

# Property & Business Improvement Districts

## FREQUENTLY ASKED QUESTIONS AND ANSWERS

1. Who invented the Business Improvement District ("BID") concept?
2. What is a Business Improvement District?
3. What are area-specific programs?
4. What is the City's role in providing these improvements?
5. What are the differences between a Merchant Based and Property Based BID?
6. What are some of the formulas used for BID assessments?
7. What if a BID is formed and does not live up to members expectations?
8. How are the BID improvements decided upon?
9. How does the City benefit from the BID program?
10. How can I get involved in forming a BID in my area?
11. Why should I agree to assess myself?
12. Isn't this just another tax?

### 1. WHO INVENTED THE BUSINESS IMPROVEMENT DISTRICT ("BID") CONCEPT?

In a very real sense, the BID was "invented" by business communities themselves. The concept of special assessment districts dates to the Roman empire. However, the idea of paying for special benefits as a form of local economic development in California is generally based on a state statute known as "The Parking and Business Improvement Area Law of 1965." This statute expanded on earlier assessment legislation designed to provide for public improvements such as street lights and provided the framework for later models. Also in 1965, the first version of the contemporary BID emerged in Canada. The Bloor West Village Business Improvement Area in downtown Toronto became a model for economic stimulation and was copied in various forms by hundreds of communities, including many in New York City.

Currently in California the establishment of business improvement districts is authorized by two state laws: one which allows for the creation of merchant based special assessment districts and one which allows for property based districts. In both cases, a majority of business owners of commercial property owners in a given area decide to acquire special benefits and to pay for those benefits themselves. In this way, individual communities are able to have a direct voice regarding the economic activity in their area and can exercise considerable control.

2. WHAT IS A BUSINESS IMPROVEMENT DISTRICT?

A business improvement district is a geographically defined area in which services, activities and programs are paid for through a special assessment which is charged to all members within the district in order to equitably distribute the benefits received and the costs incurred to provide the agreed-upon services, activities and programs. The assessment money is collected by the City or by the County through a special contractual arrangement with the city. Because the assessment funds collected in a given district cannot legally be spent outside of that BID, the City creates a trust fund for each BID, with funds periodically released to support operations.

3. WHAT ARE AREA-SPECIFIC PROGRAMS?

In a Business Improvement District, a special assessment pays for programs and services which are tailored to the area defined by the BID by representatives of the BID. A variety of activities and improvements are authorized for BIDs and defined by state law. Collectively, these services, activities and programs are referred to as "improvements." For example, BIDs may collectively decide to fund a concerted marketing or promotional effort to attract, develop and retain both new and existing businesses, as well as to encourage tourism or increase an established customer base. Such "area-specific programs" have a variety of uses. For example, a single business or property owner may not possess the capital required to effectively promote the business or commercial property. However, the financial leverage obtained from the collective assessment revenue of dozens, or hundreds, of business or property owners can provide for marketing campaign capable of producing significant results.

4. WHAT IS THE CITY'S ROLE IN PROVIDING THESE IMPROVEMENTS?

The City's primary role is to exercise its municipal authority to levy the assessment on behalf of the BID community. By having the City assess all affected parties, the BID receives funds from everyone receiving the improvements. Persons or entities who would otherwise refuse to participate, thus burdening the remaining BID members, do participate. Similarly, the city's BID billing process minimizes the number of members in the district who receive benefits without paying for them. It is required that a nonprofit corporation be designated as the agent responsible for procuring the BID improvements.

The nonprofit corporation ("service provider") is then contractually obligated to provide to the City financial reports which disclose financial activity associated with use of the assessment funds. The City is also authorized to audit or otherwise review the financial condition of the BID. In this way the City assists the BID membership with oversight and review, so that the special assessment is used according to the intentions of the business community.

5. WHAT ARE THE DIFFERENCES BETWEEN A MERCHANT BASED AND A PROPERTY BASED BID?

The three main differences are: (1) the type of assessable parties, (2) the forms of required ratification, and (3) the lifespan of the districts.

- (1) **ASSESSABLE PARTIES.** Merchant based BIDs allow improvement assessments to be charged to business owners, defined as engaged in any type of business. Property based BIDs allow assessments to be levied upon property owners, defined as any person shown as the owner of the land on the last equalized assessment roll or otherwise known to be the owner of the land by the City Council.
- (2) **RATIFICATION.** Both types of business improvement district require a ratification procedure to be completed; however, the procedure to calculate the support level differs between the two BID types.

Merchant based BIDs are established through a process which involves public hearings before the City Council and the opportunity to protest against district establishment. Experience has demonstrated that greater community involvement with formation of the district results in less opposition to the project. Establishment ratification occurs by tabulating the opposing/protest documents filed with the City. The district may be established if protest level does not equal fifty percent of the assessment value. Merchant based BIDs must also be ratified or "reconfirmed" annually after each funded operating period in order to receive funds to continue operations. The City Council reviews the BID operations as described on the BID Annual Report and receives any suggestions, complaints, public comments or requests for changes to the district's activities. If a majority protest does not occur the City council, subject to approval by the Mayor, may then authorize the next year's assessment to be levied, thereby providing funding for the operation of the district.

Property based BIDs are also established through a process involving public hearings before the City Council and written protest levels are tabulated as well. However, prior to tabulating the value of any protests received and in order to establish a property based BID, the project's supporters must collect petitions which support district establishment and which have been signed by a majority of the affected property owners. Property based districts may be authorized by the City to operate for between one and five years after which time the "reconfirmation" process, which is similar to the original establishment process, must be completed. If "reconfirmed", the district may operate for up to ten years. If a majority protest does not occur the City Council, subject to approval by the Mayor, may authorize establishment of the district and the levy of the assessment. In addition, the California Constitution requires that the City conduct and certify results of an assessment ballot procedure prior to the establishment or the reconfirmation of any property based BID.

- (3) **DISTRICT LIFE.** Merchant based BIDs technically have a one year lifespan and property based BIDs operate over a ten year maximum lifespan.

6. WHAT ARE SOME OF THE FORMULAS USED FOR BID ASSESSMENTS?

There are several different formulas in use by various Districts. The most popular formulas are those which most clearly show a relationship between the amount paid and the benefits received; this is the "nexus" concept which forms the basis for BID establishment. Because the three most popular categories of property based BID-sponsored activities are maintenance, security and marketing programs, the assessment variables normally used are size/area of the property, linear or front footage of the property, and square footage of improvements to the property. The most popular type of program employed by merchant based BIDs is a combination of marketing and public relations efforts. Because of this, the most frequently used type of assessment is a flat rate, which can be scaled up or down depending on the proximity of the business to the focal point of the marketing efforts. Destination marketing has become an important function of those BIDs, which feature restaurants and local attractions as well as a strong retail or consumer business base. Therefore, the scaled flat rate is accepted as an equitable assessment variable. Other formulas, such as number of employees in a business, are being employed in some districts. An easily understandable methodology is best.

7. WHAT IF A BID IS FORMED AND DOES NOT LIVE UP TO MEMBERS EXPECTATIONS?

The state laws regarding both merchant and property based business improvement districts contain provisions for identifying the components of the BID including boundaries, improvements or activities provided, and other elements. In addition, both laws do allow for the disestablishment of the district under certain conditions. BIDs are not permanent institutions.

8. HOW ARE THE BID IMPROVEMENTS DECIDED UPON?

Generally, the programs to be provided by a BID are determined by the community and are selected based on community needs and desires. The process of determining community needs and desires typically involves the development of questionnaires which are mailed to all business or property owners in the proposed district. Focus groups and telephone surveys are also frequently used to determine community priorities. Based upon the ranked responses of the community, a picture begins to emerge which illustrates what the collective community desires.

Costs associated with delivering the most wanted improvements then form the bases for the eventual BID assessment amount. The process involves offering options and considering the affordability of program delivery to those who would pay the assessment; eventually a compromise is reached which, again through surveys, interviews, questionnaires and community feedback, satisfies the majority of the proposed members.

9. HOW DOES THE CITY BENEFIT FROM THE BID PROGRAM?

The City benefits from the pride and satisfaction which results from demonstrations of willingness by the diverse business communities throughout the City to assume an increased level of authority regarding the improvement of their own business "microclimates", as well as the responsibility for managing those improvements. In terms of the city's costs to administer the municipal issues and procedures which are a necessary part of the BID Program, the charge to the BID is minimal. The City recovers a portion of the salaries and other expenses directly related to the Program. The percentage of assessment revenue, which is recovered by the city usually ranges from one to three percent and is "capped" at a maximum of five percent. All other city costs are absorbed by the city, and all remaining revenue returns to the district.

10. HOW CAN I GET INVOLVED IN FORMING A BID IN MY AREA?

Discuss the idea of self-funded collective improvements with fellow business or property owners. Perhaps many of them will agree that the BID idea is worth considering, especially if you have common interests. Together, your group of concerned business interests becomes the "proponents group" which is a vital first step. Next, get involved with the establishment committee formed by the Inglewood Chamber of Commerce. Working together, your community leaders and elected officials can help to determine if the BID Program works for you.

11. WHY SHOULD I AGREE TO ASSESS MYSELF?

Reduced budgets and limited funding to support localized improvements in cities throughout California area reality. If you agree that your business community is capable of attracting more customers, of realizing additional lease revenues and reduced vacancies, or of capitalizing on your local entertainment and attractions, then you should consider exploring the BID program. Because of its flexibility, the BID concept has proven interesting to a very wide variety of business interests. A BID Program for your community could quite possibly mean Being In the Driver's seat.

12. ISN'T THIS JUST ANOTHER TAX?

No. Business improvements district assessments are not taxes. BID assessments are vehicles that convey a special benefit upon those who pay. While it is true that all affected parties in a given district must pay the assessment, it is important to remember that the BID was established through the consent of a majority of those involved. The city does not attempt to establish a BID where there is not a substantial amount of support from the community. Because the formation of a BID is primarily a community-driven project, the City serves as a facilitator in the process. The City is willing to help those communities who desire to help themselves. The term "public-private partnership" in this case is not a misnomer. Rather, it indicates the positive spirit of the program and the attitude of the City.