

Downtown Idea Exchange

Perspectives

Face time is key to successful BID start-up

By Lawrence O. Houstoun Jr.

Although the legal approval process for business improvement districts (BIDs) varies among downtown jurisdictions, in all cases, proponents have created a business plan specifying properties or businesses benefited and charged a share of the operating costs. They then sold that plan to those who would share the costs, as well as to their municipal governing bodies.

While active BIDs are almost never abandoned, perhaps one in 10 attempts at starting a BID fails before it is launched. Little has been written about stillborn districts, although there are useful lessons to be learned. The non-statutory causes of pre-approval failure deserve greater attention, and may perhaps improve the success rate of the 50 or so districts planned each year.

Why do some BID start-ups fail?

Some believe that BID formation that begins with local governments is doomed. Experience shows, however, that public-sector origins can sometimes be successful. With

creation of effective private-sector steering committees, a number of downtown BIDs initiated by local governments have functioned well for a decade or more.

The factors that seem to make the greatest difference in success or failure in the pre-BID approval process are:

- Leadership of the steering committee and the commitment of the members.
- A pre-existing private sector organization that serves as both sponsor and secretariat;
- Understanding by the planning group of BID potential; and
- Face-to-face contacts by steering committee members with affected property owners.

Three examples, two from the U.S. and one from England, follow. Each failed in its first try, but two of the three downtowns eventually formed BIDs.

Example 1: Insufficient face time with remote owners

West Chester, PA (pop. 17,860), began BID planning with

a broadly representative committee led by the chief executive of a locally based insurance company. One other committee member had been a persistent advocate of BID potential to enliven this small business district. The pre-existing supporting organization was the local chamber of commerce. The municipal economic development staff person helped with secretariat support.

The BID selling campaign addressed both existing problems (shrinking retail sector) and future opportunities (the prospect of a new downtown county office building). The original proposal failure was tactical rather than policy-related. Although committee members agreed that face-to-face contacts with owners on the edge of the district were essential, few member contacts were made. The more remote owners could not see the benefits to their properties and voted against the BID plan, effectively vetoing it.

The pro-BID leadership and commitment were sufficiently strong that the BID plan was promptly reshaped just a few months later with a smaller service area and successfully sold on the second try.

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Example 2: Enabling opponents to distort costs and benefits

A BID proposal in Norristown, PA (pop. 31,280), started with the municipal planning office, the body that served as the secretariat and steering committee organizer. The decision process and the steering committee's awareness of BID potential relied more on a consultant than would normally be the case and the municipal government's support was limited by competing staff responsibilities and staff turnover. Nor was there a pre-existing private-sector supporting organization. Unusual problems arose in securing an accurate property owner list. The proposed BID plan gave priority to security issues, a major image problem that deterred customers and investors. The BID campaign emphasized the need to overcome this problem with closed circuit TV (CCTV), patrolling ambassadors and close cooperation with police. Gradually enthusiasm for and knowledge of BID potential increased.

The BID failed, however, when owners with long-standing grievances against the local government organized in opposition. Steering committee members neglected most of the necessary face-to-face selling, enabling the opponents to distort the BID's cost and benefits. The opponents' campaign produced more negative face-to-face contacts than contacts by pro-BID advocates. Defeated,

the pro-BID group did not attempt a second effort.

Example 3: Threat of outright failure can be best motivator

Even in large cities, English BIDs tend to be small compared with those in the U.S. The retail center of Liverpool, England (pop. 441,800), decades in decline, produced a strong steering committee and engaged a highly qualified professional to guide the decision process and serve as secretariat. Several members prepared for the decision process by spending more than a week studying BIDs in the U.S. The committee's initial selling strategy emphasized a favorable vision for the retail center, outlining the positive changes that the BID could produce. High-quality pro-BID literature was used, but face-to-face selling was not emphasized.

Another mistake was failing to see merchants were content with the status quo. Almost no shops were open after 5:30 and sidewalks were empty until after 8:00 p.m., when the notorious binge drinking attracted young people to the pubs and nightclubs. Voted down on the first try, the proposers switched strategy.

In place of the positive vision for the district — which wasn't sufficiently motivating — the group focused on potential further decline when a large (42-acre) adjacent mixed-use project opens in 2008. The project could potentially suck the remaining vitality from the old core area. That did it; fear turned the

tide. On the second try, the BID was approved and has functioned successfully. The outlook for the area is now aligned to the positive vision for an expanded commercial center, with both new and existing businesses benefiting from the increased trading opportunities.

Don't overreach; keep friends close and enemies closer

In these examples, the most costly (and irrecoverable) mistake in forming a BID was enabling opponents to control the public debate. When pressed with organized opposition, the best BID leaders negotiate and/or offer modifications to lessen opposition. What proved to be one of America's most effective small BIDs (Red Bank, NJ, pop. 11,840) was guilty of overreaching in the original BID plan. Opponents did not see themselves as part of the downtown. The BID service area was shrunk and the district plan approved. Similarly, Trenton, NJ (pop. 85,400), added to its board the leader of the opposition, a lawyer who later became the board's chairman.

Given a useful and workable plan, BID knowledge, commitment, flexibility, persistence and face-to-face selling are essential elements in BID approval — and essential values for any form of downtown leadership to succeed.

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