

Downtown Idea Exchange

Business Improvement Districts

Will the community benefit district out-BID the business improvement district?

With many downtowns increasingly becoming residential as well as commercial in nature, is it time for a new kind of improvement district to gain prominence? Should downtowns organize new improvement districts that expand the usual mission and services of the business improvement district

to improve the environment for downtown dwellers?

“The next phase for BIDs will be what I call community benefit districts,” says Marco Li Mandri, president of national business and urban neighborhood assessment district consulting firm New City America Inc. “I think that as resi-

dents move into an area, we need to respond to the residents being in that area. They have dogs; they are walkers and joggers. Community benefit districts in my mind will be the superior vehicle for providing the same services that business improvement districts have done in the past,” for what had hitherto been workaday commercial areas.

Will residents pony up for the services?

Residents of an improvement district typically benefit from the removal of graffiti, sweeping the sidewalks, systems that promote order in the sidewalks, beautification, special events, and traffic control. So why aren't they assessed commensurately?

“Residents don't like paying into something called a business improvement district. They don't like their money going in for business improvements,” Li Mandri says. Will residential property owners perceive value in return for their assessments, based on what they can charge for rent or sale of dwelling units inside a BID? Perhaps not enough to gain wide support, but they should be willing and expected to pay something extra for public realm services that improve their quality of life on a daily basis.

Next phase for BIDS: community benefit districts

- BIDs explained what they did; community benefit districts will do the same.
- Understand how new land uses will affect ability to generate revenues.
- Ordinances or legislation to allow for mixed-use assessments to fund supplemental services must precede urban residential land use changes.
- Must look beyond “curb to curb” city services.
- Special benefit districts will make urban neighborhoods more livable.
- Need for geographically based revenue systems.
- Public space development and management is key.
- Community benefit districts will need to look at a set of issues that BIDs never had to deal with.
- No rulebook exists. Look at the best models and bring them to your downtown.

Source: New City America Inc. presentation handout at “BIDs, Taking it to the next level,” International Economic Development Council annual conference 2006.

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As they benefit, so should they pay

Community benefit districts are a whole different strategy from a BID as a tool to improve and maintain downtowns and their neighborhoods, and would be better equipped to respond to new demands and expectations residents place on downtowns. “If they have chosen to live downtown or in an urban core area, they will have an expectation that the public rights of way will be as maintained or orderly as the place they left, in many cases the suburbs,” Li Mandri says.

What’s more, “they are used to paying monthly condo or homeowner fees,” he says, so the notion of a special assessment won’t be foreign to them. “This is just a different type of fee that would cover the public rights of way,” he says. And in the spirit of the BID, it’s about asking everyone to pull their weight in chipping in for improvements that everyone benefits from. And residents wouldn’t necessarily have to pay very much as individuals to compensate for their fair share of benefit. In a community benefit district in Little Italy, a section of downtown San Diego, CA, for example, they only pay \$20 per month, or \$240 per year per unit.

Are interests of business and residents aligning more closely?

Li Mandri, who chairs the board of the Little Italy Association of San Diego, says he also sees higher-level integration of business and residential interests as a future trend for downtown organizations. The 501(c)(3) not-for-profit in Little Italy has 34 board

Do 21st century downtowns face different conditions?

“The era of inexpensive things is over. I think that’s what’s driving people to move into a downtown area right now. It’s because things aren’t as cheap as they used to be,” notably land, energy, transportation, water, housing, and government in particular, says Marco Li Mandri, president of New City America Inc. For these reasons and some others, Li Mandri believes downtown improvement districts will increasingly receive funding from residents and expand their scope to address residential issues.

“I think we have to look at the fact that everything is fundamentally different in the United States in terms of costs. And vertical, market-rate residential development is reinventing cities” and transforming their downtowns, he says. The urban United States is becoming more European in character.

“Public right of way use has also changed dramatically,” he says. “In the 1980s, we used the public right of way primarily Monday through Friday. And that was it; they were dead on Saturdays and Sundays.” Today, downtowns are more likely to have joggers in their downtime, and 40 percent of the residents coming to downtown San Diego, for example, have dogs. “Dogs fundamentally change what goes on in the public right of way, and we’ll need to accommodate that,” he quips.

Demand for order in downtowns beyond normal business hours is also critical with more residents in the mix. “In a lot of ways, people wouldn’t care what happened on Saturdays and Sundays in the past. Now it’s critical what happens seven days a week,” Li Mandri says.

BIDs were originally defensive mechanisms developed in the later decades of the 20th century, and were originally defined by their clean and safe programs. “Downtowns at that time had high office density, or they had high residential densities with low disposable income,” Li Mandri says. “And that’s the difference. Today we’re seeing high residential densities with high disposable incomes. It’s a qualitatively different set of circumstances.”

members including commercial landlords, business tenants, homeowners, residential tenants, and community at large reps. “It is a very good model for the various interests that live and work in our downtown neighborhood,” he says. “Formation of the district is one thing; management of the various needs of the district is something else. Management is key here.”

“Existing BIDs should not convert,” he says. “However, when

downtowns commence a new district, they should consider options that are more encompassing of services geared toward things other than ‘business improvement.’ Why? Residents don’t support, or understand why they would be paying into, a ‘business improvement’ district; however they do like the services.”

Community benefit districts will address clean, safe, and beautiful needs, security, infrastructure,

public parks, and other public spaces. They will be looking for new geographically based revenue systems, which could be parking district money, tax increment financing, property assessments, or sales tax increment districts. “These tools that we call BIDs,

in my mind, are outdated. They worked in the 20th century. We really need to take this to the next level,” Li Mandri says. “We need to manage residential downtowns in totality just like a mall management company would manage a mall,” he says: “Dog bags, park-

ing, schools, everything. I believe the community benefit district is really the way to go in the 21st century.”

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