

Downtown Idea Exchange

Perspectives

Every five years, a fresh start

By Lawrence O. Houstoun Jr.

The number of Business Improvement Districts (BIDs) in North America with initial annual assessment budgets of less than \$250,000 is probably 500 or more. Many of these small BIDs, if not most, were formed less than 10 years ago and thus have either undergone a statutory renewal process, are soon to do so again, or will be doing so for the first time.

Some BID leaders believe that renewal will be easily achieved, mainly by dusting off the old ordinance and resubmitting it for local government approval, sometimes with a hope that the assessment rate can be increased. Many don't bother to test the waters with the local government, the assesseses, their tenants, or the consumers, and are surprised as well as displeased when the path to re-approval proves rough.

Compared with the multi-million-dollar BIDs, why do local people bother with such seemingly small amounts of revenue? First, \$200,000 times five years equals a lot of economic influence in a small district without another reli-

able, sustaining, non-categorical source of revenue. While most could usefully apply more funds, in context the possibilities are considerable. BIDs generally finance the first district marketing program ever. Many correctly see BID funding as an essential precondition for planning and applying capital grants. It is all but impossible to find a grant source for continuing district management.

The greatest hazard associated with the keep-our-heads-down approach is that it misses a price-less opportunity to learn of unsuspected potential opposition to renewal, not to mention missing fresh ideas regarding programs, budgets, service area, cost sharing, and BID management and governance that can come from those who are paying the bills.

Where does renewal opposition typically emerge? Opponents most often are those from the less valuable properties (who pay the least) and from properties at the edge of service areas. Despite their small value, they will receive considerable attention from the governing

body. Rarely do opponents complain about the annual charges; it is not exceptional for the bottom fifth of property values to pay fifty cents or less a day.

More likely complaints come from those who feel left out of the process, those who claim they don't know about board meetings, don't know board members, or have seen little of the BID director. Sometimes they claim that others get greater service benefits.

Recently, two opponents complained about what they saw as conflicts of interest where board members received contracts for BID work (and as it turned out the bylaws did not prohibit conflicts or the appearance thereof). If there is some form of security program, some will charge that the municipality should pay for these charges. The last place BID proponents want these questions raised is in the BID hearing before the municipal council.

How can this be avoided? Begin by assuming that selling a renewed BID will not be a slam-dunk. Surveying the constituents — including those who do not use the district's shops and services — is important, although sometimes costly. Ask: What do you like

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about the existing BID? What would you want in a new one?

Just two community meetings can enable participants to get BID perspectives not otherwise available, and BID planners to learn more about the downtown district's needs and opportunities than they could otherwise learn.

The reauthorization process should be led by a steering committee with broad representation of local commercial interests. The BID decision process needs to be well publicized; even the appearance of a secret process can derail approval. Municipal officials may not care much about how the board spends its money, but they are all experts on and concerned about democratic process.

Why take a fresh look at all the important elements? First, a considerable amount of change has doubtless occurred in the past five years. It is not exceptional for a

new, small BID to have had three or four directors in five years. Board members change. Owners and operators change.

Economic conditions are probably altered. Some BIDs began as desperate measures to save the district; today, they may be better focused on opportunities rather than problems. Perhaps it is time to change emphasis; allocating half the budget to sweeping sidewalks may not have produced the essential new businesses, not so much, say, as financial incentives for store upgrades are likely to.

Was the first budget prepared to overcome the cost of inflation? Does the standing ordinance penalize adequately assessment defaulters? Do the by-laws adequately guard against political manipulation? Do they assure that the board and staff members are oriented to for-profit enterprises, or have they produced a not-for-profit or a gov-

ernment philosophy or orientation? Would the BID function better under another state BID law? One state statute requires that an assessee vote every year, but there are other statutory options. For example, Pennsylvania and New Jersey BID laws offer a choice between government-run and not-for-profit-run BIDs. Should the state law be amended?

But the best reason to start fresh is to strengthen the BID constituency. As with the original BID, the more stakeholders who feel they have shaped the BID, the more people who will help sell it, hence community meetings and surveys.

Another good reason was given by a former Downtown Denver Partnership BID director. Reauthorization, he said, "keeps us on our toes."

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