



CENTER FOR INNOVATIVE FINANCE SUPPORT

QUICK FACTS

BIDs supplement municipal services within a defined geographic boundary and are supported by compulsory property tax levies collected from property owners and/or businesses.

BIDs are created at the municipal level under authority granted through state-level-enabling legislation.

Typical BID services include security, sanitation, capital improvements, and marketing- and economic-development activities.

BIDs can only be used to fund local improvements that provide benefits within the designated district.

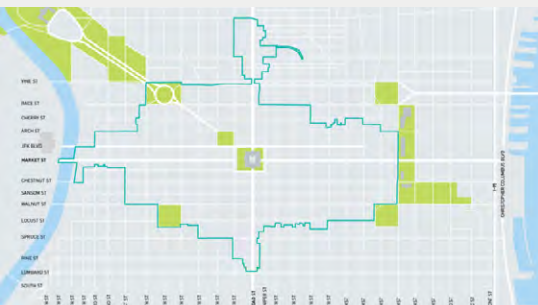
Some BIDs also serve as transportation management associations to provide transportation services and education to businesses and employees that help mitigate congestion or reduce pollution.

There are over 1,000 BIDs in the United States.

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VALUE CAPTURE

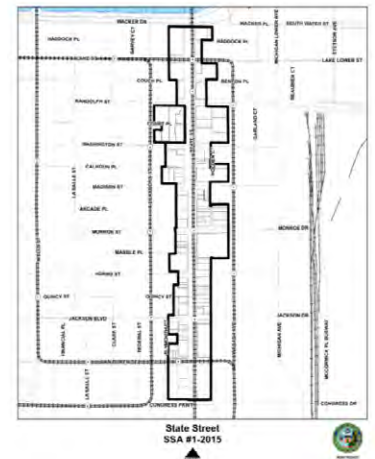
Business Improvement Districts

Business improvement districts (BIDs) are privately directed and publicly sanctioned organizations that supplement public services within geographically defined boundaries by generating multiyear revenue through a compulsory assessment on local property owners and/or businesses.¹ BIDs are managed by public or nonprofit boards, predominantly with local business representation, and often also include residents and local governments. BIDs create collective economic benefits for their members, which cannot be achieved on an individual basis. The BID model is similar to the special assessment value capture technique, as both concepts capitalize on incremental tax assessments levied on properties within a defined geographic area that are directed toward improvement purposes within the district. BIDs often rely on other sources of revenue, in addition to the tax assessment, to fund their operations.

HOW DO THEY WORK?

ORIGIN

BIDs trace their origin back to Toronto, Canada. In the mid-1960s, businesses in the Bloor West Village neighborhood found themselves commercially disadvantaged by the attraction of a new suburban shopping mall. At first, voluntary contributions by an association of local businesses enabled efforts to promote their interests. Disagreement among participants and the prevalence of noncontributing “free-rider” businesses, however, ultimately led to discussions with city representatives and prompted the decision to initiate a business district supported by a self-imposed property tax assessment. This solution required enabling legislation, passed in 1969, forming the Bloor-Jane-Runnymede Improvement Area in 1970. Since that time, the use of BIDs has spread across the globe, especially in the United States where their frequent formation in the 1980s and 1990s reflected a desire to combat the decline of city centers, suburban sprawl, and funding and service shortages among local governments.



USE

Common activities of BIDs include providing enhanced security (e.g., uniformed, foot patrols that coordinate with law enforcement), sanitation (e.g., sidewalk and public space cleaning), and capital improvements (e.g., landscaping and assistance with storefront renovations), as well as leading marketing campaigns to attract consumers, commercial tenants, tourists, and investors. BIDs often develop their own branding and marketing schemes, including logos, slogans, and advertising, as reflected on signage, maps, and publications.

BIDs are successful when their services match the needs of their constituents. BIDs in dense urban environments with multiple members and relatively high property values typically operate with multimillion dollar budgets and offer a full complement of services. They may also have the legal capacity to bond against their revenues for capital projects. BIDs help augment and improve services generally provided by the municipality and increase the efficiency and quality of outcomes of those typically legally required of businesses, such as sidewalk cleaning.

¹Hoyt, L., & Gopal-Agge, D. 2007. “The Business Improvement District Model: A Balanced Review of Contemporary Debates.” *Geography Compass*, Vol. 1, No. 4, pp. 946–958.

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APPROVALS

BIDs are created at the municipal level under authority granted through state-level-enabling legislation. Laws that enable BIDs vary from state to state, but most BIDs require approval by a majority of relevant stakeholders. BIDs are typically subject to sunset clauses that require their renewal every few years; however, BIDs rarely dissolve, as enabling legislation often incorporates a standard reauthorization process for their renewal and extension.

BIDs AND TRANSPORTATION IMPROVEMENTS

The major limitation on the use of BIDs is that they must fund improvements that provide local benefits within the district; they cannot be used to fund improvements that benefit the larger community. Therefore, BID funding for transportation typically has been limited to landscaping, sidewalk maintenance and cleaning, and BID-provided local transportation service or support for transit service within the BID. Some BIDs also act as transportation management associations (TMAs), which “provide transportation services and education to businesses and employees in a particular area, combining the efforts of many employers to reduce program costs. Most TMAs are non-profit collaborations of private and public sector employers working together toward common goals, such as congestion mitigation or pollution reduction.”²

EXAMPLES

Central City District, Philadelphia, PA.

Started in 1991, Central City District represents 233 blocks and 1,500 properties, providing security, cleaning, and promotional services. The Central City District also makes physical improvements, including the installation and maintenance of lighting, signs, banners, trees, and landscape elements.



Source: Center City District

Transportation Management Associations. Two examples of BIDs that act as TMAs include the Pittsburgh (PA) Downtown Partnership and the Tampa (FL) Downtown Partnership. TMAs typically focus on non-motorized initiatives to reduce congestion, improve wayfinding, assess mobility and safety issues, improve parking options, and encourage transit usage.



Source: Downtown Alliance

BIDs in New York City. New York City has 75 BIDs, which is the largest BID program in the country. In FY 2017, they collectively invested over \$147 million into local economies. Six BIDs have annual budgets greater than \$5 million. The Grand Central Partnership was the first BID in the United States to finance streetscape improvements. The Downtown Alliance provides free shuttle bus service within its boundaries between the South Street Seaport and Battery Park City in Lower Manhattan, serving roughly 900,000 employees, residents, and tourists on an annual basis.



OFFICE OF INNOVATIVE PROGRAM DELIVERY

PROGRAM AREAS OF THE CENTER FOR INNOVATIVE FINANCE SUPPORT

The Center for Innovative Finance Support provides a one-stop source for expertise, guidance, research, decision tools, and publications on program delivery innovations. Our Web page, workshops, and other resources help transportation professionals deliver innovation.

PUBLIC-PRIVATE PARTNERSHIPS

The Center for Innovative Finance Support's P3 program focuses on the potential of design-build-finance-operate-maintain (DBFOM) concessions funded through tolls or availability payments to reduce project cost, improve quality outcomes, and provide additional financing options.

ALTERNATIVE PROJECT DELIVERY

The Center for Innovative Finance Support's Alternative Project Delivery program provides information on contractual arrangements that allow for greater private participation in infrastructure development by transferring risk and responsibility from public project sponsors to private sector engineers, contractors, and investors.

PROJECT FINANCE

The Center for Innovative Finance Support's Project Finance program focuses on alternative financing, including State Infrastructure Banks (SIBs), Grant Anticipation Revenue Vehicles (GARVEEs), and Build America Bonds (BABs).

TOLLING AND PRICING

The Center for Innovative Finance Support's Federal Tolling and Pricing program focuses on the use of tolling and other road user charges as a revenue source to fund highway improvements and the use of variably priced tolls as a tool to manage congestion.

VALUE CAPTURE

The Center for Innovative Finance Support's Value Capture Strategies program explores strategies for tapping into the added value the transportation improvements bring to nearby properties as a means to provide new funding for surface transportation improvements.



U.S. Department of Transportation
Federal Highway Administration

²Texas A&M Transportation Institute. Undated. "Transportation Management Associations." <https://mobility.tamu.edu/mip/strategies-pdfs/travel-options/executive-summary/transportation-management-associations-1-pg.pdf> (as of October 23, 2018).