

BUSINESS IMPROVEMENT DISTRICTS AS A TOOL FOR IMPROVING PHILADELPHIA'S ECONOMY

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I. INTRODUCTION

There are an estimated 1500 business improvement districts (BIDs), most of them in North America.¹ Their fundamental purpose is to improve business profitability and property values.² BIDs are unusual among economic development tools in that the private sector beneficiaries are also the entities principally responsible for planning, managing, and financing the BID. In these ways, BIDs incorporate the concepts of sharing costs, responsibilities, and the benefits of district management.

The most effective BIDs overcome problems and capitalize on economic opportunities specific to the jurisdiction in which they function. Successful BIDs are not off-the-shelf products; the management and services of one rarely fit another. BID success and popularity is largely reliant upon the BID's ability to reflect private-sector priorities and generate, or otherwise obtain, reliable and sufficient financial resources so as to be able to address these priorities.

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1. Lawrence Houstoun, *Business Improvement Districts: Partnering Local Governments and Business*, PUB. MGMT., Aug. 2009, at 14.

2. *Id.*

This Article begins with some general observations about BID popularity and effectiveness using the authors' extensive experience advising BIDs and BID organizers nationally and internationally as background. Part II of this Article reviews the current BID landscape in Philadelphia. Part III of this Article suggests some incremental ways in which BIDs and the local city-BID relationship could be improved. Building on these incremental actions, Part IV suggests a more expansive city-BID economic development agenda focusing on how BIDs can help to create, concentrate, and leverage place-based value to further community and economic development.

A. *Different Priorities for Different Locations*

Large BIDs in dense locations can typically raise considerable sums of money for programs to keep the service area clean and reassure customers, employees, residents, and visitors of the area's safety.³ Conversely, BIDs in places with lower property values and less dense development rarely offer safety and cleaning services, concentrating instead on customer attraction, special events, and making older commercial areas more attractive.⁴ Large BIDs may back bonds for capital improvements,⁵ while small BIDs often seek grants for this type of activity.⁶ Thus, small BIDs are not simply smaller versions of large ones.

BIDs formed twenty and thirty years ago in dense urban places tended to reflect that era's popular concern for personal safety. When, as was generally the case, additional police were not available (police correctly said that downtowns were not high crime areas), larger BIDs typically offered police substitutes such as ambassadors, who are generally uniformed, unarmed, radio-equipped men and women who patrolled downtowns, and were said to be ex-

3. See, e.g., Göktuğ Morçöl, *Center City District: A Case of Comprehensive Downtown BIDs*, 3 DREXEL L. REV. 271, 271 (2010) (highlighting the success and wealth of resources of the BID encompassing Philadelphia's central commercial neighborhood).

4. See, e.g., Jonathan B. Justice, *Moving On: The East Passyunk Avenue Business Improvement District*, 3 DREXEL L. REV. 227, 232-34 (2010).

5. In states where BIDs are nonprofit organizations, like the majority in Pennsylvania, BIDs can pledge their assessment revenue streams to back debt that they issue as nonprofit organizations, or which the municipality issues on their behalf. In Pennsylvania, BIDs that are organized as municipal authorities can also issue bonds as the government entities that they are.

6. See, e.g., Wayne Batchis, *Privatized Government in a Diverse Urban Neighborhood: Mt. Airy Business Improvement District*, 3 DREXEL L. REV. 109, 121 (2010).

tensions of the police force (and in some cases actually were);⁷ though very few BIDs actually employed armed, off-duty police.⁸ Thus, the relatively few BIDs that operate in dense urban settings and have significant investment in programs that remove litter and invest in reassuring shoppers are markedly different from the far more numerous BIDs in less dense settings, which generally have neither the financial resources nor the need for these activities.

B. Why Are BIDs Popular?

State enabling-laws authorize the establishment of BIDs through the adoption of local ordinances. Although municipal governments ultimately have the final say as to whether a BID will be created, BID law in Pennsylvania, and elsewhere, encourages affected property owners to develop a Preliminary Plan for presentation to the municipal government. This process allows those property owners who would be affected by a BID to shape the proposal, while the municipal ordinance adoption process provides affected property owners with the right to testify at required public hearings prior to adoption of a BID ordinance.⁹ Thus, to come into existence BIDs must have substantial support. Beyond the desires of the businesses that prepared the plan, the principal reasons why property owners typically support BIDs are that: (1) the shared costs are a minor cost of doing business; (2) business people control the finances; (3) the five-year reauthorization process allows for the modification or elimination of unpopular BIDs;¹⁰ and (4) the services appear to be useful and may help.

As witnessed almost everywhere, over time, the popularity of BIDs increases as experience proves the above points to be true. Philadelphia's largest BID, the Center City District (CCD), is typical of this phenomenon—at the time of its last renewal there was only a single objector out of more than four thousand property owners.¹¹

7. LAWRENCE O. HOUSTON, JR., *BUSINESS IMPROVEMENT DISTRICTS* 189-90 (2d ed. 2003).

8. See, e.g., *Who We Are*, ROSSLYN, <http://www.rosslynva.org/who-we-are/rosslyn-bid/what-we-do> (last visited Nov. 8, 2010) (describing the off-duty police officers employed by the Rosslyn BID).

9. 73 PA. STAT. ANN. § 835(e) (West 2008).

10. See 73 PA. STAT. ANN. § 834(9) (West 2008). State law provides that BID renewal periods must be for a minimum of five years. However, nothing prevents renewing authorization for a period greater than five years. See, e.g., Richard M. Flanagan, *Manayunk Development Corporation: The Search for Sustainable Gentrification and a Parking Spot*, 3 DREXEL L. REV. 139, 149 (2010); Morçöl, *supra* note 3, at 279.

11. Interview with Paul H. Levy, President & CEO, CCD, in Phila., Pa. (July 1, 2009).

Similarly, while a few groups that begin the BID-planning process do not complete it, once formed, very few BIDs actually shut down.

II. THE CURRENT STATE OF AFFAIRS IN PHILADELPHIA

Pennsylvania offers BIDs two governance options—organization as a municipal authority (MA) or as a nonprofit corporation (NID).¹² Under these laws, fourteen BIDs exist in Philadelphia. The process for initiating a BID differs somewhat under each law, and Philadelphia's procedures under state and local law differ in some ways from those used in the rest of the Commonwealth, but none of these legal variations seems to yield a detectable difference in the effectiveness of BID operations. As the table below indicates, BIDs operate in many areas of the city. Philadelphia's first BID, the CCD, is organized as a municipal authority, as are five other city BIDs. The remaining eight BIDs are organized as nonprofit corporations.

In addition the city has two quasi-BIDs: the University City District that principally relies on voluntary contributions from the tax-exempt educational and medical institutions that dominate that service area,¹³ and the Sports Complex Special Services District where the owners of the sports facilities have agreed as part of their city permitting processes to make contributions to that organization, which helps the adjacent neighborhood manage the impact of having tens of thousands of visitors to the area when these facilities are in use.¹⁴

12. The main difference between these two forms is the governance of the BID; the board of an MA is appointed by the city, whereas the members of an NID appoint its board. Compare *Municipality Authorities Act*, 53 PA. CONS. STAT. §§ 5601–23 (West 2008), with *Neighborhood Improvement District Act*, 73 PA. STAT. ANN. §§ 831–40 (West 2008).

13. Because these institutions are exempt from property taxes, the standard method of raising revenue, adding an additional percentage or mills to the property tax assessment, is unavailable to BIDs in these areas. Thus, they rely heavily on voluntary contributions from these organizations to raise funds sufficient to operate. See Thomas J. Vicino, *New Boundaries of Urban Governance: An Analysis of Philadelphia's University City Improvement District*, 3 DREXEL L. REV. 339, 345 (2010).

14. Juliet F. Gainsborough, *The Sports Complex Special Services District: Thirty Million Dollars for Your Trouble*, 3 DREXEL L. REV. 155, 157 (2010).

TABLE 1: Philadelphia BIDs¹⁵

BID	Enabling Law	Number of Properties
Aramingo Avenue Shopping District	NID ¹⁶	83
Center City District	MA ¹⁷	4596
Chestnut Hill BID	NID ¹⁸	207
City Avenue Special Services District	MA ¹⁹	278
East Passyunk Avenue BID	NID ²⁰	322
Frankford Special Services District	NID ²¹	480
Germantown Special Services District	MA ²²	234
Greater Cheltenham Avenue BID	NID ²³	300
Manayunk Special Services District	MA ²⁴	270
Mt. Airy BID	NID ²⁵	249
Old City Special Services District	MA ²⁶	600
Port Richmond Industrial Development Enterprise	NID ²⁷	76
Roxborough NID	NID ²⁸	280
South Street/Headhouse District	MA ²⁹	986

15. Data derived from CONNIE CHUNG ET AL., PHILADELPHIA'S BUSINESS IMPROVEMENT DISTRICTS: BUILDING PARTNERSHIPS, CREATING OPPORTUNITIES NOW 4-5, 7 app. A (Mass. Inst. Tech. ed., 2008).

16. Phila., Pa., Bill No. 080251 (Sept. 24, 2008).

17. Phila., Pa., Bill No. 727 (Mar. 28, 1990), *amended by* Phila., Pa., Bill No. 070998 (Dec. 21, 2007).

18. Phila., Pa., Bill No. 040008 (June 21, 2004).

19. Phila., Pa., Bill No. 030716 (Dec. 18, 2003).

20. Phila., Pa., Bill No. 090128 (Sept. 23, 2009).

21. Phila., Pa., Bill No. 060957 (Mar. 22, 2007).

22. Phila., Pa., Bill No. 000397 (Dec. 19, 2000).

23. Phila., Pa., Bill No. 080376 (Nov. 13, 2008).

24. Phila., Pa., Bill No. 010605 (Dec. 19, 2001).

25. Res. No. 070589, Phila. City Council (Phila., Pa. June 14, 2007).

26. Phila., Pa., Bill No. 020737 (Jan. 23, 2003).

27. Res. No. 070596, Phila. City Council (Phila., Pa. June 14, 2007).

28. Res. No. 080097, Phila. City Council (Phila., Pa. Jan. 31, 2008).

29. Phila., Pa., Bill No. 494 (June 2, 1993), *amended by* Phila., Pa., Bill No. 010069 (June 14, 2001).

A. Room for Improvement

Not all of Philadelphia's BIDs have functioned well, however. Some have hired and fired too many managers in a short time period. The financial records of others have been incomplete at best. For years at a time, the boards of some BIDs have not known what individual property assessments were owed or collected. The city has frequently volunteered staff members to attend planning or board meetings, but has a poor record of meeting its statutory responsibilities—e.g., collecting assessments, imposing liens, and forcing collections.

A few cities have significant municipal-level participation in BID matters: Hampton, Virginia helped organize two BIDs there and continues to provide financial support on a matching basis;³⁰ and New York City arranged for state legislation that gives the city a strong role in BID formation and oversight. It seems to work well there, probably because a former BID director is the city cabinet officer overseeing this work.

Like some other state's laws, Pennsylvania's BID laws allot one seat on the board of directors to a city representative.³¹ Philadelphia's district-based city council system has meant that these representatives have been designees of the council member representing the area in which the BID is located. While this has produced no known problems—it has probably also produced few benefits.

Practitioners have suggested a number of ideas to improve BID governance, but with little effect. From times to time, some of the smaller BIDs have proposed creating an umbrella organization for mutual benefit similar to the role that Downtown New Jersey³² provides in that state, without results. One consultant proposed that Philadelphia's government should play a larger role, somewhat like New York City's government does.³³

To date, this has not happened, and there seems to be little in the way of a groundswell for it; probably for two reasons. First, the culture of BIDs is strongly geared towards the private sector. For example, two Manayunk BID managers, both of whom came from positions within the city, lasted little more than a year. Relatively few

30. See, e.g., *About Us*, COLISEUM CENT. BUS. IMPROVEMENT DIST., <http://www.coliseumcentral.com/aboutus.html> (last visited Nov. 8, 2010).

31. 73 PA. STAT. ANN. § 836(d)(3) (West 2008).

32. See Kathleen Miller Prunty, *President's Welcome*, DOWNTOWN N.J., <http://www.DowntownNJ.com> (last visited Nov. 8, 2010).

33. See CHUNG, *supra* note 15, at 28.

people in government seem to have a sense of what it means to be a private entrepreneur—hiring and firing, paying rent and salaries, and getting the business message to the customers. Second, as noted previously, is the city's poor record on the BID issues for which they already have a statutory responsibility, particularly cooperation regarding the collection of assessments.

Yet, how BIDs spend their funds may deserve some outside attention. For example, ratepayers are told that BID funds do not support replacement of city services (and state law requires that the municipality in which the BID operates not reduce municipal services in response to new BID-provided services).³⁴ Yet it is arguable, for example, that if the Center City Ambassador program does what managers intend (i.e., increase security as government-funded police auxiliaries might do), then the city does not share in these BID costs. Similarly, BID sidewalk and gutter cleaning eliminates most of the litter on streets, but the city does not share in these costs either.

Another reason that outside scrutiny might be useful is that many BIDs tend to repeat, year after year, the same programs at the same funding levels, without consideration or meaningful review. Incorporating municipal or peer oversight, or peer-developed standards may help BIDs avoid authorizing the same programs and budgets, without assessing whether conditions have changed within the BID that would necessitate changing programs and budgets.³⁵ For example, do large urban centers still need uniformed patrols in lieu of walking police? Is downtown crime yesterday's concern? Could cleaning crews substitute for ambassadors as the BID's uniformed reassurance? With additional training, could they provide pedestrians with needed information? Cleaning crew members interviewed in Camden felt that they could easily handle this task.³⁶ The BID serving Bethesda, Maryland has the message, "Ask me," on the backs of their uniformed crews. If BIDs replaced ambassadors, could they then pay cleaners more for their added skill levels? If security isn't the issue it was a decade ago, some BIDs, including some smaller commercial and industrial BIDs, sometimes still need help beyond that which the local police precinct can provide. The East

34. See 73 PA. STAT. ANN. § 835(c)(3)(iv) (West 2008).

35. See, e.g., *What We Do*, PHILA. ASS'N OF CMTY. DEV. CORP., <http://www.pacdc.org/index.php/about-pacdc/about-2> (last visited Nov. 8, 2010) (describing how the Philadelphia Association of Community Development Corporations (PACDC) monitors, assesses, and provides such feedback for area community development corporations).

36. Interview with anonymous staff members of a cleaning crew of the Camden Special Services District, in Camden, N.J. (Aug. 15, 2009).

Falls commercial area in Philadelphia, for example, has had considerable success using a closed-circuit television system. Crime has dropped and the entire apparatus, which functions around the clock, costs less than half the cost of a single ambassador working one shift.³⁷ On the other hand, few BIDs allocate sufficient funds for marketing despite regular losses of strong merchants, ineffective parking, poor store signage, and an inability of customers to find out about what shops are in the BID, and/or the relevant sales and promotions being run by those shops.

III. A NEW BID POLICY FOR PHILADELPHIA

The city's economic development bureaucracy has only recently begun to think about its relatively few BIDs in a way that is distinct from its more generalized interest in aiding the 265 officially recognized "commercial corridors" that exist throughout the city.³⁸ In part, this stems from findings of a recent report indicating that BID presence correlates with stronger retail sales and increases in property values (the two principal reasons for establishing a BID) when contrasted with commercial areas without a BID.³⁹ Whether these factors tend to be stronger due to the presence of a BID or because BIDs tend to form where the opportunity for increases in sales and property values are greatest, or something else, was beyond the scope of this study and a question deserving of further research. Nevertheless, it does seem that BIDs are amongst the best places for the city to support commercial activities.

A. A "Get Started" Philadelphia BID Strategy

The city should want to support and work with BIDs because BIDs can be the essential local partner that most successful community development efforts require. As a potential partner with the city, BID members come into a partnership having already expressed a seriousness of purpose by agreeing to make funding (through an assessment program) and other resources available for common business improvement efforts. Below are several ways in which the city could strengthen its partnership with the BIDs:

37. Telephone interview with Gina Snyder, Exec. Dir., E. Falls Dev. Corp. (Oct. 14, 2010).

38. ECONSULT CORP., COMMERCIAL CORRIDORS: A STRATEGIC INVESTMENT FRAMEWORK FOR PHILADELPHIA, ES.1 (2009).

39. *Id.* at ES.7.

1. *Create an Office of Business Improvement Districts within the Department of Commerce*

The city should create an office to specifically address the unique needs of BIDs. Such an office, comprised of knowledgeable staff, could promote best BID practices, collect BID data, publicize this approach to economic development in areas of the city where BIDs do not exist, but might be practicable, and act as a source of help to BIDs when problems arise in working with city bureaucracies. Most importantly, this office could be a place that not only helps BIDs achieve their goals, but also works with BIDs so that they can support city economic development efforts.⁴⁰

2. *Help BIDs organize themselves to support information sharing*

BIDs can take a cue from the city's community development corporations (CDCs), which organized themselves by forming an umbrella nonprofit organization, the Philadelphia Association of CDCs (PACDC). Bringing together CDC leaders and others, this organization has led research, created best practice standards, and collectively represented CDCs before public agencies.⁴¹ A similar model, whether focused on city BIDs, BIDs in the Delaware Valley, or BIDs in Pennsylvania could be similarly useful.

3. *Fund BID feasibility studies*

The city should provide funding to enable groups to do BID feasibility studies. Such studies would focus on identifying a potential service area, property owner interest in participating, and understanding whether the challenges confronting a particular area are amenable to BID-directed solutions. The feasibility study would also examine the ability of the service area to raise revenues that are sufficient to address the issues identified by the property owners as a concern or interest. For example, it may be that a service area is too small, or property values too low, to raise a useful amount of reve-

40. For example, the New York City Office of Small Business Services does all of these tasks for that city's sixty-four BIDs, which annually invest more than \$100 million in programs and services within their respective neighborhoods. In addition to providing technical assistance, the agency annually publishes an aggregate report on the work of the city's BIDs. See *Help for Neighborhoods*, NYC SMALL BUS. SERVS., <http://home2.nyc.gov/html/sbs/html/neighborhood/bid.shtml> (last visited Nov. 8, 2010).

41. See generally PHILA. ASS'N COMMUNITY DEV. CORPS., <http://www.pacdc.org> (last visited Nov. 8, 2010) (describing the mission and accomplishments of the PACDC).

nue without very large special assessments, which property owners may not be able or willing to afford and, thus, a BID may be unfeasible, or of limited effectiveness, if formed. The Germantown and Port Richmond (PRIDE) BIDs each have this problem to some extent, with each BID trying to address important issues on shoestring internal budgets.

If a potential BID is feasible, the city could continue funding the group through the process of organizing itself as a nonprofit and developing a Preliminary Plan for presentation to affected property owners and ultimately the city council that would have to approve a BID ordinance. If a BID came into existence through this funding, the BID could be required to repay the city for these planning costs out of initial assessments. The city could operate this program as a revolving fund, replenishing the account when BIDs fail to emerge from the planning process and closing down the program when there are no more BIDs to be formed.

4. Support BID research

Supporting BID research can only serve to strengthen and focus BID activities and expenditures. As previously noted, there is a need to better understand the positive relationship between BIDs and property values, BIDs and improved sales, and BIDs and seemingly lower crime rates. Similarly, there is a need to understand how these benefits are distributed among property owners, commercial tenants, city tax coffers, and other stakeholders. Such research could help BIDs better focus on how, or whether, to spend funds on anti-crime activities. Other research questions pertaining to BID organization, management, and activities abound.

5. Provide incentive-based funding for innovative business attraction activities

A stronger partnership with BIDs could provide the city with an opportunity to foster innovative approaches to attracting new businesses. Most BIDs, because they are membership driven, undertake activities that directly and most immediately benefit current members. The city can speak for the future. This longer view could encourage the city to offer incentives to help attract specific types of businesses or market niches to a particular BID. This could be done

by offering funding for storesteading programs,⁴² funding for interior improvements, bounties to real estate firms that find desired tenants, and other activities.

6. *Reorganize Police Department collection of crime data*

The Philadelphia Police Department provides the Center City and University City districts with crime data using each district as a data catchment area.⁴³ This has enabled these districts to better understand their crime problems, participate in anti-crime activities, and has informed BID marketing efforts. Other city BIDs are either smaller portions of larger police precincts or straddle two or more precincts. Like Center City and University City these other BIDs should be able to regularly receive a single crime data report delineating criminal incidents within the BID. In addition, every BID should be assigned a single police contact so that BID managers are not bounced from precinct to precinct as problems arise.

7. *Work with the BIDs to reform state BID law*

State BID law was last reformed a decade ago. These reforms enabled (and invited) commercial, industrial, or residential and mixed-use neighborhoods to proactively organize themselves, develop a Preliminary Plan, and petition their municipality for the creation of a NID. Moreover, because these new districts could be managed by self-perpetuating nonprofit organizations rather than government agencies (authorities), these new entities provided participants with increased surety that the parties paying the assessment would continue to be in charge, rather than political leaders, who in theory, could dominate BIDs formed under the authorities law. As a result, a spate of new BIDs was formed in Philadelphia and elsewhere in the Commonwealth.⁴⁴

42. Storesteading is the commercial equivalent of more familiar homesteading programs in which deteriorated, often abandoned properties, are made available at little or no cost to households, who then gain title after completing repairs and occupying the property for some period of time. In some commercial areas with mixed use properties, the housing portion of the property has economic value, but the commercial portion does not. In such circumstances, one could use internal and public subsidies to repair the commercial piece of the property, and subsidize the rent for a commercial occupant for a period of time in order to see if the business occupant can become self-sustaining.

43. See Vicino, *supra* note 13, at 344; Morçöl, *supra* note 3, at 381.

44. See *supra* note 12 (NIDs are a direct result of the change in the law).

Building on this decade of experience, the city should bring BIDs and legislators together to identify research and experience that suggests where existing law could be improved. Examples of issues that merit re-visitation include (1) limitations on the size of BID Boards; (2) whether owners of assessed properties should have a guaranteed role in electing the BID board and reviewing the annual BID budget, which many, but not all BIDs do; (3) changes in the BID-organizing process, particularly regarding notifying non-owners of formation when municipal records of tenants are often incomplete or out of date; and (4) a review of the sometimes subtle differences in the ways BIDs are organized and managed under the state's municipality authorities laws, Act 174-1998,⁴⁵ which governs nonprofit BIDs in Philadelphia, and Act 130-2000,⁴⁶ which governs nonprofit BIDs organized elsewhere in the state, so as to better understand the differences in these laws, and what works best and why.

B. *New Funding*

To make even some of the above items happen will require new funding. Clearly, the cash-strapped city is in no position to subsidize these activities and, having agreed to a special assessment to address a specific local agenda, it would seem unlikely that individual BIDs would raise their assessment rates (which would require an amendment to each BID ordinance process). Therefore, it might be better to consider creating a BID trust fund program. A trust fund is simply a specific source of revenue for a dedicated purpose. For example, federal highways and mass transit are funded on the trust fund principal using a federal tax on gasoline, while states and localities throughout the nation (including Philadelphia and other counties throughout the state), use real estate transfer and real estate recording fees to make housing more affordable for moderate income households.⁴⁷ A similar principal might be engaged here. Working with the Parking Authority, the city should seek to establish a new BID-support account from parking fees generated by

45. See Community and Economic Improvement Act, 53 PA. STAT. ANN. §§ 18101-12 (West Supp. 2010).

46. See Neighborhood Improvement District Act, 73 PA. STAT. ANN. §§ 831-40 (West 2008).

47. Daniel Hoffman, *County Housing Trust Funds: A Source for Affordable Housing Finance in Pennsylvania*, CASCADE, Winter 1999, at 8; see also *Housing Trust Fund Project*, CTR. FOR CMTY. CHANGE, <http://www.communitychange.org/our-projects/htf/housing-trust-funds> (last visited Nov. 8, 2010).

parking lots and meters within BID service areas, as was done in the Manayunk Special Services District.⁴⁸ As BID activities should tend to generate more commercial activities and thus more parking revenues from patrons, it seems appropriate to reinvest some of this additional revenue in the organizations that are helping to create it.

IV. A NEW BID AGENDA: SUPPORTING PLACE-BASED ECONOMIC DEVELOPMENT

Beyond helping BIDs undertake current activities, the city, as well as the city's BIDs, has an opportunity to rethink the role of BIDs in furthering economic development. Until now, both city officials and the BIDs themselves have mostly viewed BIDs as managers of neighborhood street conditions. Few BIDs have had a role in helping members inside the front door of the member's business. However, at least some BIDs could be re-oriented to play a larger economic development role by seeking out and helping create new resources to expand existing businesses and by actively recruiting specific businesses or types of businesses to the BID. These two missions would dovetail with a greater city commitment to supporting place-based economic development and partnerships with BIDs that leverage the nongovernmental, entrepreneurial capacities that BIDs legally possess. This strategy would have three basic components:

A. Foster Publicly Recognizable Niche Neighborhoods

Concentrating and promoting business concentration can create markets that are large enough to have import beyond the immediate neighborhood. These can be high-tech areas of worldwide importance (e.g., Silicon Valley) or something decidedly low-tech, such as the establishment of specialty retail centers such as Manhattan's well-known diamond and flower districts where the sale of specific types of merchandise predominates and draws customers from the metropolitan area and beyond. Moreover, these concentrated districts do not just draw customers; they also draw people with expertise in the relevant field, which creates concentrations of expertise that often leads to new spin-off businesses and innovations that can drive economic growth. Simply having a collection of random businesses does not yield this second wave of economic activity.

48. See Flanagan, *supra* note 10, at 147-48.

Creating niche neighborhoods should be a central strategy for recruiting new businesses to the city. To further the development of niche identities, a city-BID economic development partnership could organize business incentives, recruiting and training programs, marketing efforts, and other activities that promote an area as a site of expertise or availability of certain talents and goods.

B. Capture Local Business Expansion and Spin-offs

Philadelphia is a hot-bed of innovation in a variety of cutting edge technologies, but the city could do much better in promoting and retaining the businesses and jobs that these technologies create. For example, the Economy League of Greater Philadelphia recently published a report on the University City Science Center that identifies numerous high tech businesses that have gotten their start in West Philadelphia.⁴⁹

Subsequent analysis of this report⁵⁰ enables one to identify ninety-three businesses, all of which started out in this incubator. Of these, fifty-two (56%) moved out of the city to suburban locations as their businesses grew. Moreover, employment among these relocated businesses represented 10,542 jobs, or 68% of the total employment that these firms had in February 2009. What is unknown is how much contracting any of these firms do for goods or services in or outside of Philadelphia. But clearly, given that the city is losing more established businesses to relocation, there is no reason to believe that city businesses have become extra-competitive with their suburban counterparts in regards to subcontracting business back into the city.

There are many issues that need to be overcome in order to make Philadelphia a better regional, national, and international competitor that are beyond the capacity of a BID to solve. Nevertheless, BIDs could play a useful role in helping the city overcome some of its disadvantages by:

1. Partnering with key businesses and institutions to expand operations within the BID

The public sector generally markets the subsidies it has; BIDs could survey members to better understand the kinds of investment

49. ECON. LEAGUE OF GREATER PHILA., *THE UNIVERSITY CITY SCIENCE CENTER: AN ENGINE OF ECONOMIC GROWTH FOR GREATER PHILADELPHIA* 16-19 (2009).

50. *See id.* at App. C.

capital that its members need in order to grow and grow within the BID. BIDs could also work as intermediaries with public and private sources of capital to create customized investment products, tools, and incentives, and providing intermediary services with venture and public capital investors. This is particularly important in that the city's manufacturing sector is comprised mostly of small businesses that often have neither the staff, nor the experience, to investigate ways in which they might grow, as the leaders of these businesses are often consumed by the challenges of day-to-day operations.

2. *Working with key businesses and institutions to identify and capture spin-off and complementary businesses*

In addition to capturing planned expansion by existing employers, rather than having this expansion be in the suburbs or elsewhere, the BID could also be an intermediary that works with employers to identify spin-off and complementary business opportunities that can be sited within the BID. This is particularly important in high-tech and biotech industries where the city has nationally significant research facilities, but as has been shown, often is unable to fully capitalize on these advantages.

3. *Creating "buy local" programs*

Unlike existing buy local programs that are mostly marketing campaigns, BIDs could make efforts to create demand (particularly from public and institutional consumers) for products manufactured by firms located within the BID. Organizing early demand for new, locally-produced products and start-up businesses would help secure public and private investment in what otherwise might be viewed as unacceptably risky ventures, but for the presence of some guaranteed demand. Over time such guarantees can be reduced as the manufacturer becomes more experienced and able to market its products more widely.

4. *Adopting strategies that move from “discovered in Philadelphia” to “discovered and manufactured in Philadelphia”*⁵¹

Too often, local discoveries have resulted in new manufacturing jobs elsewhere. Production generally employs more people, requires fewer elite skills, and often serves as the gateway to new discoveries and innovation. This, in turn, yields additional research and production jobs. Greater efforts need to be made to capture the production jobs stemming from local innovation. BIDs could provide intermediary services that link research and production activities by identifying suitable production sites, facilities, and sources of capital as well as sponsoring training programs, job fairs, and cooperative business services programs.

C. *Build Community to Support Economic Development Through Employer-Assisted Housing Programs*

Having jobs located in the city is better than their locating elsewhere, but having job-holders work and live in Philadelphia is even better, as residents pay higher city taxes than nonresidents, more frequently buy in local stores, and increase demand for housing, which is important in a city with chronically soft real estate markets. With the city and nation's increased emphasis on smart growth, encouraging city job-holders to be city residents is vital.

Throughout the past twenty-five years, employers have increasingly discovered that good employees make good neighbors. Through employer-assisted housing programs, employers have been able to offer, or participate in, cost-effective housing benefit programs that lower recruitment and retention costs and solve other bottom line business problems including an interest in having an attractive and safe community in which to operate. Because BIDs have close, regular contact with employers, they could be well-positioned to market and develop employer-assisted housing programs and products, including those that encourage the purchase of existing housing in the neighborhood as well as the development of local ownership, shared-ownership, and rental housing in which the BID or particular BID employers have an interest.⁵²

51. See Daniel Hoffman, *Letters: Real Jobs Aren't From Research*, PHILA. DAILY NEWS (May 24, 2010), <http://www.philly.com/philly/opinion/94719109.html>.

52. For a more complete review of the ways in which employers and employer-led organizations can promote employer-assisted housing programs, see Daniel Hoffman, *The Benefits of Employer-Assisted Housing*, CASCADE, Spring 2006, at 5.

A number of studies have suggested that the ability of a community to be affordable, interesting, safe, attractive, and fun for workers is a key factor in fostering economic growth. Many of these attributes have often been within the core missions of BIDs, though generally with the focus on the businesses rather than the employees. By including employer-assisted housing programs in their toolkit, BIDs can enhance their traditional roles of helping to put consumers on the street as well as support a larger economic development agenda by helping to build a community of talent that is available to local employers.

V. BIDS AND CITY COMMUNITY DEVELOPMENT POLICY

Beyond new missions for old BIDs, the city should use the BID construct to support new community redevelopment activities. For example, proposals have been made for new parks along the Delaware waterfront,⁵³ the former Reading Railroad viaduct,⁵⁴ and elsewhere. BIDs strategically placed in neighborhoods adjacent to these sites could manage and help pay for the maintenance of these facilities. Because nearby residents would disproportionately benefit by these parks, as park users and as recipients of improved property values that derive from park proximity,⁵⁵ it is appropriate for the city to recapture from these properties some of the value it creates by establishing these parks. In this regard, the New York City experience, with the new High Line Park, is instructive. This park was built without a source of revenue for its maintenance.⁵⁶ Now, local property owners, not surprisingly, do not want to pay for something that has been available for free, and they are actively opposing efforts to impose a BID in adjacent neighborhoods.⁵⁷ The lesson is clear: make BIDs part of the early redevelopment process.

53. *An Action Plan for the Central Delaware: 2008-2018*, ISSUU, http://issuu.com/pennpraxis/docs/actionplan_full (last visited Nov. 8, 2010).

54. See *What is the Reading Viaduct*, READING VIADUCT PROJECT, <http://readingviaduct.org/aboutus.html> (last visited Nov. 8, 2010).

55. Numerous studies have examined the relationship between park proximity and improved property values. See, e.g., DAVID C. SCHWARTZ, DANIEL HOFFMAN, LAWRENCE O. HOUSTON & PATRICK HENRY, *LINKING URBAN OPEN SPACE AND REAL ESTATE DEVELOPMENT* (1994); KARIN MARIE EDWARDS, *DO PARKS MAKE CENTS? AN ANALYSIS OF THE ECONOMIC VALUE OF PARKS IN SAN FRANCISCO* (2007), <http://sfnpc.org/files/DoParksMakeSense.pdf>; Kathleen L. Wolfe, *City Trees and Property Values*, ARBORIST NEWS, Aug. 2007, at 34-36, available at <http://www.cfr.washington.edu/research.envmind/Policy/Hedonics.pdf>.

56. See Tom Topousis, *High Line Eyes Tax on its Neighbors*, N.Y. POST, July 29, 2009, at 8.

57. *Id.*

In the same vein, the city might consider reconfiguring the Sports Complex Special Services District (SCSSD), expanding its mission from managing conflict between residents and crowds⁵⁸ to one that plans and redevelops the area in ways that increase economic activity by attracting complementary entertainment. Similarly, having BIDs encompass city casino sites and adjacent businesses benefiting from the presence of a casino might prove to be an effective way of paying for the costs associated with managing expected crowds and traffic while also maximizing economic opportunity in the area.

Another way that the city might integrate BIDs into community development policy is by abandoning unnecessary tax abatement programs that contribute to tax inequities and reduce city revenues, and instead substituting tax increment financing (TIF) programs that would operate in tandem with BIDs.⁵⁹ This would enable the city to match BID self-assessments with TIF revenues to pay for infrastructure, building and façade improvements, and reimbursing those paying BID assessments for services that are currently tax funded and city provided, but which a BID could assume.

Using TIF funds to reimburse taxpayers for such BID-provided services could be particularly interesting in some residential communities. Neighborhoods might form Neighborhood Improvement Districts to do additional street cleaning, leaf pick-up, extend the hours of libraries or recreation centers, maintain neighborhood parks or cleared lots, implement sidewalk repair and tree planting programs, and provide other services that a neighborhood-based entity might be better at implementing than city hall. However, municipalities cannot expect local residents to assume the cost of these services if the residents believe that their current tax dollars already pay for them. A program that rebated a portion of one's property

58. See generally Juliet F. Gainsborough, *supra* note 14, at 157 (explaining that managing the traffic congestion and parking in and around South Philadelphia's major sports venues is central to the SCSSD's mission).

59. Tax increment financing works by creating two property tax revenue streams. The first stream, often referred to as the base value, represents those revenues that are generated by properties within the proposed TIF district prior to the district's establishment. These revenues continue to be directed to the local taxing entities that received them prior to the district's creation. The second revenue stream is the "increment" or difference between what tax revenues the properties within the district were generating prior to the creation of the district (the base value) and what additional property tax revenue is generated in the district any point during the life of the district (often 20 years). This is the "increment" which serves as a dedicated fund for specified activities within the district. Often these activities are related to infrastructure or other public improvements. Some states also permit other tax revenues, such as locally generated sales taxes to be the subject of an increment.

taxes, whether through TIF or some other mechanism, would encourage residents to take on these new responsibilities.

Given the city's chronic budget problems, re-envisioning, or re-inventing delivery of services should be on the municipal agenda, and possible roles for district-based service delivery should be a part of those considerations.

VI. CONCLUSION

BIDs are real public/private economic development partnerships. Unlike many other public/private partnerships in which the public role is to put up some money and the private sector's role is to take that money, BIDs operate on the no free-rider principle in which all of the affected private sector property owners collectively and proportionately put up the first dollar to be spent.

BIDs are also an exercise in democratic, community-based planning: there must be substantial support among impacted property owners in order to create a BID, and the BID is subject to regular renewals by the city council and the affected property owners. Many BIDs also have by-laws in which all owners of assessed properties have voting rights regarding who serves on the BID board and the opportunity to review and express their views on annual BID budgets before the board enacts them. Arguably, this business-oriented organization provides more of an outlet for democratic process than many nonprofit community development corporations, which claim to speak for "the community" but offer local property owners and residents few ways of directly participating in, much less controlling, the actions of the local community development corporation.

Even if the value of BIDs in the city's various neighborhoods remains imperfectly understood and in need of more research, experience indicates that there are actions the city should want to take to support the work of its BIDs in order to further economic development and the reinvention of how government delivers services.