

# Revitalization of Urban Areas Through Business Improvement Districts (BIDs) – Trends and Expectations for Shrinking Cities

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## Defining BIDs

A *BID* is a geographically defined and mostly inner city area by which the property and business owners cooperate to improve the business and urban environment.

The BID services provided are supplementary to those provided by the municipality and usually include security, maintenance of public spaces, removal of litter and graffiti, economic development, public parking improvements, special events and social services.

## Where it all began...

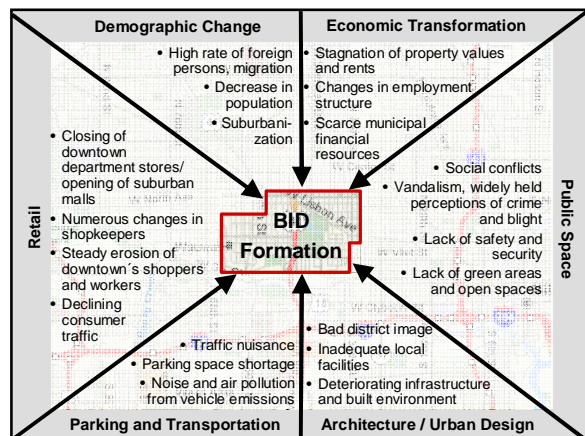
- World's oldest Business Improvement Area *Bloor West Village* in Toronto, Canada (1970)
- Today more than 1.000 BIDs in North America
- BID initiatives in Europe, Japan, Australia and South Africa
- Since 2003: formation and implementation of BIDs in Germany and United Kingdom



## Cities at the Beginning of the 21st Century

### Change and Transformation

- Polarization of economic development between different regions: *'growth islands'* adjacent to *'shrinking regions'*.
- Demographic decline in cities with severe impacts on municipal housing (vacancy, deterioration), real estate market (decrease of property values), technical and social infrastructure (under-utilization) and retail development (lack of consumer traffic, slump in sales).



## BID Program Areas

### 1. Transportation and Parking

- Improving traffic management
- Promoting existing public transport

### 2. Retail

- Vacancy Management
- Retention programs to prevent existing retailers from relocating



### 3. Urban Design and Architecture

- Mobilization of building land reserves
- Storefront improvement programs

## BID Program Areas

### 4. Public Spaces

- Park and public space enhancements
- Removal of graffiti from buildings

### 5. District Marketing and Communication

- Development of an holistic marketing and communication concept
- Festival and special event programming

### 6. Social Services

- Youth programs, support of children
- Homeless assistance

## But...

*"BIDs often fill gaps in municipal services or compensate for what they do poorly" (Levy 2001).*

In Germany, municipalities are legally obligated for example

- to clean the streets (including the sidewalks),
- to illuminate the inner city traffic area and
- to regulate public transport and parked cars.

## Structure of BIDs (in Germany)

### Different legislative approaches:

- I. The legislative model (at Federal State level)  
-> established in the Federal States Hamburg and Hesse
- II. The legislative model (at municipality level)
- III. Principle of voluntariness -> Pilot Projects in North Rhine-Westphalia
- IV. Property owner initiatives -> Eastern part of Germany

## Scheme of Different BID Models in Germany



Status: February 10th, 2006

Legislative Model (Federal State Level)  
Legislative Model (Development or Construction Phase)  
Republic of (Legislative) BID Model in the self-administration

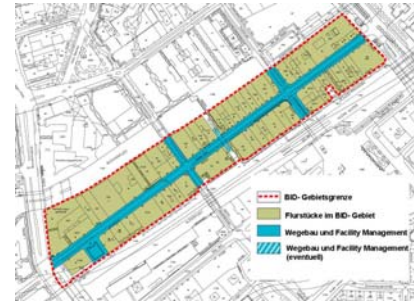
## The Legislative Model in Hamburg

- **"Law of Strengthening Retail Districts"**
- The coming into force was January 1st, 2005.
- BID is a temporary organization and lasts a pre-determined period of time - generally five years.
- The establishment of a BID needs the support of 15% of property owners (disapproval:  $\leq 1/3$ ).
- In this case the City of Hamburg makes a resolution by passing a decree-law to implement a Business Improvement District.

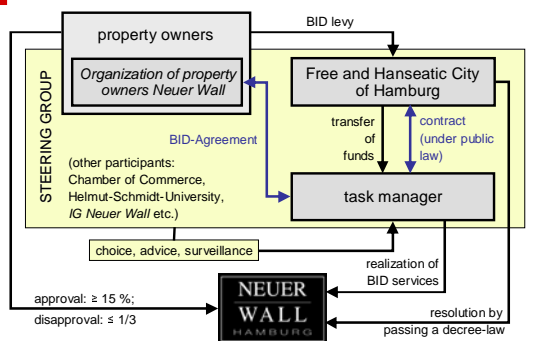
## BID Funding

- The BID in Hamburg is funded by a **special tax based on the commercial space** (local businesses) **and the value of the properties** – which is why the Hamburg project will require special legislation.
- The tax is a product of the municipal rate fixed by the municipality and the rateable value of the property (under the terms of the German Valuation Law).

## Area of the BID „Neuer Wall“ in Hamburg



## Organizational Structure BID - Neuer Wall, Hamburg



## BIDs as a Tool for Urban Renewal in Shrinking Cities

City	Population		Change
	31.12.1990	31.12.2004	
East Germany			
Chemnitz	296.000	246.000	-17 %
Halle	311.000	238.000	-23 %
Schwerin	128.000	99.456	-22 %
Weimar	61.000	64.396	+5,5 %
West Germany			
Bochum	396.000	382.000	-3,5 %
Dortmund	598.000	585.000	-2 %
Duisburg	535.000	503.000	-6 %
Krefeld	244.000	239.000	-2 %

## Priority Objectives of Urban Renewal in Shrinking Cities

- Improving the housing and living conditions of the residents of older districts,
- strengthening and supporting the vitality and economic functions of such districts as well as
- renewing and preserving their building stock as well as their urban physical and social structure.



## Property Owner Initiatives

- Model on voluntary basis
- Property owners and/or retailers get together to identify local problems, to develop tailor-made solutions and to start with a full range of services and programs
- Foundation of a registered association
- Membership fee in form of an annual subscription is only used for BID activities
- Free rider problem

## BID Strategies in Shrinking Cities

- Managing vacancy
- Elaborating a business development strategy
- Establishing a concept to improve the mostly bad district image
- Financial incentives for new and existing businesses
- Long-term cooperation between the municipalities, the property owners and the world of private business

## Interim Use of a Shop Premise



## SWOT Analysis of a BID

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> <li>• Defining an holistic approach for a geographically defined area</li> <li>• Providing additional / enhanced services that improve the district environment</li> <li>• Developing partnerships between the public and private sector</li> <li>• Predictable and reliable funding source for supplemental services and programs</li> </ul>	<ul style="list-style-type: none"> <li>• Lack of practical experience with BIDs in Germany (e.g. uncertainties concerning the right form of organization)</li> <li>• Mandatory district assessment as an unbalanced impact obligating some members of the property owners group and imposing no extra obligation on the other members</li> <li>• Free-rider problem</li> </ul>

## SWOT Analysis of a BID

OPPORTUNITIES	THREATS
<ul style="list-style-type: none"> <li>• Encouraging corporate social responsibility</li> <li>• Attracting inward investment: helping to decrease vacancy rates</li> <li>• Making the district more competitive with surrounding retail centers</li> </ul>	<ul style="list-style-type: none"> <li>• Exorbitant expectations of the property/business owners</li> <li>• Step by step privatization of public tasks</li> <li>• Strengthening “strong districts” with owners that are able to pay the BID levy in debit of “weak districts”</li> </ul>

## Conclusions

- BIDs are not a remedy for all “urban illnesses” and undesirable urban developments, but they can play a significant role in the downtown revitalization process.
- BIDs represent a fundamental basis for future urban planning policy as a contradiction to ongoing suburbanization and economic crisis.
- Business Improvement Districts can take a positive approach to manage the impact of shrinkage in terms of sustainable urban development (“*Shrinkage as an opportunity!*”).

## Thank you very much for your attention!



BID Nordstraße in Bocholt (Northrhine-Westphalia)