 54950 and the California Public Records Act, Ch. 3.5 § 6250.

Funding and Revenue

Assessment options vary based on whether the BID is property based or business based. Assessments levied in a property based BID distribute the costs and benefits equitably to all properties. The assessment structure is dependent on the services delivered and usually calculated based on building/lot square footage or street frontage. For example, direct costs of maintenance services are often allocated to street frontages since the property directly benefits from cleaned sidewalks. In comparison, district-wide marketing efforts can be applied throughout the BID because each property will benefit regardless of location.¹³⁹

State law also grants the City the ability to permit benefit zones within a district. One unified BID can have multiple benefit zones each paying a different level of assessment based on services received.¹⁴⁰ In Los Angeles, property based BIDs predominately fund maintenance, security, and marketing programs and use assessment variables such as front footage or square footage to determine rates.

In a business based BID, the fee must show a relationship between the amount paid and the benefit received by each business. Business based BIDs primarily support marketing and public relations efforts. The assessment is usually a flat rate which is scaled up or down depending on business location. Traditionally, the fee formula for business based BIDs is based on three criteria:

1. **Business Type.** Service businesses, professional offices, and financial business benefit less from a BID than retail and restaurants and are charged a lower fee.
2. **Business Location.** Benefits are typically directed at the district center with commercial events. The further away a business is from the business center the smaller the benefits received and receive a reduced fee.
3. **Business Size.** This criteria is used more with emerging BIDs. Smaller businesses may face inequalities if larger businesses in the same zone are not charged more.

Performance Evaluation

Each fiscal year the BID management authority issues an annual report. The annual report includes possible boundary or assessment changes, activities for next year, cost of services, assessment method, preceding year's budget surplus or deficit, and outside financial contributions. This report is reviewed by City Clerk's Office. The City may approve the report or modify any section.

For business based BIDs, the City Council reviews the BIDs annual report and public comments for changes to the district's programs and activities. If a majority does not protest, the City Council, subject to the Mayor's approval, may authorize the following year's assessments and continued operation of the BID.¹⁴¹ Property Based BIDs are authorized for a period of one to five years at the conclusion of which they go through a renewal process similar to the original formation process. If a majority protest does not occur, the City Council, subject to approval by the Mayor, may authorize the reestablishment of the district and levy the assessment.¹⁴²

¹³⁹ ABC of California BIDs, p.8

¹⁴⁰ § 36628.

¹⁴¹ Frequently Asked Questions.

¹⁴² Ibid.

Chatsworth BID – Los Angeles

Services

Programming focuses on stakeholder communication, security/business watch patrols, and street and landscape maintenance.¹⁴³

Governance Structure

Bylaws outline selection of district delegates and election of the board. The Board has between nine and 17 members.

- **Assessed Business Delegate.** Businesses that pay BID assessments.
- **Non-assessed Business Delegate.** Exempt properties are able to appoint a representative for election.
- **Associate Support Status.** People, associations, and government agencies who support the BID.¹⁴⁴

Assessment

The following table outlines the fee structure based on the type of business conducted.¹⁴⁵

| Business Category | Examples of Businesses | Annual Flat Fee Assessment |
|-----------------------------------------------|------------------------------------------------------------------|----------------------------|
| Major financial, utility, and tourism related | Banks, Theaters, Hotels with 100+ rooms | \$1,200 |
| Major Retail | Businesses grossing over \$100,000 per year | \$720 |
| Retail Oriented | Business grossing less than \$999,999 per year | \$360 |
| Services | Barbers, auto repair retail stores, pharmacies, furniture stores | \$240 |
| Professionals | Child care centers, attorneys; dance studios | \$180 |
| Manufacturer, Wholesale, non-profits | Self-storage, towing | \$120 |
| Automotive services | Body shops, mechanics | \$240 |

District Overview

Formed in 1999, the BID is located in the San Fernando Valley along the main commercial corridor and provides services to small businesses and shops.

BID Highlights

1. Business Based BID
2. Exempt and non-exempt properties participate in election of the Board
3. Assessments are a flat fee.

Budget Allocation

Total estimated revenue for FY14 is \$135,480 with 77% from assessments. The security/business watch program accounts for 41% of operating expenses in FY14, followed by administration (22%); streetscape/landscape maintenance (21%); new projects (11%); and communications (5%).¹⁴⁶

¹⁴³ Rana Ghadban, BID Administrator, "Chatsworth Business Improvement District 2014/2015 Annual Report, available at http://clerk.lacity.org/stellent/groups/Departments/@CLERK_BID_Contributor/documents/Contributor_Web_Content/LACITYP_026761.pdf.

¹⁴⁴ Chatsworth BID, "Articles of Incorporation" available at http://chatsworthbid.com/images/pdf/CBID_Article_and_Bylaws.pdf.

¹⁴⁵ Annual Report p. 7-8

¹⁴⁶ Ibid at p. 6.

Yerba Buena CBD – San Francisco

Mission and Purpose

Due to the mixed use nature of San Francisco neighborhoods, the City uses Community Benefit Districts.¹⁴⁷ The Yerba Buena CBD focuses on safety and security, cleaning and maintenance, marketing and branding, streetscape improvements, and economic vitality.¹⁴⁸

Augmentation of State Law

City Code authorizes the Board of Supervisors to conduct the following activities and oversight functions.

- Approve a reduced percentage of petitions required to form a district. The current requirement is owners who pay at least 30% of the assessments.
- Allow a district to assess residential properties.
- Extend the renewal term to 15 years or a maximum of 40 if bonds are financed.
- Allow the district to recover formation costs through assessments.
- De-establish a district through a supermajority vote of the district supervisors (8 or more).
- Require a weighted 2/3 vote of business owners to be assessed. Votes are weighted by the assessment calculation.
- Requires the Clerk of the Board of Supervisors to notify business owners in English, Cantonese, and Spanish when a petition for the district is received.
- Set minimal levels of representation of a business owner on the governing board. Only 20% of board representatives may be business owners located in the district who do not own or have ownership in commercial property in the district.¹⁴⁹

Formation Process

Similar to Los Angeles, the CBD organizers develop the district plan and establish the nonprofit corporation to operate the CBD. The plan is approved by the Board of Supervisors and a weighted vote of property and business owners. Once the petition is submitted to the city, the Board holds a public hearing and adopts a Resolution of Intent to establish a CBD. Then the Board of Elections mails out assessment ballots to all properties or business to be assessed in the CBD. After a public hearing, the City may form the district if supported by weighted majority (based on assessments).¹⁵⁰

City Program Overview

City enabling statute builds upon state law. (Art. 15 Business Improvement Districts Procedure Code §§1510-1515). There are 11 Community Benefit Districts in the City. The Yerba Buena CBD formed in 2008 and represents over 1,500 properties.

BID Highlights

1. All property is deemed to benefit from the District.
2. Non-commercial properties are guaranteed seats on the Board.
3. Divided into five benefit zones.
4. Residential and government property is assessed.
5. Renewal term is 15 years.

¹⁴⁷ Community Benefit District Case Studies, available at <http://www.sf-planning.org/Modules/ShowDocument.aspx?documentid=1684>.

¹⁴⁸ Office of Economic and Workforce Development, "Yerba Buena," available at <http://www.oewd.org/index.aspx?page=97>.

¹⁴⁹ §§ 1510-1515.

¹⁵⁰ Community Benefit District Case Studies, pp. 1-2.

Governance Structure

The Yerba Buena CBD's Board of Directors includes of a maximum of 28 members who serve a three year term. The board is comprised of at-large community members, community organizations, government or educational institutions, non-profit arts organizations, residents, and commercial owners. Up to 40% of the Board is comprised of members who do not own property in the district.¹⁵¹

Funding and Revenue

All properties are deemed to receive a benefit from the creation of a CBD. Affordable housing units, private parking areas, non-profit social service office space, and places of worship are excluded from the square footage calculation. Yerba Buena CBD is divided into five benefit zones. Each zone is based on use of property, benefit needed, and intensity of use in the public right of way. Benefit Zone One is heavily commercial and requires the most amount of services, with the level of service provision decreasing through the remaining zones.¹⁵² The table below details the assessment rate.¹⁵³

| | Building Square Footage | | | Linear Front Footage |
|-------------------|-------------------------|---------|-------------------|---------------------------|
| | Commercial | Condo | Other Residential | |
| Zone One | \$0.076 | \$0.215 | \$0.076 | \$15.30 (excludes Condo) |
| Zone Two | \$0.045 | \$0.215 | \$0.045 | \$10.30 (excludes condos) |
| Zone Three | \$0.022 | \$0.215 | \$.022 | \$5.20 (excludes condos) |
| Zone Four | -- | -- | -- | \$38.40 |
| Zone Five | -- | -- | -- | \$10.30 |

The assessment formula is (Building Square Footage x the rate) + (linear front footage x rate) equals total payment per property. Assessments may increase from year to year but may not exceed a 5% annual growth rate when compared to the consumer price index. Increases must be requested in the annual report to the Board of Supervisors.¹⁵⁴

Budget Allocation

BID organizers first determine the level of service to be provided in each zone, as exemplified below.

| CBD Services | Regular Sidewalk and Gutter Sweeping (number of times/day) | | | | |
|------------------------|------------------------------------------------------------|--------|--------|--------|-------------------|
| | Zone 1 | Zone 2 | Zone 3 | Zone 4 | Zone 5 |
| Commercial/Residential | 3 | 2 | 1-2 | 3 | 2 (frontage only) |
| Residential: Condo | 4 | 3 | 2-3 | -- | 3 |

Once the service level is determined, the cost associated with providing that service is calculated and the budget is capped. In 2008-09 the maximum assessment was \$2.4 million growing to over \$3 million in 2014-15. Ninety-five percent of BID funding comes from assessments. Remaining revenue is derived from grants, donations, and in-kind contributions. Sidewalk operations comprise 64% of the budget, followed by administrative costs (12%), streetscapes and marketing (11%), and contingency reserves (7%).¹⁵⁵

¹⁵¹ Yerba Buena, Community Benefits District Management District Plan" (2008), available at <http://www.oewd.org/modules/showdocument.aspx?documentid=168>.

¹⁵² Ibid 4.1.

¹⁵³ Ibid p. 4.1-4.51

¹⁵⁴ Community Benefits District Management District Plan, p. 4.51.

¹⁵⁵ Yerba Buena CBD, 2013-2014 Annual Report, available at <http://www.ybcdb.org/files/2011/08/YBCBD-Annual-Report-FY14.pdf>.

SSA#1 Chicago Loop Alliance

Mission and Purpose

Illinois law provides that a Special Service Area (SSA) must be a contiguous area in which special governmental services are provided above and beyond general municipal services, and are paid for by revenues collected from taxes levied on property within that area.¹⁵⁶ The State Street area grew from a merchant association to a pedestrian mall and finally into an SSA. Services grew with the change in identity and today include a clean team, street ambassadors, landscaping, infrastructure and management, and destination marketing. The Chicago Loop Alliance enhanced the scope of services by providing economic development programs, placemaking, and advocacy.¹⁵⁷

Government Involvement

Building on the minimum legal requirements for establishing a SSA, the City of Chicago adopted its own step by step process. This process provides a concrete oversight role for the City and the City Council, as described below:¹⁵⁸

- Department of Planning and Development Staff are assigned to the sponsoring agency to assist with guiding the SSA through the designation process.
- Prior to legislative authorization, the City will support or deny an SSA based on a feasibility analysis and sponsoring agency interview.
- The City assists with determining baseline data and metrics to track the SSA's impact.
- The City has final authority to approve or reject the SSA application.
- SSA Commissioners are appointed by the Mayor and approved by the City Council. Commissioners are charged with financial management over the district. They prepare the budget, identify the management contractor, and supervise service provision.
- Cook County makes the final determination on the tax rate.¹⁵⁹

Formation Process

The formation process begins with local property owners and a community organization (sponsoring organization). The entire process takes about 24 months to complete and consists of three phases: planning, outreach, and legislative/orientation (See the Department of Planning and Develop Designation Process on page 78). There are several distinctions in the City's formation process that are worth noting.

City Program Overview

In 1994 the Illinois General Assembly passed a broad enabling legislation permitting municipalities to form Special Service Areas (35 ILCS 200/27-5). There are currently 53 active Special Service Areas in Chicago with annual budgets ranging from \$15,000 to over \$2 million.

State Street SSA formed in 1997. The Chicago Loop Alliance has contracted to provide services to the SSA. The SSA encompasses 18 blocks, while the entire area served by the Chicago Loop Alliance is 80 blocks and contains over 250 businesses.

BID Highlights

1. Applies only to commercial property owners and tenants.
2. SSA Commissioners are appointed by the Mayor.
3. Strong government oversight over budget and assessment rate.
4. Cap on SSA assessments allocated for administrative costs.
5. Placemaking is a strong program initiative.

¹⁵⁶ 35 ILCS 200/27 (2014).

¹⁵⁷ Chicago Loop Alliance website see <http://loopchicago.com>

¹⁵⁸ City of Chicago, Office of Inspector General, "Recommendations for Improving the SSA Establishment Process," June 2012, p. 3.

¹⁵⁹ City of Chicago Department of Planning and Development, "2016 Designation Steps for New and Renewing Special Service Areas (SSAs), October 2014, pp. 1-11. Also Interview with Chicago Loop Alliance Staff.

City of Chicago's Formation Process Distinctions by Phase

| Phase | Important Features |
|-----------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Planning Phase | <ul style="list-style-type: none"> • A feasibility study considers the suitability of an area for an SSA by analyzing the district's boundaries, land characteristics, and qualifications of the BID organizers. • Consultants can be used to complete the designation process. • Performance Metrics are determined as part of the application process. |
| Outreach Phase | <ul style="list-style-type: none"> • Local support for the district is required. The BID organizers SSA Advisory Committee are required to collect support signatures of <u>at least 20%</u> of taxpayers responsible for paying the BID tax within the SSA's boundaries. • Potential SSA Commissioners are recruited by the Sponsor Agency, SSA Advisory Committee, and aldermen. |
| Legislative/ Orientation Phase | To terminate SSA creation (prior to a Council vote), 51% of electors residing in the SSA and 51% of the land owners must submit a petition of opposition within 60 days of the hearing (35 ILCS 200/27-55). |

Governance Structure

Under the presumption that SSA taxes are public funds, the governance structure establishes strong control over the SSA budget. This control rests with the SSA Commissioners who are appointed by the Mayor with Aldermanic support. The Commission is represented by both private and public parties. The Commissioners recommend a SSA service provider (Chicago Loop Alliance) to the City and a contract length. A contract is then entered into between the service provider, SSA commission, and the city.¹⁶⁰ To avoid conflicts of interests, SSA commissioners cannot be an active board member of the service provider.¹⁶¹ The service provider is managed by a separate board of directors and can hire staff.

The Board of Directors of the Chicago Loop Alliance are nominated by district members who in turn nominate an executive committee. Nominations are held at the annual meeting. Currently there are over 40 board members for the Chicago Loop Alliance. The Alliance is managed by 7 staff members.¹⁶²

Funding and Revenue

Assessments are levied based on equalized assessed value of the district properties subject to the tax. Although the tax rate can fluctuate depending on property values, the rate cannot exceed the tax rate cap set during SSA creation.¹⁶³ Using equalized assessed value can create unequal assessment payments. For example in one SSA, tall modern skyscrapers can pay upwards of \$350,000 per year compared to smaller historic buildings may pay as little as \$22,000.¹⁶⁴

¹⁶⁰ SSA #1 Service Agreement with the Chicago Loop Alliance, available at <http://www.cityofchicago.org/content/dam/city/depts/dcd/ssa/SSA1SPA2012.pdf>.

¹⁶¹ "2016 Designation Steps" p. 5.

¹⁶² Ibid.

¹⁶³ Office of the Inspector General, "Special Service Areas Description," May 2011, available at <http://chicagoinspectorgeneral.org/uncategorized/special-services-areas-description/>.

¹⁶⁴ Interview with Chicago Loop Alliance Staff.

The City places a 20% cap on administrative costs being funded from SSA assessments.¹⁶⁵ Funds raised by the assessment may only be used for activities within the designated SSA boundaries. However, the SSA service provider may contract to provide services outside the district. To fund these additional activities, service providers can leverage funding from membership dues, sponsorships, event income, and service contracts.¹⁶⁶

The City collects the SSA assessment and redistributes it to the State Street Commission SSA. The Chicago Loop Alliance is hired by the Commission to provide services. The incremental rate in 2011 was set at 0.3840% with a cap of 0.4050%.¹⁶⁷ The SSA annually requests a tax levy (expressed in dollars) which is submitted to and approved by the City Council. The Count Clerk then determines the tax rate by factoring the requested levy against the district properties equalized assess value.¹⁶⁸

The State Street SSA is funded entirely by the property assessment, and the funding is used for programs and to hire the Chicago Loop Alliance. In FY13, the total revenue received by the Chicago Loop Alliance from SSA Funding is \$2,288,600 (89% of total revenue). Remaining revenue sources include membership dues, sponsorships, and contracts. SSA assessment also fund the Chicago Loop Alliance Foundation to promote artistic, cultural, and public events in the area. Public way aesthetics and public way maintenance comprise 47% of the operating budget for the Alliance. Remaining revenue is spent on administrative costs, advertising, safety programs, district planning, and networking events.¹⁶⁹

Performance Evaluation

Performance metrics are determined by the City, the SSA Advisory Committee, and the BID organizers during the first phase of the formation process. At a minimum, the City requires metrics to analyze three performance categories:

- **Business Profitability and Enhanced Property Values:** number of new business licenses, property tax evaluation, retail performance, etc.
- **Cleanliness and Maintenance:** total bags of trash removed, number of incidents of graffiti removal, number of maintenance calls to 311, etc.
- **Safety:** number of crimes reported, number of vacant lots, etc.¹⁷⁰

Performance metrics are published in the service provider's annual reports, used in developing the service based budget, and are part of the service contract renewal process.¹⁷¹

¹⁶⁵ Office of Inspector General, "2011 SSA Tax Rate Info" available at <http://chicagoinspectorgeneral.org/publications-and-press/public-reports/special-service-areas-2011-budgets-2/>.

¹⁶⁶ Ibid.

¹⁶⁷ 2011 SSA#1 State Street Budget, available at <http://chicagoinspectorgeneral.org/publications-and-press/public-reports/special-service-areas-2011-budgets-2>.

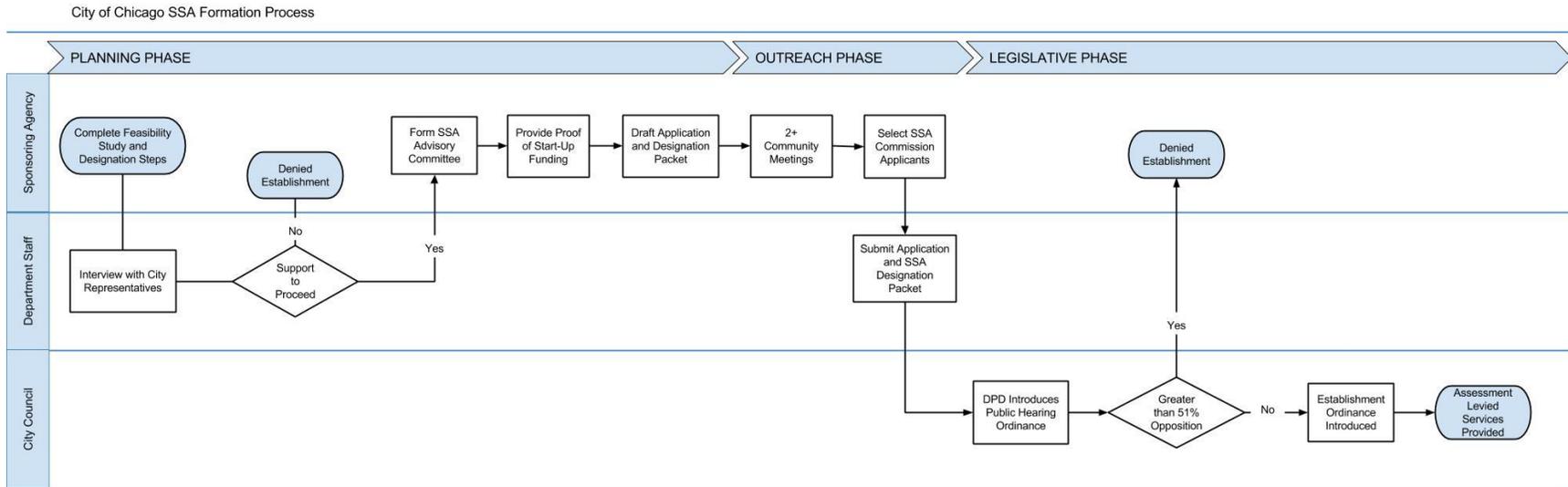
¹⁶⁸ "Recommendations for Improving the SSA Establishment Process," p. 4.

¹⁶⁹ Chicago Loop Alliance, "2013 Annual Report", p. 12, available at http://loopchicago.com/_files/docs/ar_2013_final_lowres.pdf.

¹⁷⁰ "2016 Designation Steps", p. 3.

¹⁷¹ Annual Report 2013.

City of Chicago Special Service Area Formation Process



Developed based on the City of Chicago Department of Planning and Development, "2016 Designation Steps for New and Renewing Special Service Areas (SSAs), October 2014, pp. 1-11 and Interview with Chicago Loop Alliance Staff.

Downtown Boston BID

Mission and Purpose

Massachusetts defines a business improvement district as “a special district in which property owners vote to initiate, manage, and finance supplemental services above and beyond baseline services already provided by the local city or town government.”¹⁷² The district must be a contiguous geographic area in which at least 75% of the land is used for commercial, retail, industrial, or mixed use.¹⁷³ The Downtown Boston BID offers diverse programming including clean and hospitality ambassadors, walking escort program, events, capital improvements, streetscapes and beautification, public art, marketing and promotion, social service assistance, and BID news.¹⁷⁴

Government Involvement

The municipality must formally approve a petition, initiated by district supporters, to establish a BID. Beyond the initial approval process, the municipality permits the BID to run as an independent organization.

Key highlights include:

- Prior to the public hearing, the City Clerk and Department of Housing and Community Development evaluate the BID petition to determine if the legal requirements were met.
- Ultimate decision to approve a petition rests with the municipality.
- Termination of a BID must be by a formal petition and approved by the municipality.
- The municipality may establish rules and regulations governing the BID board of directors.
- Municipalities can exempt certain properties from the BID tax. These include owner-occupied residential, agricultural, or tax exempt properties.
- Fees are collected by the city tax collector-treasurer, and an annual audit is required.
- The municipality must approve any changes to the BID plan including provision of additional services, incurrence of debt, fee structure, managing entity, or governing body.¹⁷⁵

District Overview

In 1994 Massachusetts passed enabling legislations granting authority to municipalities to establish business improvement districts (Mass. Gen. Law ch. 400). Established in 2010, as the first BID in Boston, the district provides services to a 34 block area and over 500 businesses.

BID Highlights

1. Only commercial properties and tenants are members.
2. Strong marketing plan to engage stakeholders on why a BID was needed.
3. Secured well-respected advertising firm to work pro bono to help the BID develop its message.
4. Renewal is based on a majority vote of BID members in good standing.

¹⁷² Massachusetts Downtown Initiative, Department of Housing and Community Development, “Smart Growth/ Smart Energy Toolkit: Business Improvement Districts,” available at http://www.mass.gov/envir/smart_growth_toolkit/pages/mod-bid.html.

¹⁷³ Mass. Gen. Law ch. 400 § 1.

¹⁷⁴ Downtown Boston BID, <http://www.downtownboston.org/home/bid-programs-and-impact/>

¹⁷⁵ §§ 3-10.

Formation Process

The formation process is driven the private sector and takes up to two years to complete. It is recommended that BID organizers complete a feasibility analysis to determine if a BID will succeed. This analysis involves a needs assessment survey, a district plan, and a database of property owners and tenants. Following a planning period, BID organizers conduct local outreach activities and write the BID Improvement Plan. The Plan must delineate geographic boundaries, outline an operations plan and budget, define a fee structure, describe BID management, and include memorandum of understanding with the municipality.¹⁷⁶

The improvement plan, along with a demonstration of public support, are forwarded along with the petition to the municipality. The petition must be signed by at least 60% of the property owners representing at least 51% of the assessed value of all properties in the proposed BID.¹⁷⁷ The petition is reviewed by the municipal clerk and the Department of Housing and Community Development. The governing body holds a public hearing on the petition, and makes a formal declaration whether or not to recognize the BID and its management entity within 45 days.¹⁷⁸

Governance Structure

A BID is managed by a board of directors, who may also act as the BID management entity if a separate entity is not hired. The state enabling statute does not require specific board composition, although members should be representative of the community and may include government officials in a non-voting capacity. The board is elected by a majority vote of district electors.¹⁷⁹

The BID is governed by a board of directors which sets overall policies and goals and a CEO who manages the day to day BID operations. The BID also has a neighborhood advisory committee. The board of directors considers non-profit and resident opinion equally with businesses. The formation process allows for the board of directors to play a large role in the planning process, which BID staff note, helps ensure all stakeholders feel engaged and involved.¹⁸⁰

Funding and Revenue

Budgets, assessment formulas, and rates are defined by BID members. The governing body approves the fee structure during the petition process, but deference is given to the BID members' decision. By law the fee formula may be based on a combination of:

- different levels for different classes of property;
- benefit zones;
- assessed valuation;
- square footage;
- street frontage; or
- any other formula that meets the objectives of the BID.¹⁸¹

¹⁷⁶ Margaret Keaveny, "A Guidebook of Massachusetts' Public Financing Programs for Infrastructure Investment," Northeastern University, pp. 13-14.

¹⁷⁷ Ibid.

¹⁷⁸ "Smart Growth/ Smart Energy Toolkit: Business Improvement District.,"

¹⁷⁹ Ibid. See also § 5.

¹⁸⁰ Interview with Downtown Boston BID staff.

¹⁸¹ § 7.

The BID fee cannot exceed one-half of one percent (.005) of the total participating members' assessed property value. For example, for every \$5 million in assessed valuation of participating members' property, the BID can generate a maximum of \$25,000. Organizers can cap or limit the maximum annual fee derived from individual properties or the total annual revenue generated.¹⁸²

The Downtown Boston BID rate is based on assessed value. For properties assessed at less than \$70 million, the fee is \$1.10 per \$1,000 of assessed value. For properties assessed at a higher value the rate is \$1.10 per \$1,000 of assessed value up to \$70 million, then \$0.50 per \$1,000 of assessed value over \$70 million.

Yearly budgets are developed by the CEO and Board of Directors. According to the BID's 2011 Annual Report, total revenue was \$3,035,653, with 88% from BID assessments. Administration and overhead expenses accounted for 18% of the BIDs operating expenditures. Funding devoted to the Cleaning and Hospitality program amounted to 51% of the budget, while the other BID programming accounted for the remaining thirty percent of expenditures.¹⁸³

Performance Evaluation

Performance metrics are determined by the BID organization and are used for annual status reports and the renewal process. Massachusetts' BIDs operate for five years. The BID board of directors holds a renewal meeting, where members can vote to update the Improvement Plan and consider whether to continue the BID. The BID continues by a majority vote cast by members in good standing with BID tax payments. If the members elect to dissolve the BID, they provide the governing body with notice of the discontinuation vote and the municipality terminates the BID.¹⁸⁴

The Downtown Boston BID uses performance metrics such as pedestrian counts, vacancy rates, and number of new residents to the area. The BID provides regular status reports and surveys to evaluate how the district is doing in terms of investments and new development.¹⁸⁵

¹⁸² "Smart Growth/ Smart Energy Toolkit: Business Improvement District.,"

¹⁸³ Downtown Boston BID, "2011-2012 Annual Report"

¹⁸⁴ § 4.

¹⁸⁵ Interview with Downtown Boston BID staff.