

# Business Improvement Districts

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## Analysis of BIDs in the City of San Diego

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The individual business improvement districts were kind enough to provide information for this study. This information will provide readers of this study necessary context to understand how the individual business improvement districts interact and contribute to their communities.

The San Diego County Taxpayers Association would also like to thank the San Diego Association of Governments for the data provided.

## Executive Summary

The purpose of this analysis is to provide insight regarding the City of San Diego's Business Improvement District (BID) program. This study is part of our overall effort to evaluate the policy-making discussion around San Diego's economic development programs. It is not the intent of this study to quantify the effects of BIDs but to inform the local dialogue regarding BIDs through an organization of relevant published materials and limited analysis regarding BID assessments since Fiscal Year 2002.

Business improvement districts were first brought to the United States in the 1950s to combat urban blight. California created BIDs as early as the 1960s with the introduction of the "Parking and Business Improvement District Law of 1965." Municipalities have used BIDs to boost the economic performance and quality of life. Business owners were seeking ways to combat urban flight to the suburbs and malls. The legal framework allowed non-profit associations to form and create a centralized commercial communications, promotions and outreach organization representing all business owners in a commercial district.

BIDs are designed to facilitate growth by utilizing the partnership between the public and private sector to promote and make improvements in our neighborhoods. A district is funded by annual assessments levied on all businesses in the district. The non-profit management company uses the money for marketing, holding local events, selling neighborhood merchandise, cleaning streets, and other related activities. Business improvement districts leverage the assessments they receive to earn additional revenue from sources like fundraising, events and competitive grant awards.

The City of San Diego has 20 BIDs where thousands of businesses and tens of thousands of workers and residents reside.<sup>1</sup> Of the 20 BIDs, the 18 that are currently functioning form the Business Improvement District Council. San Diego is a unique case within the United States because the San Diego Business Improvement District Council "is the only association of business improvement districts outside of government in the US."<sup>2</sup>

The academic consensus is that BIDs produce a net positive benefit for the communities in which they are located. Studies that focus specifically on the City of San Diego's BIDs also conclude that they positively impact the region. Several researchers have concluded that BIDs help reinforce neighborhood identity, attract skilled workers, increase the flow of tourists and promote economic growth.

Our report also highlights the importance of maintaining a high level of transparency. It should be noted creating a full accounting of all reported issues with BIDs would be outside the scope of this report. Since a 2005 court decision required BIDs to comply with open government laws despite the unfunded financial commitment required, transparency

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<sup>1</sup> Vasquez, Vince. "[The Economic Impact of Business Improvement Districts.](#)" National University System Institute for Policy Research. April 2012.

<sup>2</sup> [Business Improvement Districts.](#) The City of San Diego. Accessed: October 5, 2012.

issues have left BIDs politically vulnerable to criticism. In recent years, the BID Council and individual BIDs have taken action to ensure they follow the transparency laws. Their reform efforts include uploading documents relating to meeting agendas, meeting minutes, and annual budgets on their websites for the public to access.

Our analysis does not make any conclusions regarding BIDs' effect on a community's economy. Our review of previously published materials found a consensus that BIDs have a net positive effect. Further research is required however to conclusively assert that BIDs cause economic growth in a particular community and to estimate that impact. Further study could include surveying BID member businesses as well as developing a model for estimating the economic health of San Diego communities. Such a model would need to control for all economic development efforts that vary across the City and other factors that impact the economy such as benefit from tourism.

## Section I: Introduction

The objective of this report is to provide perspective on the ongoing conversation about the City of San Diego's Business Improvement District (BID) program. The San Diego County Taxpayers Association's review of the program is part of our overall endeavor to review the efficiency and cost-effectiveness of the region's economic development programs.

BIDs are operated by non-profit associations representing all business owners in a commercial district and provide centralized efforts including commercial communications, promotions and outreach. They are designed to facilitate growth by utilizing partnerships between the public and private sector to promote and make improvements in neighborhoods. A district is typically funded by annual assessments levied on all businesses in the district.

Our report is not designed to quantify the economic impact of BIDs, but to provide insight regarding the cost-effectiveness and efficiency of the City of San Diego's Business Improvement District program through a review of published materials focusing on the effectiveness of BIDS including those specific to BIDs and those specific to BIDs in San Diego. Our report also does not intend to provide a full account of all the issues raised regarding BIDs.

## Section II: Background

### Brief History

Starting in the 1950s, residents began leaving the urban core of cities for suburban areas. Cities responded to this trend with a series of policy changes, including the development of BIDs to attract consumers and residents back to a diverse and vibrant city core. BIDs were originally created, in part, for the purpose of promoting “cleanliness and security” within specific areas of the urban core. The districts had the advantage of developing strategies and efforts to the local conditions of the BIDs as opposed to top-down approaches.<sup>3</sup> BIDs were innovative because the programs themselves were governed, carried out, and financed by the property owners and business owners in the specific areas. Along with subsidized housing, block grants, and tax incentives, business improvement districts are just one of the many tools municipalities have at their disposal to fight urban decay.<sup>4</sup> Scholars have suggested that the development of BIDs was a response by the communities and residents living in the affected areas to the inability of local governments to deal with the problem of urban blight.<sup>5</sup>

BIDs were also created in part to solve collective action problems associated with downtown and business associations.<sup>6</sup> Prior to BIDs, business associations often relied on voluntary payments of their members to combat urban blight. This collective action problem made it difficult for business associations to mount an effort against urban blight. Individual members did not have an incentive to contribute to the general cause because the marginal cost of contributing to the fund was higher than the marginal benefits received from that individual investment. When all members participate, the individual benefit typically outweighs the individual cost.

Most BIDs in San Diego are “tenant-based” and are created by the vote of business owners in a specified area. Alternatively, Property Based Improvement Districts (PBID) are composed of all property owners. Both BIDs and PBIDs require all members to pay involuntary assessment fees. A third type of BID in San Diego is the Micro District which is primarily funded through grants and for which no involuntary assessment is collected.

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<sup>3</sup> Stokes, Robert. “[Business Improvement Districts and Small Business Advocacy: The Case of San Diego’s Citywide BID Program.](#)” *Economic Development Quarterly*. Vol. 21, No. 3, pp. 278-291. August 2007.

<sup>4</sup> Olson, Rebecca and Lacey Keys. “[Business Improvement Districts and Proposition 218: After Silicon Valley Taxpayers Association v. Santa Clara County Open Space Authority.](#)” *The Public Law Journal*. Vol. 31, No. 4, Fall 2008.

<sup>5</sup> Stokes, Robert. “[Business Improvement Districts and Small Business Advocacy: The Case of San Diego’s Citywide BID Program.](#)” *Economic Development Quarterly*. Vol. 21, No. 3, pp. 278-291. August 2007.

<sup>6</sup> Hoyt, Lorlene. “[The Business Improvement District Model: A Balanced Review of Contemporary Debates.](#)” *Geography Compass*. Vol. 1, No. 4. pp. 946-958. 2007.



## General Functions

BIDs may perform a whole range of activities depending upon the needs of each district. Some of the most common activities funded by a BID are listed below<sup>7</sup>:

- **Capital Improvements:** installing pedestrian-scale lighting and street furniture; planting trees and shrubbery.
- **Consumer Marketing:** producing festivals and events; coordinating sales promotions; producing maps and newsletters.
- **Economic Development:** offering incentives such as tax abatements or loans to new and expanding businesses.
- **Maintenance:** collecting trash; removing litter and graffiti; washing sidewalks; trimming trees.
- **Parking and Transportation:** managing a public parking system; maintaining transit shelters.
- **Policy Advocacy:** promoting public policies to the community; lobbying government on behalf of business interests.
- **Public Space Regulation:** managing sidewalk vending; discouraging panhandling; controlling vehicle loading.
- **Security:** providing supplementary security guards; buying and installing electronic security systems; working with the city police force.
- **Social Services:** aiding the homeless; providing job training; supplying youth services.

## Creating a BID (BIDs and PBIDs)

Special assessment districts are divided into two categories: business-based and property-based. Business-based assessment districts are exempted from Prop 218 meaning that BIDs are exempt under this law.<sup>8</sup> Business-based BIDs however need to comply with Prop 26. The City's property-based business improvement district is subject to the requirements of Prop 218 and exempt from the legal requirements of Prop 26. The legal framework in which both operate is the focus of the following section.

There are basic requirements imposed by Proposition 26 (2010) and Proposition 218 (1996) for creating BIDs or PBIDs respectively. Further discussion regarding both propositions is included in the Legal Framework section of this report.

Recent legal decisions clarified that a BID or PBID must demonstrate that it confers "special benefits" to the assessed businesses or properties greater than non-assessed and at large businesses or properties. An engineer's report conducted by the city is used to confirm the amount of special benefit conferred. An additional requirement for PBIDs is that each

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<sup>7</sup> Mitchell, Jerry. "[Business Improvement Districts and Innovative Service Delivery.](#)" The PricewaterhouseCoopers Endowment for The Business of Government. November 1999.

<sup>8</sup> Ibid.

property or businesses be assessed proportional to the special benefit it is receiving.<sup>9</sup> The burden of proving whether a BID or PBID meets the legal requirement rests upon the non-profit organization that oversees operations and management of the BID or PBID.<sup>10</sup>

To create a tenant-based (also known as business-based) BID, a steering committee must initiate a petition process. The content of the petition reflects the consensus of interested businesses that were surveyed and/or that participated on the steering committee. The petition includes the activities the BID will carry out, the boundaries of the district, and the methodology for levying assessments. A petition must be signed by 20 percent of the businesses within the area of the proposed district. Once a petition is sent to the city, the staff will mail out ballots to determine if there is a majority support among businesses within the proposed district. The majority must be both a majority of the number of businesses to be included, and a majority of businesses weighted by the assessments that would be collected. If majority support exists on both accounts, the city will move the petition forward to the city council for approval. The city council will deliberate on the petition allowing for public input along the process. The city council has the discretion to modify the petition. If the council approves the petition the BID is geographically created by law.

To start a PBID, a petition of intent must be submitted to the city council. There must be a written petition submitted to a municipality's governing body signed by property and business owners of the proposed PBID who will pay more than 50 percent of the proposed assessments to be levied. The petition must also include a management district plan detailing the governing of the district and its finances and the improvements to be made to the district. Once the petition is passed with majority support, it goes to city council for approval. At this stage, the city council has the option of modifying the contents in the management district planning including the level of assessments and the border of the PBID. As with most decisions requiring the consent of the legislative body the petition process must go through public hearings. After city council approves the petition the proposal is sent back to the property owners in the proposed district for a vote for approval. If over 50 percent of the property owners in the outlined district vote to approve the management district plan, the PBID is enacted by municipal code.

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<sup>9</sup> Olson, Rebecca and Lacey Keys. "[Business Improvement Districts and Proposition 218: After Silicon Valley Taxpayers Association v. Santa Clara County Open Space Authority.](#)" The Public Law Journal. Vol. 31, No. 4, Fall 2008.

<sup>10</sup> Ibid.

## Legal Framework

Please note that much of the information described in this section is summarized in the following Section II: Profile of San Diego Business Improvement Districts.

### **“Tenant-based” BIDS**

#### *Parking and Business Improvement Area Law of 1965 [36000.-36081.]*

This law allowed the establishment of business improvement districts in the state of California. It specifically permitted the creation of tenant-based BIDs made up of businesses in the area. The Parking and Business Improvement Area Law of 1965 reflected an effort to combat suburbanization and political pressure to revitalize urban areas. The legislation outlined the purpose of a BID. It created a legal framework enabling city councils to appoint an “advisory board” to oversee and monitor BIDs. The functions of a BID were laid out in the California code. BIDs were required to submit an annual report to the city council to report on the activities of the BID. The 1965 law gave the city council the final say on all matters relating to BIDs and established a process to disestablish them.

#### *Parking and Business Improvement Area Law of 1989 [36500.-36551.]*

The Parking and Business Improvement Area Law of 1989 is a revision to the 1965 law. Several changes were made and a lengthy justification of the legislation is included. The law defines key terms such as ‘improvement’ as: “the acquisition, construction, installation, or maintenance of any tangible property with an estimated useful life of five years or more...”

Some of the “improvements” include:

- Parking facilities
- Benches
- Trash receptacles
- Street lighting
- Decorations
- Parks
- Fountains

The list of activities that a BID may conduct includes the following:

- Promotion of public events which benefit businesses in the area and which take place on or in public places within the area
- Furnishing of music in any public place in the area
- Promotion of tourism within an area
- Activities which benefit businesses located and operating in the area

Tourism was recognized as an integral part of the tool wielded by BIDs and BIDs became identified as one of the ways to boost tourism for an area.

### *Proposition 26*

Prop 26 was passed by 52.5 percent of California voters on November 2, 2010. Prop 26 limits the ability for local government to impose fees by defining the difference between a “charge” or “fee” and a “special tax” which requires approval by a two-thirds vote of the people.

Prop 26 stipulates that “any levy, charge, or exaction of any kind” charged by a local government is considered a special tax which requires a two-thirds voter approval unless the fee is for “a benefit or privilege conveyed” or “assessments and property-related fees governed by Proposition 218.”<sup>11</sup> BIDs are exempted because assessments are considered user fees. According to the San Diego City Attorney’s Office, “a user fee does not become a tax requiring voter approval if the public as a whole is *incidentally* benefitted by the expenditure of the proceeds of these levies as a discrete group is specially benefitted by the expenditure.” Furthermore, for an exception to apply, “the charge cannot exceed the reasonable cost incurred by the local agency in providing the benefit or privilege.”<sup>12</sup>

A fee is not “imposed” if a private party voluntarily enters into a contract to pay a fee to a local agency. Prop 26 reinforces the burden that the local agency in charge of the BID is the agent responsible for proving “preponderance of the evidence that the charge is not a tax”<sup>13</sup>.

### *Governance*

Section of 36530 of the California Streets and High Code gives a city council the power to appoint an “advisory board” which will make recommendations to the city council on expenditures of the BID, on the classification of businesses, and on the method of levying the assessment. The advisory board is tasked with producing an annual assessment report on the activities and performance of the BID it oversees. The report may include recommendations on changes to be made to the district. In San Diego, the city council has contracted with non-profit management (NPM) organizations for the management of BIDs. These NPMs report annually to the city council.

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<sup>11</sup> [“Proposition 26 And Its Impact On City Fees And Charges.”](#) Office of The City Attorney. City of San Diego. Memo to Honorable Mayor and City Council Members. July 2012.

<sup>12</sup> Ibid.

<sup>13</sup> Ibid.

### *Funding*

Tenant based BIDs are funded by assessments from businesses in the district. Assessments are collected through the business tax certificate. In the City of San Diego assessments are collected by the city and distributed to NPM for expenditure. Typically upon the advice of a formation committee or another advisory board, the city council may establish tiered zones of different levels of benefits and assessments according to Section 36528 of the California Street and Highway Code. The city council also has the authority to exempt certain businesses from the paying assessments up to one year although SDCTA is unaware of this ever occurring. Newly established businesses are allowed to be exempted from assessments up to one year. NPMs in San Diego use their assessment revenues as leverage for additional revenues.

### *Expiration*

Tenant-based BIDs are approved pursuant to state law in perpetuity. The annual operating agreement and budget are approved each year by the municipal government.

### **“Property-based” BIDS (PBIDs)**

#### *Property and Business Improvement District Law of 1994*

This piece of legislation allowed for the creation of Property and Business Improvement District (PBID). PBIDs are special districts where property is assessed to fund improvements and services. PBIDs are imposed by a majority of property owners who sign petitions to form the district. A governing board of property owners oversees and monitors the execution of the management plan.

Both PBIDs and BIDs share the same purpose and conduct the same activities. The main difference between the two types of business improvement districts are their financing mechanism and their governing structure. This will be further discussed in the governance and financing section.

### *Governance*

Section 36614.5 in the California Street and Highway Code gives an “owners’ association” management responsibilities in regards to a PBID. An owners’ association is a private non-profit entity that has a contract with the city to manage the PBID. The owners’ association is required by law to give a report on the performance of the PBID and recommendations to improve the district for each fiscal year. The San Diego City Council has delegated administration of the Downtown PBID to the Downtown San Diego Partnership.

### *Funding*

PBIDs generate revenue from assessments collected on the assessed value of all property within its district. The charges levied on businesses are based on assessments proportional to the estimated benefit being received by the businesses in the district.<sup>14</sup> Properties that are zoned to be entirely residential or agricultural which do not benefit from improvements are not subject to any assessments. Section 36631 of the California Street and Highway Code gives local governments the authority to charge interest and penalties on delinquent payments on property assessments.

The city council has the power to propose a new or increased property assessment to fund the BID.<sup>15</sup> The law does allow for a protest to be made and for the assessment to be contested.<sup>16</sup>

Section 36628 of California Government Code allows the establishment of separate benefit zones within the district “based on the degree of benefit from the improvements or activities to be provided.” This can be viewed as analogous to a tiered system of zones. Through the resolution process, the legislative body may issue bonds to finance activities of the BID to supplement the income generated by assessments.<sup>17</sup> California law states the quantity of debt service to retire the authorized bonds “shall not exceed the amount of revenue estimated to be raised from assessments over 30 years.”<sup>18</sup>

### *Expiration*

PBIDs are originally authorized for five years, and can be renewed for an additional ten-year period.<sup>19</sup> Prior to a PBID expiration, a new management district plan must be created and a new district must be established through the same process as stated in California law. There is no requirement that the boundaries be the same as the prior PBID.

### *Proposition 218*

Proposition 218 applies to PBIDs, but not tenant based BIDs. The passage of Prop 218 in 1996 significantly altered the finances of local and state governments. Prop 218 was passed to mitigate the risk of abuse of local governments to use assessments and property related fees to raise revenues. Prop 218 requires that a two-thirds majority of voter approval for all taxes and most charges on property owners. According to the Legislative Analyst Office (LAO), most of the billions of dollars raised annually by local governments are not directly affected by Prop 218.<sup>20</sup> Only a subset of revenue streams is affected.

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<sup>14</sup> [“What is a Business Improvement District?”](#) California Tax Data.

<sup>15</sup> State of California. California Street and Highways Code, Section 36620 and 36624.

<sup>16</sup> State of California. California Street and Highways Code, Section 36633.

<sup>17</sup> State of California. California Street and Highways Code, Section 36640.

<sup>18</sup> Ibid.

<sup>19</sup> State of California. California Street and Highways Code, Section 36660.

<sup>20</sup> [“Understanding Proposition 218.”](#) Legislative Analyst Office. December 1996.

With the new restrictions on raising revenues, local governments rely more on:

- Developer fees
- General taxes imposed on particular groups (such as business license, hotel occupancy, and sporting or entertainment admission taxes)
- Special taxes imposed on properties within small, discrete areas
- Intergovernmental transfers
- Non-property related fees<sup>21</sup>

With these new restrictions, municipal governments were expected to have more difficulty raising new revenue since the potential of other revenue sources is limited. As a consequence, local residents and property owners play an increased role in their local government's finances. Problems occur due to the "frequently confusing manner in which program responsibilities are shared with state and local government, and among local governments."<sup>22</sup> One such example of the confusion of responsibilities is whether street cleaning is handled by a city or by a BID.

The primary financing mechanism for BIDs is property assessments. As such, most assessments are exempted from Prop 218 if they meet any of the following conditions:<sup>23</sup>

- The assessment was previously approved by voters--or by all the property owners at the time the assessment was created.
- All of the assessment proceeds are pledged to bond repayment.
- All the assessment proceeds are used to pay for sidewalks, streets, sewers, water, flood control, drainage systems, or "vector control" (such as mosquito control).

The LAO predicted that approximately half of the assessments at the time of the passage of Prop 218 would be exempted. The legal justification is that the "assessment funds are used for one of the approved purposes or are pledged to bond payment—or the assessment was agreed to by a land developer, the sole property owner at the time the assessment was established" or a group of property owners in the case of a BID.<sup>24</sup> If it does not fall under these conditions, the assessment would either be eliminated or made to follow California statute.

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<sup>21</sup> Ibid.

<sup>22</sup> Ibid.

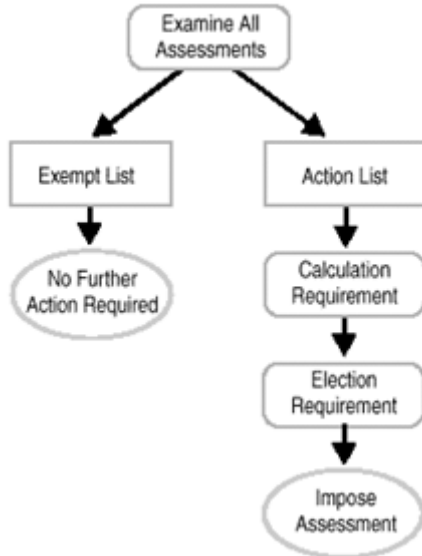
<sup>23</sup> Ibid.

<sup>24</sup> Ibid.



The following figure illustrates the actions necessary to comply with the rules of Prop 218:

*Figure 1: Actions Required for Compliance with Proposition 218*



Source: California Legislative Analyst Office

Prop 218 did give greater initiative powers to local residents. All ambiguity regarding the use of the initiative process to overturn or reduce any local tax, assessment, or fee was dispelled.<sup>25</sup> Prop 218 explicitly states any tax, assessment, or fee requires voter approval. As a result, BIDs are exposed to legal suits if they are found not to meet certain legal standards.

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<sup>25</sup> Ibid.



## Section II: Profile of San Diego Business Improvement Districts

San Diego’s BID program traces its origins back to 1970 with the creation of the Downtown Improvement Area. Today, San Diego has 20 geographic BIDs. Within San Diego’s BIDs there are approximately 12,000 businesses that currently raise more than \$1.3 million annually for improvement projects.<sup>26</sup>

Table 1: BIDs within the City of San Diego

Adams Avenue	La Jolla
City Heights	Little Italy
College Area	Midway*
Diamond	Mission Hills
Downtown	Morena*
East Village	North Park
El Cajon Boulevard Central	Ocean Beach
El Cajon Boulevard Gateway	Old Town
Gaslamp	Pacific Beach
Hillcrest	San Ysidro

Note: \*Not considered “active” as they are not currently managed by an NPM.

Sources: SDCTA, BIDC

The Office of Small Businesses (OSB) oversees all 20 BIDs in the city. Approximately 12,000 businesses are located within the 18 active BIDs. Three BIDs not considered “active” as they are not currently managed by an NPM. Annual assessments range from \$40 to \$1,200 per business.<sup>27</sup>

In addition to the more common “tenant-based” BID, there are two important subcategories of business improvement districts to note. The first is the micro district. This subcategory is for areas that do not represent a critical mass of businesses, but would still like to receive some of the positive benefits of a business improvement district.<sup>28</sup> Micro districts were created in order to satisfy the needs of smaller, older communities which lacked an adequate number of businesses to generate sufficient programming. Smaller communities did not have access to the business improvement district program because they had too few businesses. BIDs in San Diego typically have at least 300 assessed members. The number of members in a micro district is typically between 100 to 250 businesses.<sup>29</sup> Micro districts receive many of the same benefits as “tenant-based” BIDs, but

<sup>26</sup> [Business Improvement Districts](#). The City of San Diego. Accessed: October 5, 2012.

<sup>27</sup> Vasquez, Vince. [“The Economic Impact of Business Improvement Districts.”](#) National University System Institute for Policy Research. April 2012.

<sup>28</sup> San Diego BID Council. [Micro District Program](#). Accessed: October 15, 2012.

<sup>29</sup> Ibid.

rely heavily on grants because they lack access to involuntary assessment revenue. The San Diego City Council, via council policy 900-15, has assigned responsibility of administering the micro district program to the Business Improvement District Council (BIDC).

Table 2: Micro BIDs within the City of San Diego:

Name of Micro BID	Projects Funded
BAME Renaissance Community Development Corporation	Business Coupon Book
Bankers Hill Business Association	Community Newsletter
Bird Rock Community Development Corporation	Community Street Fair
The Greater Clairemont Chamber of Commerce	Banners
La Jolla Shores Merchant Association	Banners
Linda Vista Town Council, Inc.	Community Newsletter
Logan Avenue Business Association	Banners
Mira Mesa Chamber of Commerce	Media Marketing
Mission Beach Business Association	Banners
Morena Business Association, Inc.	Banners
Otay Mesa Chamber of Commerce	Banners
Peninsula Chamber of Commerce	Restaurant Walk
Rancho de Los Penasquitos Town Council	Farmers Market
San Diego North Chamber of Commerce	Community Event
Scripps Ranch Civic Association	Banners
South Park Business Group	Community Walkabouts
University First Business Improvement Association	Community Newsletter

Sources: SDCTA, BIDC

The second subcategory is the property-based business improvement district (PBID). The Downtown San Diego Partnership is the only such district in the City of San Diego. Though both PBIDs and BIDs are based on similar California law, there are significant differences according to a 2010 report by Progressive Urban Management Associates:<sup>30</sup>

- PBIDs engage property owners rather than business owners suggesting long term investment and community improvement goals;
- PBIDs benefit from a more stable base of ratepayers;
- PBIDs raise from 5 to 10 times more revenue than business-based Business Improvement Association (BIA);
- PBID assessments are collected through property tax bills and carry the same enforcement mechanisms;

<sup>30</sup> [“What is a California Property-Based Business Improvement District?”](#) Progressive Urban Management Associates. July 2010.

- All classes of property within a PBID must participate, including commercial, government, residential, non-profits and mixed-use;
- PBIDs can have a term of 5 years (and be renewed up to 10 years) as opposed to one year for business-based BIDs.

The following table summarizes the types of BIDs in San Diego previously described.

*Table 3: Types of BIDs in San Diego*

	Tenant-Based	Property-Based (PBID)	Micro BID
<b>Size</b>	300+ businesses	All property owners	Less than 300 businesses
<b>Financing Mechanisms</b>	Collected annually through business tax certificate bill	Assessment on property tax bills	One-year BIDC grants
<b>Assessments</b>	Involuntary for businesses	Involuntary for property owners	Voluntary
<b>Management</b>	Non-profit management (NPM) organization	Non-profit owner's association	Non-profit organizations coordinate with BIDC
<b>Public Voting Threshold</b>	Majority of businesses.	Majority of property owners vote weighted by assessed value.	No public vote.
<b>Expiration</b>	No predetermined term. Operating agreement and budget are approved by the city council each year.	Originally authorized for 5 years. Renewable for an additional 10 years.	No predetermined term.
<b>Applicable Laws</b>	<ul style="list-style-type: none"> <li>• Federal non-profit rules and regulations</li> <li>• Public Records Act,</li> <li>• Brown Act</li> <li>• Parking and Business Improvement Law of 1965 and 1989</li> <li>• Proposition 26 (Post 2010)</li> </ul>	<ul style="list-style-type: none"> <li>• Federal non-profit rules and regulations</li> <li>• Public Records Act</li> <li>• Brown Act</li> <li>• Property and Business Improvement District Law of 1994</li> <li>• Proposition 218</li> </ul>	<ul style="list-style-type: none"> <li>• Federal non-profit rules and regulations</li> <li>• Public Records Act</li> <li>• Brown Act</li> </ul>

Source: SDCTA

## Business Improvement District Council (BIDC)

The Business Improvement District Council (BIDC) is a non-profit umbrella organization that assists the City of San Diego in managing all of the BIDs in the city. The organization was created in 1989 in part to address the problem of decentralized planning, development, and services.<sup>31</sup> BIDC provides more efficient economies of scale by operating on a citywide level. BIDC also acts as an advocacy organization for all BIDs in the city. BIDC receives funding from the city for program support and operations, micro-districts and commercial neighborhood grants and in-kind services, and technical assistance originating from small business license fees per Council Policy 900-15. The BID Council provides a mechanism for BIDs to see an economy of scale for some collective services, provide technical assistance to emerging business association, and work as a collaborator with City departments to test new programs. BIDs receive grants from the foundation which are used to fund initiatives that enhance the living environment of the districts.

Below is a summary of the responsibilities of the BIDC<sup>32</sup>:

- Communications and public relations:
  - Establish and maintain a BID Council website and periodic BID Council newsletter
  - Provide the promotion, marketing, and media relations of member BID's highlighting small business in San Diego by hosting BID Business of the Year and Small Business Week 2013
- Financial management support:
  - In partnership with the City Special Events Staff, conduct economic studies regarding the estimate of annual revenues and economic stimulation that are derived from special events held within the BID's in San Diego
  - Provide life insurance policies for all executive directors as a HR benefit
- Maintaining a resource library:
  - Maintain professional membership with national and regional organizations that benefit BID and micro district members including Board Source, Main Street, and the San Diego Regional Chamber of Commerce
- Assistance in policy and program development for BIDs:
  - Develop and maintain programs to benefit member organizations and businesses in with the City of San Diego as well as provide professional staff to develop and execute programs including Bike Friend BIDs and special events assistance

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<sup>31</sup> Stokes, Robert. "[Business Improvement Districts and Small Business Advocacy: The Case of San Diego's Citywide BID Program.](#)" Economic Development Quarterly. Vol. 21, No. 3, pp. 278-291. August 2007.

<sup>32</sup> San Diego Business Improvement District Council. Email communications. April 2013.

- The Special Event Services staff has over 20 people that assist in approximately 60 seasonal events around the city
- Contract and reimbursement processing:
  - Contract compliance by member organizations
  - Assist member organizations with web maintenance and compliance with posting of documents specified in the annual BID Management Agreements
- Assistance in BID formation efforts, including public outreach:
  - Provide free consulting via the CEO of the BID Council to the board and committee members engaged in developing a BID or managing a newly established BID
- Training of BID staff (including professional training for directors):
  - Provide professional management training to member BIDs in areas such as accounting and fundraising
  - Conduct business development, education, and training programs
- Development of alternative funding sources (San Diego BIDC, 2001):
  - Work with a local grant writer to review all of the members grant applications and provide assistance with grant writing services

## Section III: Literature Review

Due to the proliferation of BIDs in California and across the United States there has been a substantial amount of attention on them. The general consensus is that BIDs play a vital role in the economic revitalization of urban areas and that they generally have positive economic and social impacts.

See the References section of this report for a full list of sources used. This section provides summaries of the materials reviewed in three sections: (1) source documents focusing specifically on BIDs, (2) source documents focusing specifically on BIDs in San Diego as well as (3) concepts addressed in multiple sources. Statements in this section are not confirmed through other sources and do not necessarily reflect the conclusions of the San Diego County Taxpayers Association.

### Summaries of Source Documents Focusing Specifically on BIDs

#### **1996 Civic Bulletin by Manhattan Institute fellow Heather Mac Donald – “Why Business Improvement Districts Works”**

The bulletin describes the “BID movement” as “one of the most important developments in local governance in the last two decades.” It is heavily supportive of BIDs citing the “enormous amount of private sector creativity towards the solution of public problems.” Mac Donald goes on to state that BIDs have “become a positive draw for businesses.”

The bulletin credits New York City’s 34 BIDs in large part for Times Square, East Williamsburg, and Brooklyn by increasing safety, an improving homelessness situation, and increased attractiveness for shoppers and pedestrians.

In addition, Mac Donald declares that BID functions go far beyond what even the best-run cities typically offer demonstrated by the production of tourist guides and retail assistance that municipal government rarely provides.

#### **1999 PricewaterhouseCoopers Endowment for the Business of Government Report by Professor Jerry Mitchel – “Business Improvement Districts and Innovative Service Delivery.”**

Through a survey of BID managers this PricewaterhouseCoopers report concluded that BIDs have successfully transformed downtown areas to attract businesses and people to work, shop and live. The report went on to describe delivery services of BIDs as “broad-based” including capital improvement, marketing, economic development, maintenance, parking and transportation, policy advocacy, public space regulation, security, and social services. The leading service was found to be consumer marketing, “such as promoting events and producing maps and newsletters.”

The survey also revealed that BID managers look for ways to foster a positive American attitude toward downtown life.

### 2007 Study by M.I.T. Assistant Professor Lortene Hoyt PhD and Devika Gopal-Agge – “The Business Improvement District Model: A Balanced Review of Contemporary Issues

Hoyt and Gopal-Agge acknowledge several criticisms leveled at BIDs. Despite all the criticisms, they concluded that BIDs make overall positive economic and community development impacts. Because there are areas in which BIDs can improve, they recommend BIDs implement more rigorous methods of policy evaluation and metrics. This research paper looked in depth at the following three issues encountered by BIDs:

- The lack of democratic mechanisms and input
- The lack of accountability
- The inequality of services for residents and business owners

#### *Democratic Governance*

BIDs have been criticized for being less democratic relative to municipal governments. Critics argue that certain interests like businesses concentrate power in their own hands therefore taking away power from groups like residents and taxpayers. They cite the organizational structure as the culprit behind the lack of democratic mechanisms.

The author concludes this line of argument is flawed because BIDs are actually incentivized to include the community.<sup>33</sup> The privatization of place management can lead to the creation of net positive effects among the broader community. If they do exclude other actors in the community, there is a possibility of a backlash. BIDs do better when they take into consideration the entire community as part of their overall mission. They do better when they attract more people. More people translate into more customers. Therefore, it is difficult for BIDs to exclude certain stakeholders. Business owners have the ability to vote on whether or not to create a BID in the first place. Moreover, other groups in the community have the opportunity to voice their concerns through the governing body's various committees and governing board.

#### *Accountability*

The first level of BID accountability is provided through the oversight of the BID board of directors that includes primarily representatives of assessed businesses. Accountability also depends on the government's willingness to engage with BIDs and to monitor them as well as the quality of management of the BIDs. There are varying regulations that dictate accountability and transparency measures from state to state and among local governments. Many BIDs do have performance indicators like customer surveys, crime rates, occupancy rates, retail sales, number of jobs created and pedestrian counts. However, many do not and



BIDs rarely conduct a systematic performance evaluation. Only 54 percent of BIDs in the United States have performance indicators. Critics also point to the inaccuracy of some performance indicators due to extraneous variables skewing the true impact of BIDs.

### *Inequality in Services Provided*

BIDs are constructed to exclude outside parties from participating in the voting process and from receiving direct benefits as a result of their activities. The law requires BIDs to operate in this way. Some citizens have argued that BIDs deliver public services unequally resulting in income inequality.<sup>34</sup> Because BIDs are often providing services typically provided by the city, the inequality is due to non-optimal levels of public services. BIDs serve a geographic boundary or category of specific businesses and therefore are bound by law to serve those parameters.

### **[2008 Article in The Public Law Journal by Olson, Rebecca and Lacey Keys – “Business Improvement Districts and Proposition 218: After Silicon Valley Taxpayers Association v. Santa Clara County Open Space Authority.”](#)**

This article specifically summarizes the results of a legal case that defined how Proposition 218 impacts Business Improvement Districts. The author concludes that the burden of proof regarding the “special benefit” is placed on the local government.

*...local governments must ensure that proposed business improvement districts assess the parcels in the district in proportion to the benefits each will receive, as well as ensure the benefits those parcels are receiving are true “special” benefits and not the general benefits the locality as a whole will receive.*

### **[Summaries of Source Documents Focusing Specifically on San Diego BIDs](#)**

#### **[Voice of San Diego 2012 Articles on Transparency Reforms for BIDs](#)**

Through two articles the Voice of San Diego reported that businesses in Pacific Beach significantly underreported the number of employees at their establishments to the City of San Diego resulting in avoided assessments and the BID was operated “in violation of its contract with the City of San Diego.”

The City Auditor discovered that actual employment was more than five times the amount reported. Ultimately \$1,320 in additional assessments was collected by the city on behalf of the BID. The NPM took action to fix the issues addressed by the auditor including that they “failed to post notice of meetings and skimmed on the descriptions of what was being discussed at those meetings.” No fines or penalties were assessed upon the BID. Transparency reforms were enacted by the city council in response.



## San Diego Reader March 2011 Article “Business Improvement Districts Dismayed by City’s Money Management”

This article describes the issues the BIDC had with the City not transferring funds to BIDs in a timely manner. The president of the BIDC was quoted as saying the districts aren’t getting their money on time and “are often unaware of how much money they have in the bank.” The result is that BIDs are unknowingly spending more than they have allocated to them. In the third quarter of FY 2011, North Park’s BID “spent \$12,000 more than they had” and the El Cajon Boulevard BID overspent by \$17,000.

## March 2011 Memorandum of Law Issued by the City Attorney of the City of San Diego

This 2011 memo was written to provide guidance to the Mayor and city council regarding Proposition 26 (2010) that limited the government agencies ability to impose fees including BID assessments. The memo clarifies that a “user fee does not become a tax requiring voter approval if the public as a whole is *incidentally* benefitted by the expenditure...” however “the City cannot require *a payor* to pay for a special benefit or privilege that someone else receives for fee or at a discount.”

The memo later directly addresses BID assessments to say that assessments “are levied upon either properties of businesses to pay for special benefits received from improvements and activities within the district” and that “assessments against real property, such as the City’s PBID and MADs, are subject to the requirements of Proposition 218 and are therefore exempt from Proposition 26.”

## August 2007 Article in Economic Development Quarterly by Robert Stokes – “Business Improvement Districts and Small Business Advocacy: The Case of San Diego’s Citywide BID Program.”

This article addressed several questions regarding the BID hybrid model which, in the words of the author, “the public trades a measure of control for additional resources.” Specifically, the author addresses municipal policies that may assist BIDs as well as hold them accountable.

The city of San Diego’s BIDs program is described as one that uses public funds to support BIDs more than others and, in doing so, leverages private investment. Fees and Assessments count only for 14.5 percent of the total revenue received by the BIDs. They have turned to raising capital through entrepreneurial activities due in part to the city’s inability to provide sufficient funding. This conclusion is consistent with the following study out of the National University System Institute for Policy Research by Vince Vasquez and the concept is discussed further in the following sub-section.

The BIDC is described as “a unique organization with regard to small business assistance” whose role in policy making and implementation has grown beyond its original scope.

The article notes that the BIDC is given 50 percent of the city's business license tax, it has expanded its policy reach beyond BIDs and reached out to the city's non-BID-located small business operators through its operation of micro districts in addition to group health plan and other efforts.

Other cities are described in the article as lacking San Diego's "concentrated public policy efforts to assist small business enhancement at both the local district level and the municipal level." Two BIDs in San Diego however reportedly lost their service contracts with the City because of a failure to be effective.

The article goes on to note that accountability issues common with BID programs have been addressed by other cities.

The author describes San Diego's policy toward BIDs as "they form an integral part of the city's efforts to maintain viability in its small business sector while at the same time forming an effective organizational apparatus for broader community development efforts."

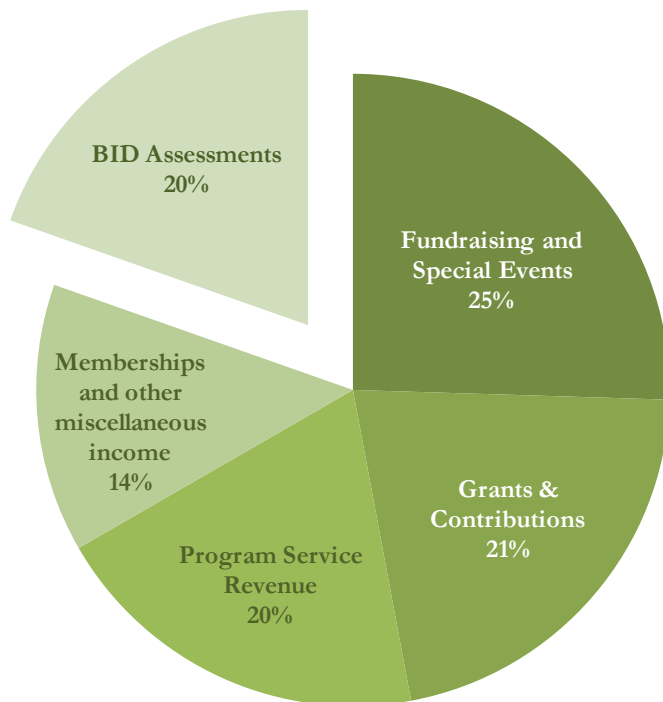
#### **April 2012 Study out of the National University System Institute for Policy Research by Vince Vasquez – "The Economic Impact of Business Improvement Districts"**

The intent of this study was to calculate a return on investment for assessment dollars and expands on the premise set by the Stokes paper. BIDs in San Diego produced \$36.2 million in revenue over FY 2008-FY 2010. Vasquez identifies BID's cooperation and partnership with other development districts like maintenance assessment districts (MAD).

To calculate the return on their investment, 990 forms for tax exemption and revenue type were classified and scrutinized by Vasquez who found that "BID businesses receive a 5:1 Return on Investment (ROI)" on average. The BIDs leveraged their assessment dollars to acquire additional funding. For every dollar of assessment money, the BIDs received approximately five dollars in other revenue.

Figure 2 shows a breakdown of the sources of revenue of the BIDs in San Diego. Although assessments account for a small portion of the total revenue, it serves as the basis of all other revenue for the BIDs. BIDs use assessment dollars as leverage "to obtain funds from other sources, such as grants, special event revenues, associate member dues, merchandise sales, advertising, fundraising, sponsorship agreements, and other entrepreneurial activities."

Figure 2: Breakdown of Sources of BID Revenue FY 2008-10



Note: This figure does not include revenues from non-BID Assessments such as Maintenance Assessment Districts.

Sources: SDCTA, National University System Institute for Policy Research

## Summaries of Other Important Concepts within Reviewed Materials

### Public-Private Partnership

As described in a previous section, BIDs were created partly due to the inability of local governments to respond to urban blight because of red tape and a declining tax base.<sup>35</sup> According to Manhattan Institute Fellow Heather Mac Donald BIDs hold several advantages compared to city governments. BIDs are allowed more flexibility as they operate largely outside of the governmental bureaucracy.<sup>36</sup>

As such, BIDs are able to focus on priorities that are different from those of city government. These priorities include functions like sanitation and marketing. In the realm of marketing the metro area, the municipal government has ceded increasing responsibility to districts like BIDs and tourism districts.

<sup>35</sup> Hoyt, Lorlene. [“The Business Improvement District Model: A Balanced Review of Contemporary Debates.”](#) Geography Compass. Vol. 1, No. 4. pp. 946-958. 2007.

<sup>36</sup> Mac Donald, Heather. [“Why Business Improvement Districts Works.”](#) Civic Bulletin. Manhattan Institute. No. 4. May 1996.

This point highlights the benefits of the public-private partnership model in use by the San Diego's business improvement district program. In a 2011 report, Deloitte Research similarly found that the financing gap for infrastructure is being closed by "private financing, design, building and operation of infrastructure."<sup>37</sup>

### Impact on Tourism

BIDs fall under the umbrella of Public-Private Partnerships. Public-Private Partnerships have the ability to improve a destination's overall competitiveness through private sector profits supporting infrastructure development.<sup>38</sup> BIDs are believed to have a positive effect on the district's tourism employment due to increased tourist spending. BIDs conduct numerous marketing activities such as street festivals, urban markets, and block parties to attract cultural tourists.

### Crime and Safety

One of the mantras of BIDs is "clean and safe." Making the district aesthetically pleasing and feel safe are two of the main objectives of BIDs. BIDs spend significant resources cleaning up the neighborhood and taking down graffiti. The rationale behind these expenditures is to make potential consumers feel safe by creating a welcoming environment.

Some research has shown that decreased minor crime leads to lower rates of serious crime.<sup>39</sup> John Worrall's 2006 study, "County-Level Analysis Finds That Focus on Minor and Public Order Offenses Reduced Level of More Serious Crimes" shows arrests for minor offenses reduce the number of assaults and burglaries. Thus, increased removal of graffiti is expected to serve as a deterrent against more serious crime.

### Attracting a Cosmopolitan Class

The vitality of an urban district is directly tied to the talent located in the area. Art, music, nightlife, and all the aspects of culture are essential in attracting top talent. Harvey Graff who is a social historian and professor of English and History at Ohio State said this is the reason Boeing chose Chicago over Dallas-Fort Worth for its new headquarters:<sup>40</sup>

*The lesson of social history is that wealth creates demand as much as commerce does...Boeing didn't choose Chicago because it was a better business city than Dallas. It*

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<sup>37</sup> Deloitte Development LLC. "[Closing the Infrastructure Gap: The Role of Public-Private Partnerships.](#)" Deloitte Research. Global and U.S. Reports. 2007.

<sup>38</sup> Girgis, Amir and Ufi Ibrahim. "[The Importance of Public-Private Partnership in the Current Downtown.](#)" World Travel and Tourism Competitiveness Report. 2009.

<sup>39</sup> Worrall, John. "[County-Level Analysis Finds That Focus on Minor and Public Order Offenses Reduced Level of More Serious Crimes.](#)" Policy Quarterly. 2006.

<sup>40</sup> Graff, Harvey. "The Dallas Myth: The Making and Unmaking of an American City." University of Minnesota Press. Minneapolis. 2008.

*chose Chicago because it offers more of a place to live...What do they want, these newly wealthy? Culture, style, fine dining, variety in entertainment, places to see and be seen. Most of all they want an aesthetically gratifying environment: places to walk, greenery, shade, water, pleasing architecture, human scale... We need a billion dollars on downtown alone, another half-billion on parks, and probably as much on our roadways. We need trees by the thousands, parks by the scores.*

The emphasis on quality of life is also why San Francisco was chosen by Forbes as the number one city in America despite its reputation for an overbearing government and notorious bureaucracy.<sup>41</sup> In fact, San Francisco ranked #197 in the cost of doing business. San Diego has the potential to move up the rankings by following the example of such cities of Appleton, Wisconsin and Sheboygan, Wisconsin. Professor Kevin Ward acknowledged in his 2010 journal article, “Entrepreneurial Urbanism and Business Improvement Districts in the State of Wisconsin: A Cosmopolitan Critique” that two Wisconsin cities used their BIDs to:<sup>42</sup>

*...improve their downtown economies through mobilizing the language of cosmopolitanism and the creative class, attempting to open up “city space as an arena for...elite consumption practices” (Brenner and Theodore 2002, 21). This meant in both cases attracting arts centers, bars, cafes, and other cultural facilities...*

BIDs in San Diego are following this model. East Village is one example. Before revitalization, the area was dotted with “industry warehouses, empty lots, and at times a large homeless population.”<sup>43</sup> The opening of Petco Park in 2004 further accelerated the redevelopment of East Village which was already benefiting from the nearby redevelopment of the historic Gaslamp Quarter. Restaurants, bars, shops, and other establishments followed the crowds that Petco Park drew. The examples of East Village in San Diego and Mission Bay in San Francisco suggest that redevelopment is maximized and accelerated with the presence of an institution that will draw large crowds. If other BIDs continue to follow a similar model, it is likely that San Diego can keep developing economically and socially.

### Issues with San Diego BIDs

There have been concerns raised on issues of transparency and accountability. The city council took steps to address these problems in the summer of 2012. The Voice of San Diego reported that two of the non-profit management (NPM) organizations managing BIDs were not complying with California state open government regulations. The council voted to “tighten existing requirements for districts and also ensure that they post bylaws, meeting minutes and annual financial reports on their websites.” They also tightened rules requiring BIDs to post a list of contracts over \$5,000. The management of the assessment

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<sup>41</sup> “Best Places for Businesses and Careers.” Forbes. Accessed April 2013.

<sup>42</sup> Ward, Kevin. “[Entrepreneurial Urbanism and Business Improvement Districts in the State of Wisconsin: A Cosmopolitan Critique.](#)” Annals of the Association of American Geographers. No. 100. Vol. 5. Pp. 1177-1196. October 2010.

<sup>43</sup> “[The New Face of East Village San Diego.](#)” Urban Living 92101. Accessed May 2013.

dollars is given to the NPM corporation in a local community. This NPM is held to a municipal standard of complying with the Public Records Act and the Brown Act without any staffing assistance that municipalities receive. Until 2012, cities were being reimbursed for the cost of compliance with the Brown Act, however since 2007, NPMs compliance has been expected with no assistance. The NPM is often run by one staff member or just volunteers. They lack the resources of a dedicated City Attorney and City Clerk to provide compliance with the Public Records Act (PRA) and Brown Act.

Since that time the BID Council has used economies of scale to have on-call attorney services to assist BIDs with compliance questions and provide website posting services. Most recently the Mission Hills BID was sharing a website with the Town Council and lacked funding to get its own website. The BID Council staff was able to build a site to host information and compliance documents so that it could have a dedicated page.<sup>44</sup>

For the last 20 years, the City of San Diego was collecting the assessments on the annual renewal of the business' certificate, and reimbursing the BIDs after the NPM had expended money on behalf of the business community.<sup>45</sup> There was a lack of transparency in the city's payment structure and with the implementation of the SAP system in 2011 when delays of 90 or more days became the norm. Small NPMs were fronting the funds, and waiting for reimbursements of assessments collected for their operations.

In 2011, the BID Council embarked to change the system of payment to deliver the assessments on a monthly basis (as they are collected) directly to the NPM corporations. BIDs were facing difficulty making payroll payments even though assessments had been collected on the districts behalf. The city's monthly reporting on assessments was terminated with the implementation of SAP because the report had been generated on a legacy system. The City of San Diego collects the assessments and then disburses the money to the managing agencies of the BIDs, but neither the NPM nor the City could account for the funds. In March of 2011 it was reported that districts weren't getting their assessment revenues on time and were often unaware of how much money they has in their accounts.

The delays in apportioning assessments by the city reportedly affected the operational efficiency of the NPMs. Advocacy by the BID Council and the city council stepping in to modify the payment structure solved this problem by creating a disbursement system that accounts for the revenue collected by the city on a monthly basis and distributes directly to the NPMs for services stipulated in the annual budget approved by the city council. At the end of the year the NPM submits an independent audit to the city to reconcile this information. This new system provides transparency to the business owners and the city.

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<sup>44</sup> San Diego Business Improvement District Council. Email communications. April 2013.

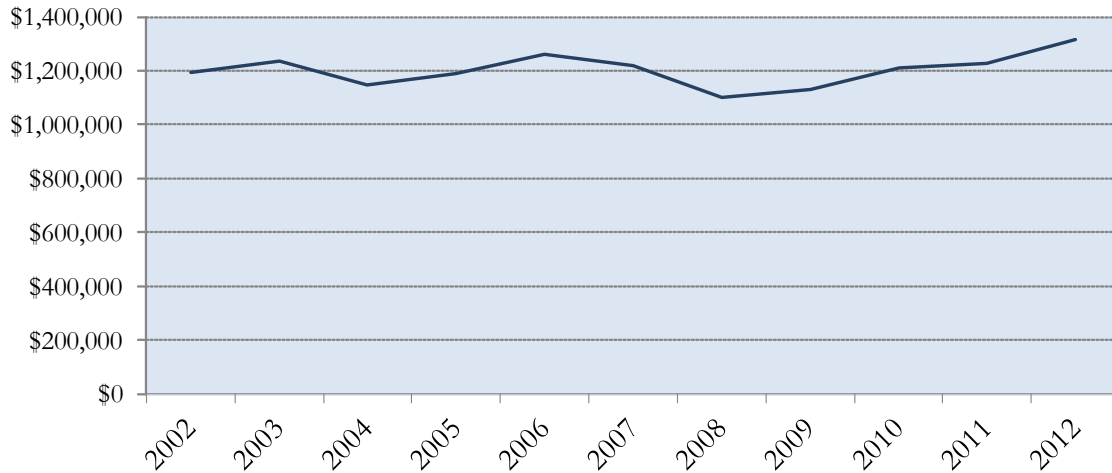
<sup>45</sup> Ibid.



## Section IV: Assessments

The Business Improvement District Council provided SDCTA with total assessments by BID for each year from Fiscal Year (FY) 2002 through FY 2012. This section only includes assessment revenues from tenant-based BIDs. Total assessments has remained relatively flat during this time. The following figure illustrates the total assessments from FY 2002.

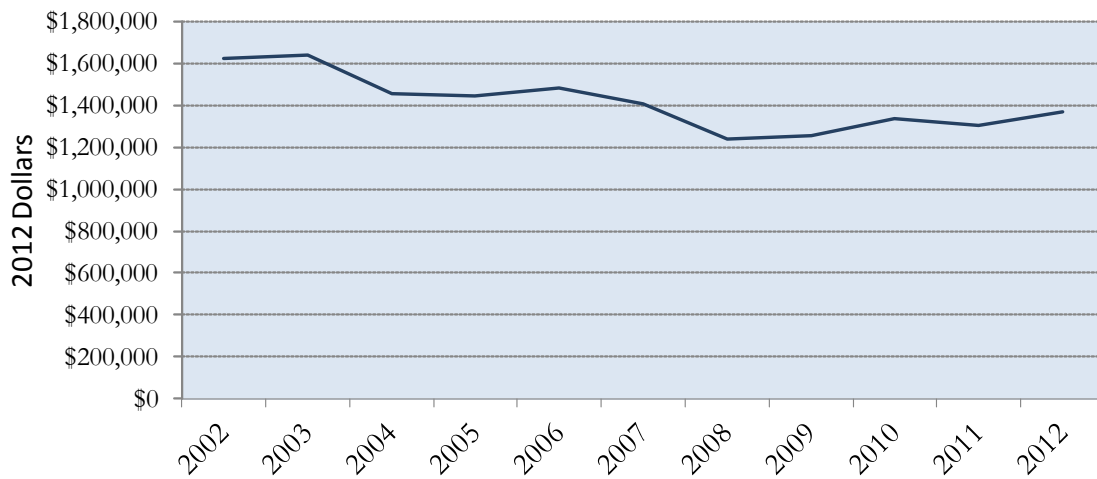
Figure 3: San Diego BID Assessment Revenues



Sources: SDCTA, BIDC

The following table demonstrates that assessments have actually moderately decreased within the study period when adjusted for inflation.

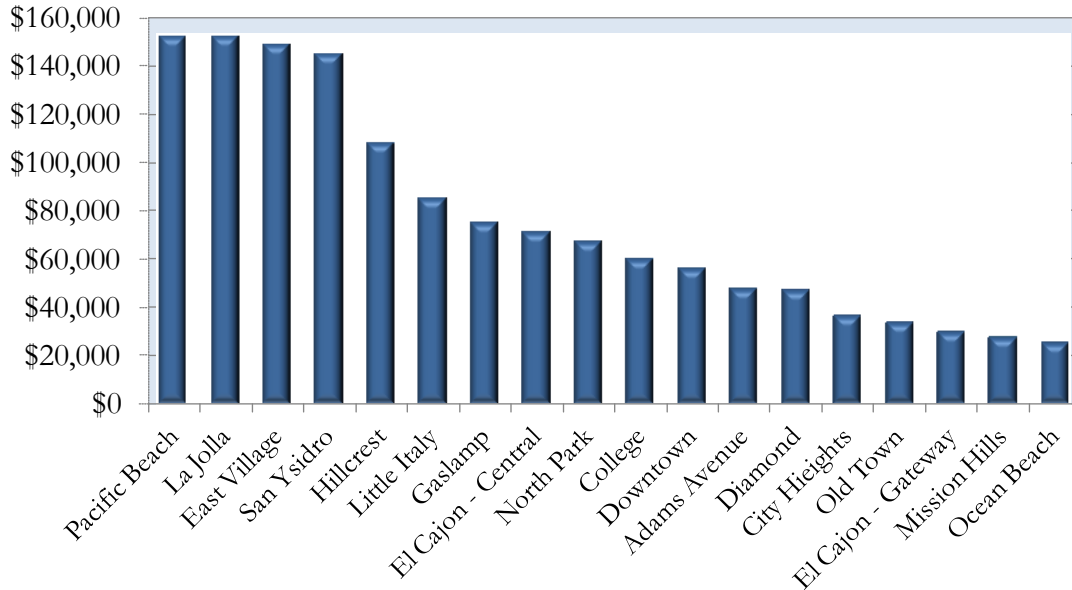
Figure 4: San Diego BID Assessment Revenues Adjusted for inflation



Sources: SDCTA, BIDC

In FY 2012, the BIDs that collected the most assessments were Pacific Beach, and La Jolla which collected several times that of the smallest BIDs of Mission Hills and Ocean Beach.

*Figure 5: San Diego BID Assessment Revenues for FY 2012 by BID*



Sources: SDCTA, BIDC

Due to several complimentary and economic development programs as well as numerous factors involved with the economic performance of each of San Diego's communities an analysis designed to estimate the impact of BIDs on each community would be a complex model and is outside of the scope of this analysis. Further research is required in order to allow for conclusion about the effect of BIDs on economic growth in communities. Further study could also include surveying BID member businesses and interviewing BID managers.



## Section V: Conclusions

The purpose of this analysis is to inform the local dialogue regarding BIDs through an organization of relevant published materials in addition to limited analysis regarding BID assessments since FY 2002.

BIDs are designed to facilitate growth by utilizing the partnership between the public and private sector to promote and make improvements in our neighborhoods. The City of San Diego has 18 currently functioning BIDs that form the Business Improvement District Council (BIDC) making San Diego a unique case within the United States because the BIDC is the only association of BIDs housed outside of government.

Our review of academic and other literature found the following:

- **BIDs leverage the assessments they receive to earn additional revenue from sources like fundraising, events and competitive grant awards.** BID revenues are used for activities such as marketing, holding local events, and selling neighborhood merchandise. In addition, cleaning streets and other historically city-provided services are commonly provided through BID revenues when existing tax expenditures fail to provide a level of service that is deemed sufficient.
- **The academic consensus is BIDs produce a net positive benefit for the communities in which they are located.** Studies that focus specifically on the City of San Diego's BIDs also conclude they positively impact the region. Several researchers have concluded that BIDs help reinforce neighborhood identity, attract skilled workers, increase tourism and promote economic growth.
- **Maintaining a high level of transparency is of high importance.** Historically, the lack of transparency made BIDs politically vulnerable to criticism. The BID Council and individual BIDs have taken action to ensure they follow applicable transparency rules.

Our review of assessment revenues of San Diego BIDs found the following:

- **Total BID assessments have remained relatively flat since 2002.** The San Diego tenant-based BIDs with the most annual assessments are those in the communities of Pacific Beach, La Jolla, East Village, and San Ysidro.

This report does not make any conclusions regarding BIDs' effect on a community's economy. Further research is required to conclusively assert that BIDs cause economic growth in any given community and to estimate that impact. Further study could include surveying BID member businesses as well as developing a model for estimating the economic health of San Diego communities. Such a model would need to control for all economic development efforts that vary across the City and other factors that impact the economy such as benefit from tourism.

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## Appendix A: Map of San Diego's Business Improvement Districts



Source: San Diego BID Council