

*Business Improvement Districts:  
International model/New Zealand implementation*

This paper will examine two BIDs in the USA with a focus on identifying key common characteristics and contrast these with BID-like organisations in New Zealand. The paper will also identify emerging trends in USA BIDs and compare these to New Zealand BID-like models. Selection of the two USA BIDs was to seek contrasts of the two models. The LA Fashion District brand and attraction is retail. Old Pasadena however, has a heritage brand which attracts visitors to Old Pasadena, who subsequently spend in local businesses.

The BID structure can be applied to many variations of local population, economic and social variations. Variations of BID structure between NZ and the USA therefore, are not relevant. Two key differences between the two countries are in the relationships between local authorities and the BID and the focus of what the BID organisations are delivering.

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Business Improvement Districts (BIDs) are an established model for achieving urban economic development which has been in operation in the USA for over fifty years. The first BID was established in New Orleans in 1975.

A definition of a BID is:

*A model of economic development which provides town and city centres with financial and strategic autonomy. Revenues are collected from a defined urban geographic area which is agreed upon by businesses, usually by a ballot process. Revenues collected in this fashion are termed Assessments which are used for implementing improvement strategies and the organisation of those.*

The Assessment/payment is similar to a *targeted* or *separate rate* in New Zealand.

The purpose of a BID is to make town and city centres more competitive. The financing mechanism is used to provide revenue for a variety of local improvements and services



that enhance, not replace, existing municipal services. Typically, Bids are formed by an ordinance or resolution of local government.

Decisions affecting BID revenues are usually made by a Board consisting of private property and business owners. To deliver day-to-day services, a BID may have its own staff or may contract with a business district management organisation.

The *International Downtown Association* (IDA) in Washington DC promotes BIDs as part of its core business. The IDA has six hundred members which are located in fourteen countries throughout the world, a significant number of IDA members are BID organisations.

BIDs are being used increasingly to provide finance marketing and economic development initiatives which improve urban quality of life and the economic vitality of cities, towns and commercial corridors. In 2005 over 1200 BIDs exist in North America.

## **Old Pasadena**

Old Pasadena is located in California approx 9.5 miles Northern-east from Los Angeles. Old Pasadena has a strong heritage focus with architecture which reflects the traditions of early California, assisting the district to be 3<sup>rd</sup> as a destination for Los Angeles visitors.



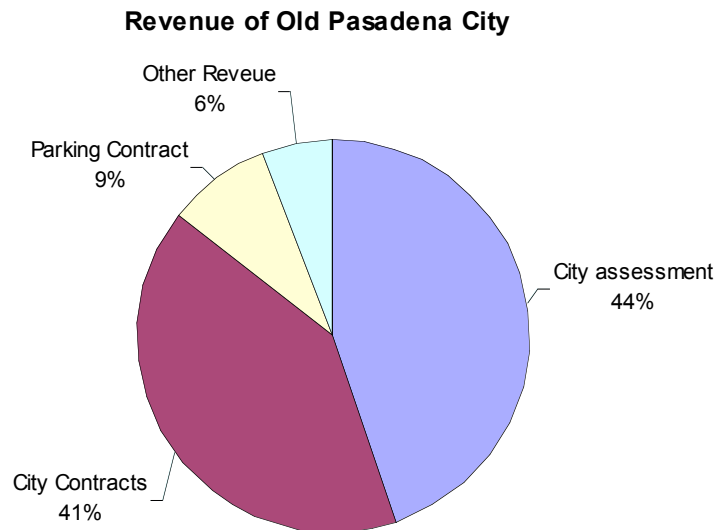
Initiated in 2000, Old Pasadena Management District (OPMD) operates a \$1.3 million budget of which about \$600k comes from the private property owners' assessment based on square footage. Like most USA BIDs, the OPMD collects data on its District. This is to assist with measuring outcomes from the strategies which are implemented and demonstrating the outcomes which convinces ratepayers to agree to continue funding the BID. Like most BIDs in the USA, OPMD is required to go back to members and re-seek support for what it is undertaking. For that reason, the collection of data is considered critical.

Data for Old Pasadena Management District includes:

Population with college education	41.3%
Central district workforce	60,000
Annual retail sales	\$177m
Number of businesses	516
Number of property owners	197
Median household income	\$46,012

**(See also *Some Key Achievements for Old Pasadena District*).**

## OLD PASADENA MANAGEMENT DISTRICT INCOME

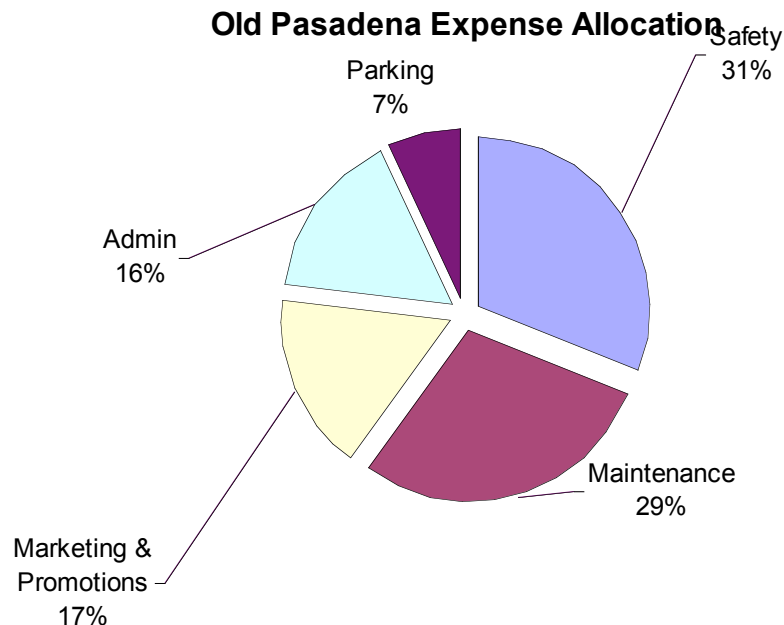


Most of OPMD revenue comes from the City's assessment/payment for services totalling \$545k annually – this is a contracted amount for the five years of BID life before re-polling to ascertain if ratepayers will continue funding the BID.

Additional income is from a contract to manage the City's parking garages (separate from BID responsibilities contract) – this earns the BID around \$115,000 of which about \$80,000 is spent out of pocket to fulfil the contract. Other revenues are achieved through sponsorship, ad and booth sales etc. for special events that the BID produces which are self-sustaining and outside the BID budget.



## OLD PASADENA MANAGEMENT DISTRICT EXPENDITURE



It is easy to see where the funds are most expended by the OPMD. Environmental maintenance and safety take a huge 60% while marketing and promotions take just 17%.

**Source: Old Pasadena Management District 2004 Report**

### Some Key Achievements of the Past Year for Old Pasadena Management District

- Old Pasadena is ranked 1<sup>st</sup> in visitor attraction to the city of Pasadena
- Old Pasadena was ranked 3<sup>rd</sup> in visitor attractions to Los Angeles
- OPMG advocated on major developments *with* City Council, the City's Advisory Commissions and neighbours
- successfully advocated for changes to the Central District Plan affecting planning, zoning and entitlements for stakeholders

- retail sales and property values continued to increase
- Ambassador Guides have become ‘of age’ and have contributed to a decreasing crime rate
- OPMD has become a premier destination attracting new business, new investors and new residents
- researched and developed benchmarks to measure the effectiveness of services
- created and launched *Job Site!* on [www.oldpasadena.org](http://www.oldpasadena.org) as a benefit to business and community
- inaugurated ‘Cinema in the Park’ movie series raising money for cancer relief and providing free entertainment to the community every Saturday night in May.
- under a separate contract with the City of Pasadena Council took over the management of three Council-owned parking garages in Old Pasadena.

## LA Fashion District

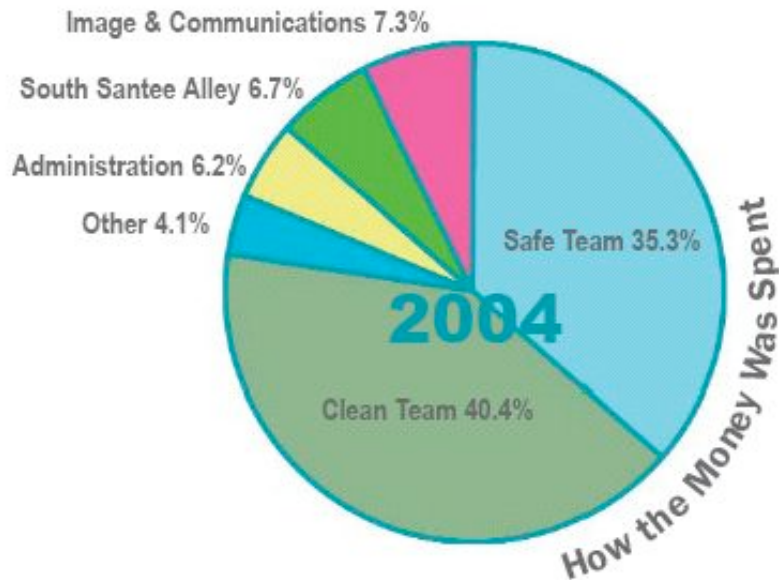
The LA Fashion District is located approx about a miles South-west from Los Angeles  
 The metropolitan area of LA has a population of 9,000,000 and the Fashion District pop. is 3,259,000. The brand of LA Fashion District is retail business. The brand is to attract visitors who are interested in shopping for clothing and fashion accessories.

### Data:

- Visitors in 2003 209,280 \*
- Weekend pedestrians increase 23% over 2000



## LA FASHION DISTRICT EXPENDITURE



Source: LA Fashion District Board 2004

LA Fashion District allocates 75% of income to environment maintenance and safety with *Image and Communications* third with 7.3%.

## SOME KEY ACHIEVEMENTS OVER THE PAST YEAR

- \$US7.2m in free publicity – 112% increase of free advertising over previous year
- LAFD successful in gaining local government support for strategic retail development in Big Box Ordinance. Effectively banning superstores that are over 100,000 sq feet.
- Crime is down 20%

- Ambassadors attend *intensive training courses* offered by a regional government-funded programme.
- LAFD acquired new sidewalk cleaning machinery.
- Graffiti removal is up 44% over the past year. LAFD is maintaining a *Zero tolerance* to graffiti with tags removed within 24 hours.
- Measuring results-Weekend pedestrian counts show a 23% increase over counts conducted in 2000. During the four week project, pedestrian traffic was counted at 30 locations.

#### USA BIDS KEY COMMON CHARACTERISTICS COMPARED TO NZ

USA	New Zealand
Downtowns or Mainstreets	Town or City centres; Mainstreets
Geographically defined	Geographically defined
Local authority contracts to guarantee service delivery to town/city centre	Other than 'goal' statements, no contract for delivery from LG.
Superior relationship/partnership between LG and BID	Top down initiatives. Lack of partnership is hindering.
Self-funding through <i>assessment /tax</i> and also such as city contracts	Self-funding through additional rates.
A legal mechanism to raise funds to enhance the <i>management</i> of a particular place	A legal mechanism to raise funds to enhance the <i>management</i> of a particular place
Initiated mostly either as a response - fear or opportunity	Initiated mostly either as a response – fear or opportunity
BIDs key focus are the environment: sanitation; cleaning; graffiti; parking; marginalised people including glue sniffers and the mentally ill.	Focus is on urban upgrades (urban design) and marketing. Other initiatives include graffiti and community issues.
Have an economic development focus to <i>revitalise the area, market the area, and recruit new businesses.</i>	Have a physical environment focus: urban design and heritage. Belief that this will lead to revitalisation.

## COMMON BID ACTIVITIES – USA MODEL

**Maintenance:** Along with Security, Maintenance is one of the key reasons for a BID being established in the USA. BIDs recognise that town and cities which are perceived to be dirty with litter and graffiti are also perceived to be unsafe for people and property. This perception is a disincentive for property investors and also visitors. BIDs therefore seek to supplement services *‘over and above those provided by local government, including frequent sidewalk sweeping, trash and debris removal, periodic power washing of sidewalks and immediate removal of graffiti from buildings and public amenities’* ABC for Creating BIDs:IDA).

**Security:** BIDs finance extra security supporting existing policing. Security can be additional patrols which are financed by the BID; as *Ambassadors* who are employed to provide customer service support. This would include carrying bags for shoppers, assisting mothers unfolding prams etc. from cars, sweeping and cleaning up extra litter.

**Marketing and Promotions:** Branding and marketing strategies require a collaborative approach with businesses. Websites, Newsletters and general communication with members are all important in the BID core business.

**Events:** Draw card events are important to brand cities and Downtowns as destinations BIDs typically identify and undertake events which become their ‘signature’ events.

**Economic Development:** BIDs finance business investment including undertaking market analysis, preparing leasing and marketing brochures and structuring public/private financing for redevelopment projects.

**Social/Community:** BIDs can bring together all the relevant institutions and organisations such as local government agencies, social service providers, law enforcement providers such as police, truancy officers. BIDs often work with these agencies where relevant, to ensure marginalised or needy people are linked with providers.

**Capital Improvements:** BIDs typically fund public art, some fund street lights, seating and directional signs.

**Advocacy:** Local authorities recognise the contribution BIDs make to the local economy, socially and environmentally. The relationship is one of partnership with inclusion and proactivity on the part of local authorities on issues relevant to the BID. This includes transportation environment, big box development.

## COMMON ACTIVITIES NEW ZEALAND COMPARISON

### **Sanitation, litter and graffiti**

While some NZ town and city centres such as Wanganui and Otago have managed to obtain contracts to manage the cleanliness of their town or city centre, these are the exception and are few in number. Many NZ Local authorities and town centre organisations have not yet recognised the benefits of locally managed sanitation contracts.

There is a good graffiti model which at least one town centre in NZ has implemented<sup>1</sup> where the private sector manages graffiti in its town centre and the peripheral areas.

In NZ however, Local authorities continue to manage all aspects of maintenance including graffiti.

Many town centres have additional security such as security guards in a collective contract with participating businesses. Other use 'telephone tree' type alarms when shoplifters are operating.

Several town centres have Ambassadors however the NZ model does not supply the intensive customer service training that many BIDs in the US do.

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1 [www.towncentredevelopment.co.nz/downloads](http://www.towncentredevelopment.co.nz/downloads)

The New Zealand model is less active in business recruitment and facilitation of commercial property development than the US model. This is mostly due to the NZ BID's 'needing to do everything'. The lack of partnership with local authorities results in BID's in NZ often being the initiator of events and activities; establishing databases with community and literally working from an initiator position. Local authorities often work on similar elements separately, for example, BID's in NZ have initiated events and markets which have subsequently been taken over by local authorities and even moved away from the town centre. Market research is undertaken in NZ however it is not 'core business' as for the US model and there are less funds.

**Events:** Events are important to attract visitors. NZ model has annual events in most town centres.

Some Councils such as Auckland City, Franklin District and Papakura District have their town centre policies located in Economic Development. Other Councils have them within Community Development, thus constraining an economic development focus. The NZ model is not sufficiently advanced to make use of opportunities such as private/public sector collaboration to gain urban intensification and other outcomes which require the engagement of commercial property owners. Howick Village Association (Manukau City) however, has been pro-active in this regard.

The argument could be made that the NZ model is sometimes too community focused at the expense of its business communities. While it is recognised that there must be social outcomes from BIDs, the model must first be driven from an economic perspective, otherwise it becomes another community project, which is not what businesspeople vote for when agreeing to pay higher rates.

Some NZ projects have agreed to fund capital improvements (eg: Otahuhu, Onehunga). This should not be undertaken however, until the town centre is economically strong. Businesspeople vote to pay higher commercial rates in the belief that there will be economic outcomes therefore micro economic development is where the focus should be.

**Advocacy:** NZ town centres have advocated to restrict or lessen 'big box' development and succeeded in one or two places but have lost hundreds of cases. Many local government politicians believe big box retail development creates jobs without giving thought to the negative impact on their local township.

NZ has no central government and little local government policy which recognises the special place traditional town centres have in NZ society and in the economy.

## **The New Zealand model**

The New Zealand model is described as *Bid-like* by the Urban Land Institute, USA<sup>1</sup> Bid-like because the method of achieving financial autonomy is similar. Targeted or separate rating is achieved by the commercial sector paying higher rates based on a percentage of property value which is similar to the Assessment model of the USA. Initiated in New Zealand in the early 1990's Wanganui, Otahuhu and Levin were the first areas to begin the NZ *Mainstreet* model of BIDs, followed closely by 150 others which sprung up over eighteen months in the immediate years following.

The NZ Mainstreet model has a five point plan which requires focus on five key elements:

1. Business Improvement
2. Organisation/Operations
3. Landscape & Design
4. Marketing & Promotions
5. Heritage & Environment

Without exception, the single *reason* New Zealand businesses vote to pay extra rates to have a representational organisation such as a BID or a Mainstreet project is that it will improve the local economy. This is with the understanding that relevant social and environmental concerns in each locality will be addressed to achieve outcomes which ensure the town centre is a clean and safe place to be.

Many of the NZ Mainstreet or *BID*-like projects have been established with a focus on urban design and events. This has resulted in many New Zealand projects missing key economic elements such as retail mix and regional retail development. These elements in themselves are fundamental to local economic development in our urban areas yet continue to be given little regard. While the retail sector is consistently one of New Zealand's largest industries and is recognised as important to tourism and regional development, there is no strategic retail regional strategy in New Zealand that we are aware of currently.

With urban design and the facilitation of physical upgrade implementation, the NZ version of the BID model has thus put much of the additional business rates towards paying a Manager to being a facilitator between Council and contractors doing an urban upgrade and an event or two over a year. The very important elements of financial autonomy, shared marketing, outcome monitoring and economic development are largely neglected, although in more recent years, some projects are beginning to collect relevant data.

## **Trends of BIDs in the USA**

BIDs are having to go beyond clean and safe downtown areas to being relevant – Old Pasadena BID is much more active in eco development and advocacy than ever envisioned at its inception.

It also seems that BIDs are getting into more business ventures (e.g. Old Pasadena is managing parking garages).

This challenges organisational and staff capacity, since BIDs are primarily set up to provide services which traditionally are around maintenance, security and business improvement.

## TRENDS OF THE NEW ZEALAND MODEL

- 1 The NZ model is static, rather than evolving. There is a lack of strategic development. Focus remains primarily on marketing, events and physical upgrades.
- 2 Lack of partnership. Local authorities control, rather than partner BID-like projects in NZ. Some local authorities, such as Manukau City are beginning to actively partner in a financial sense<sup>1</sup> with some of their projects. There is no comparison however with the USA partnership where local authorities and traditional town centres are actively engaged together in local economic development.
- 3 Until recently there had been very few job changes of the established BID-like projects. Recent movement of Town Centre Manager positions will contribute to development of a new labour market.
- 4 Development of a new labour market of Town Centre managers will assist in improved qualifications of Town Centre Managers. This will hopefully contribute to raising the performance of the NZ model.
- 5 Local authorities are beginning to recognise town centres as important – beginning to be formally recognised in Council Community Plans. This has been greatly assisted by the Urban Design Protocol from the Ministry for the Environment.

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