



Business Improvement Districts, California

The State of California has the nation's largest and most diverse population. Of its almost 40 million residents, 40 percent are Latino and 15 percent are Asian American. A trendsetter in entertainment, technology, and environmentalism, the State is home to Apple, Facebook, Google, and major U.S. film studios. It also leads the nation in agricultural output and, with its beaches, mountains, world-class cities, wineries, and nearly 300 state and national parks, California is a major tourist destination.

Financing Challenges and Indicative Solution

The State wanted to enhance the desirability, vibrancy, and safety of its cities by improving local public services and reviving downtown commercial areas without raising general taxes, which would jeopardize economic growth.

The solution was creating Business Improvement Districts (BIDs). BIDs provide supplemental services to predetermined geographic areas and are funded through annual assessments paid by businesses and property owners within their boundaries. Managed by nonprofit groups of stakeholders, they pool funds for agreed-upon improvements that are beyond those provided by their cities. Their services, which vary depending on the type of BID and the district's specific needs, usually are within four overall categories: security, maintenance, marketing, and capital improvements.

BID assessments in the State are technically fees, not taxes, and cannot be used for general governmental purposes. The average annual assessments that BIDs receive range from approximately \$250,000 to \$1,350,000 but can be much higher for the largest BIDs. For example, the San Francisco Tourist Improvement District generates approximately \$27,000,000 each year.

California has the second highest number of BIDs in the nation and has three major types: property-based, business-based, and tourism-based.

Property and Business Improvement Districts (PBIDs)

PBIDs benefit real property within their districts. The nearly 100 PBIDs in the State's downtowns offer services that include cleaning public rights of way; sidewalk and gutter maintenance; trash removal; security services; parking or transportation-related services; economic development; special lighting; business attraction and retention; planning and zoning; graffiti removal; advocacy; tree maintenance and planting; marketing and promotion; sponsoring special events; and beautification and decorations.

An example is the Old Pasadena PBID, whose services include sponsoring the largest outdoor film festival of its kind, nightly sidewalk washing, and 24-hour street patrols by a team of ambassadors.



To establish a PBID, the local city council or board of supervisors must hold a public hearing and mail ballots to property owners in the district. If there is a vote in favor of it, the PBID is adopted by ordinance by the local government. After an initial five-year period, PBIDs can be renewed, pending re-approval, for up to 10 years at a time.

Assessment methods are determined by each PBID based on a combination of factors. For instance, in the San Jose Downtown BID, they are based on the square footage of the lot, square footage of the building, type of business, and whether the business is in a basic or premium benefit zone.

Business-Based Improvement Districts (BBIDs)

BBIDs benefit businesses within their districts. The services they offer include physical improvements with an estimated useful life of five years or more, such as benches, trash receptacles, decorations, or parks; or activities that benefit the assessed businesses, such as sponsoring public events, providing music in public spaces, or other promotional activities.

An example is the City of West Hollywood Design District, which promotes its more than 300 art, fashion, dining, beauty, and other businesses through a website that highlights each business, social media, and events and initiatives that build community between members, consumers, and the city.

To establish a BBID, local business owners give their city council a petition signed by 20 percent of businesses within the district. The council mails a ballot to all eligible businesses in the proposed BBID and, if there is a majority vote in favor of it, the council conducts two public hearings. If there are no written protests from 50 percent or more of the district's business owners, the council can approve the BBID.

Assessment methods are determined by each BBID based on a combination of factors that can include lot size, level of service received, business type, gross receipts, building size, street frontage, and usage. For instance, depending on these factors, annual assessments within San Diego's BBID range from \$40 to \$1,200 per year, and anchor businesses pay up to \$5,000 per year.

Tourism Business Improvement Districts (TBIDs)

TBIDs benefit hospitality and tourism businesses within their districts. There are over 70 TBIDs in California and more are created every year. Typically, TBIDs are used to raise awareness of the destination, sponsor special events that attract overnight visitors, and create sales programs that bring large groups into hotels and resorts.

An example is the San Francisco Tourism Improvement District, which assesses all tourist hotels operating in the City and County of San Francisco. Its services include creating hotel-specific marketing and promotions programs and, to generate large-group business, and upgrading and expanding the Moscone Convention Center.



To establish a TBID, hospitality and tourism businesses within the district that will pay 50 percent of the total assessment amount must submit a petition to the city council. Three council hearings that offer the option for public protests are required to approve it. TBIDs can be formed for an initial term of five years, with the possibility of a 10-year renewal, and are managed by convention and visitors' bureaus, hotel associations, or similar nonprofit destination marketing organizations.

Assessment methods vary, and include nightly fees added to hotel rooms that can be paid by the hotel or passed on to guests, or fees based on gross revenue. For instance, hotels within the Carlsbad Tourism and Business Improvement District are assessed a flat \$1 fee per room per night, while those in the San Francisco Tourism Improvement District are assessed either one percent or 0.75 percent of gross revenue, depending on their proximity to tourist attractions and the convention center.

Along with enhancing quality of life and attracting more tourism, California's BIDs have increased property values and reduced crime. For example, in Los Angeles, they are associated with an 11-percent decline in serious crimes and a 32-percent reduction in arrests.

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