

BUSINESS IMPROVEMENT DISTRICTS

POTENTIAL FOR PUBLIC/PRIVATE CONFLICTS

Mark E. Mandell

Mandell Municipal Counseling

Mark@MandellMuni.com

Definition– Part 1

A Business Improvement District is a *program of a city* under which *the city levies an assessment* against businesses or property to fund services or improvements that benefit the assessed businesses or property.

Three Types of BIDs

1. '89 Act
2. '94 Act
3. Charter City

Two Types of Assessments

1. On Property (subject to Prop 218)
2. On Businesses (subject to Prop 26)

(Also on Hotel Rents– Not a Part of this Talk)

Definition– Part 2

A city council can only establish a BID after the owners of the businesses or property have indicated their support (or lack of opposition) for the BID via a petition; a ballot or protest proceeding; or both.

'89 BID Process

1. Adopt Reso of Intent
2. Mail Reso/Joint Notice to Each Business Owner
3. Public Meeting
4. Public Hearing/Protest Count
5. Adopt Ordinance

'94 BID Process (Property)

1. Petition
2. Adopt Resolution of Intention
3. Mail Notice
4. Public Meeting
5. Public Hearing/Protest Count
6. Adopt Reso of Formation

'94 BID Process (Property)

1. Petition
2. Resolution of Intention
3. Mail 218 Notice and Ballot
4. Public Hearing/Tabulate Ballots
5. Adopt Reso of Formation

Definition– Part 3

The program of services, improvements, and assessments are described in documents created during the establishment process. The description of the program is typically created by a BID consultant.

Definition– Part 4

Services and improvements are generally provided by a *nonprofit organization*, often called an ‘owners’ association,’ *which is under contract to the city.*

Definition– Part 5

The owners' association also generally prepares an annual report, which is used by the city as the basis for annual decision making.

'89 BID Annual Process

1. Council Approves Annual Report
2. Adopt Resolution of Intention
3. Publication of Resolution
4. Public Hearing/Protest Count
5. Adopt Reso Conforming Report

'94 BID Annual Process

Council Approves Annual Report

Why do cities like BIDs?

- Enhance Local Economy/Tax Revenues
- Improve Downtown/Area
- Minimal Cost to General Fund

Why do owners like BIDs?

- Provide Extra Services
- Local Coordination: Exec Director
- Control of Svcs: Owners' Association
- No Free Riders: Mandatory Assessments

The Competing Narrative

When petitioned by business or property owner stakeholders, a city holds a mail ballot election regarding establishment of a BID. If the stakeholders approve the ballot measure proposing the management district plan for the BID, then the BID is incorporated as a nonprofit corporation. The stakeholders, as members of the new BID, then elect a board of directors to govern the BID. The board of directors levies the assessment as set forth in the management district plan; hires staff; provides the services and improvements described in the management district plan; and issues annual reports that are filed with the city. The city assists the BID by acting as the BID's agent for collection of assessments.

The Players– Formation

- City
- Proponent Group
- Formation Consultant
- Business/Property Owners
 - Big/Small
 - Retail/Service/Professional
 - Central/Peripheral

The Players– Ongoing

- City
- Nonprofit Board
- Service Providers
- Dissenting Businesses/Owners

Areas for Attention

- Preparation of Documents
- Acceptable 218/26 Risks
- Nature of Services (Especially Security & Policy)
- Internal Organization of Owners' Association
- Designation of Owners' Association
- Baseline Services
- Administrative Expenses/Tax Flow/Impoundment
- Meetings & Records