Business Improvement Districts in New York City's Low-Income and High-Income Neighborhoods

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Business improvement districts (BIDs) have become popular commercial revitalization tools. To date, the literature has focused on the experiences of large BIDs in the wealthiest parts of the city. The author offers qualitative and quantitative data on 41 of New York City's BIDs in an effort to reveal differences in the form, function, and operating practices of large and small BIDs and the roles they play in urban development processes. Her key findings suggest that large and small BIDs fulfill different development functions. Small BIDs attend to the physical maintenance of an area. Midsized BIDs concentrate on marketing and promotional activities. Large BIDs, in addition to maintenance and promotion, engage in capital improvement activities. BID behavior appears to vary in relation to its resource base, type of commercial property represented, the composition and balance of power among key stakeholders, and the wealth of the community in which it is located.

Keywords: *economic development; business improvement district; sustainability; commercial revitalization; incentives; tax increment financing*

Traditional economic development efforts in downtowns across the United States have often been based on a "field of dreams" approach, which suggests, "If you build it, they will come." At their most basic, these physically oriented tactics were premised on a logic suggesting that if you constructed an environment that was visually appealing, generated a feeling of safety, and was accessible, then business and consumers would likely follow (Downs, 1979). The problem with this approach is that after you build it, it must be maintained—in good times and in bad.

Local economic development at its broadest refers to policy designed to create and retain jobs and wealth, with the overarching goal of reducing poverty and promoting economic stability (Lyons & Hamlin, 2001). Stability requires more than simply rebuilding the physical infrastructure; it also requires the creation of an organizational structure that can maintain, promote, and develop an area over time. Business improvement districts (BIDs) have been touted as innovative tools in this regard, both in terms of creating wealth and, perhaps more significantly, as tools to sustain a neighborhood during economic downswings (Levy, 2001).

Though the legal structure of BIDs and financing terms will vary by state and locality, they tend to share a common set of goals–to provide services deemed by the BID partners to be beneficial to the business environment.

BIDs are self-taxing, self-help public-private partnership organizations. In New York, BIDs are publicly authorized, legally sanctioned, privately administered institutions that provide services designed to enhance the local business environment (Hoyt, 2003; Mitchell, 2001a, 2001b; New York State Consolidated Laws, 1981). Though the legal structure of BIDs and financing terms will vary by state and locality, they tend to share a common set of goals—to provide services deemed by the BID partners to be beneficial to the business environment. The BID partners, the majority of whom are property owners, with representation from businesses, local government, and, in certain instances, the neighborhood residents as well, define the agenda of the organization and either

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directly or via contract provide services (i.e., supplemental sanitation, security, marketing, technical assistance, etc.) within the BID geographic area. Property owners and merchants finance these activities through an agreed-on self-imposed tax that is collected by the city and returned to the BID to administer. After the BID is formed, the tax becomes mandatory for all properties within the BID area, and frequently some, if not all, of the tax burden is passed on to merchants renting spaces in those properties.

In New York, voting authority on the BID board of directors is weighted in favor of property owners; thus, their interests tend to dominate. Board members define the BID's geographic boundaries. BID formation requires that a majority of businesses and property owners do not object. Within the BID, commercial property owners and merchants pay an additional incremental mandatory tax, which is collected by the municipality but returned to the BID to be spent on geographically specific and locally defined services. The BID, therefore, is a self-help business service organization (Hoyt, 2003).

The BID strategy, unlike traditional tax abatements in which property owners or businesses are offered tax deductions as incentive to locate in an area, is unique in that it represents a tax augmentation strategy. The city collects and returns these taxes to the BID management association for application to a wide array of geographically specific, locally defined programs and services designed to enhance the commercial space in both a physical and psychological sense.

To date, the literature has focused on the experiences of large BIDs operating in the wealthier parts of the central city, such as the Times Square BID in New York, the Downtown Development District in New Orleans, and the Center City District in Philadelphia (Barr, 1997; Houstoun, 1997; MacDonald, 1996). These BIDs control multimillion-dollar budgets, have large staffs (40-plus), cover large geographic areas (30 blocks or more), and manage large portfolios of activities (10 or more services provided). In addition, these large BIDs are often located in stable economic environments (large commercial or retail base, high property values, and ample flows of pedestrian foot traffic). Although these large BIDs have certainly enhanced their local areas, the lessons they offer for local economic development professionals with weaker resource bases situated in poorer neighborhoods are limited. Given that the majority of BIDs in the United States are smaller in size and scope, fulfill a narrower set of functions (Mitchell, 2001b, p.119), and are often located in weak economic environments (declining retail and commercial sectors, falling property values, and dwindling pedestrian traffic flows), it is important to consider the role of these smaller organizations in local development processes. The research question addressed here, therefore, is twofold: What are the differences in the form and function of large and small BIDs? And what are the implications of neighborhood context for development professionals contemplating the formation of a BID in a weak local economic environment? I explore these questions through an analysis of structure, function, and governance in 41 BIDs in New York City.[1]

My key findings suggest that large and small BIDs fulfill different development functions: The smallest of BIDs focus on physical maintenance of an area, midsized BIDs tend to concentrate on marketing and promotional activities, and the largest BIDs, in addition to maintenance and promotion, engage in capital improvement activities. BID size is associated with differences in revenue, number of businesses, size of businesses, size of the board of directors, number of services provided, and geographic size of the district. BID behavior tends to vary in relation to its resource base, type of commercial property represented, the composition and balance of power among key stakeholders, and the wealth of the community in which it is located. For the development professional contemplating a BID, this research suggests that understanding these internal and external contextual factors can enable the creation of a BID that is more directly targeted to addressing the specific developmental needs of the community.

What follows is a description of the organizational structure and functions of three distinct types of BIDs found in New York: large corporate, medium-sized main street, and small community types (Rogowsky & Gross, 1997, 1998, 2000). Building on an understanding of these types, I then discuss the implications of neighborhood context for BID practice. I conclude by offering insights to development professionals considering a BID in their community. First, however, I present a brief overview of my research methods.

RESEARCH METHODS

New York now has a long history with BIDs, dating back to the fiscal crisis of the mid-1970s. At the time, the city sought mechanisms to ensure the effective management of its investment in physical infrastructure. As one city official commented,

> Originally there were assessment districts in Buffalo, Syracuse, and four in New York. They were set up to maintain the capital improvements that were carried out using federal and public works money. Part of the deal as regards the initial investment to rebuild was an agreement that these communities would also arrange to maintain the developed areas after that. (B. Wolff, assistant commissioner, Department of Business Services, personal communication, June 1996)

According to Mitchell (1999), New York State has the second-largest number of BIDs in the United States, next to California. Of these, 46 are based in New York City, 50% of which are situated in communities with poverty rates that surpass the national central-city residential average (Dalaker & Proctor, 2000).[2] Thus, not only do the New York cases offer a wealth of data on BIDs in general, but furthermore, the varied socioeconomic contexts within which they operate provide valuable lessons regarding how BIDs function in low-income compared with high-income communities.

In descriptive urban research, the intent is to develop "context-oriented" empirical data on the nature of particular "urban conditions" (Andranovich & Riposa, 1993). This research project was designed around the goal of generating a more comprehensive understanding of New York City's BIDs in their urban settings. What follows is a brief discussion of my data sources and methods (quantitative and qualitative) of analysis.

Structural and Functional Features

Data on the form and function of BIDs in New York came from several sources. Program and financial data on 41 of New York's 46 BIDs came from the annual reports and newsletters of the BIDs themselves, public audits conducted by the New York City comptroller (Hevesi, 1997, 2000a, 2000b, 2000c, 2000d, 2000e, 2001a, 2001b, 2001c, 2001d, 2001e, 2001f, 2001g, 2001h, 2001i, 2001j, 2001k, 2001l, 2001m; Thompson, 2002a, 2002b, 2002c, 2002d, 2003a, 2003b, 2003c),[3] and reports from the GuideStar database on charitable organizations.[4] Measures of BID structure included total revenue, total expenditure, program expenditure, administrative expenditure, staff size, number and types of services provided, geographic scope, and size and composition of the board of directors. With this information, I constructed a database used for bivariate descriptive data analysis of the structural and functional features of BIDs (see the following section).[5]

The second piece of this research concerned whether BIDs operating in resource-rich neighborhoods functioned differently from those in resource-poor neighborhoods. To explore this question, I needed to move beyond data on the BIDs themselves and begin to consider the contextual environments within which BIDs operated. To compare the experiences of BIDs in wealthy to those in poor neighborhoods, I gathered 2000 census data at the tract level on income, poverty, ethnicity, employment, skill base, housing costs, and number of immigrants for the 41 BIDs. The data were added to the BID database for analysis. I used household income, number of individuals in poverty, median rent paid, and the number of individuals in the labor force as indicators of wealth and poverty in the BID neighborhoods. In cases in which the BID covered more than one census tract, I used the overall averages across all the census tracts covered by that BID. I then explored the structural and functional features, operating practices, and governance of those BIDs located in the poorest and the wealthiest quartiles of the New York sample.

The sample drawn from the poorest quartile consisted of 10 cases—5 main street and 5 community BIDs. In these neighborhoods, an average of 52% were in the labor force, and 33% of individuals lived in poverty. The mean annual household income was $23,800, mean rent paid monthly was $561.60, and mean proportion of foreign born was 42% (U.S. Bureau of the Census, 2000).

The BID sample drawn from the wealthiest quartile also consisted of 10 cases—5 corporate, 4 main street, and 1 community type. In these neighborhoods, an average of 72% were in the labor force, and 9% of individuals lived in poverty. The mean annual household income was $85,235, mean rent paid monthly was $1,513.00, and mean proportion of foreign born was 27% (U.S. Bureau of the Census, 2000).

More detailed case study data on the BID behavior and governance came from primary and secondary sources. The secondary data generated by the New York City comptroller's office between 1999 and 2003 proved to be particularly useful. These audits contained detailed information on operating practices, governance, and financial management for 25 of the city's BIDs (Hevesi, 1997, 2000a, 2000b, 2000c, 2000d, 2000e, 2001a, 2001b, 2001c, 2001d, 2001e, 2001f, 2001g, 2001h, 2001i, 2001j, 2001k, 2001l, 2001m; Thompson, 2002a, 2002b, 2002c, 2002d, 2003a, 2003b, 2003c). Primary data sources included interviews and participant observation. I conducted 35 semistructured interviews with BID managers, board members, property owners, policy makers, administrators, and analysts of the New York BID phenomenon in 1996. Site visits to each of the BIDs selected for case study and five additional interviews with policy makers were conducted between 2000 and 2002.

STRUCTURE AND FUNCTION OF BIDs

Before exploring the various ways in which BIDs are affected by their environments, I begin with a brief overview of the BID model and its role in local community and economic development.

BIDs are self-taxing, self-help organizations. What makes BIDs especially interesting as a tool of economic development is that in many regards, they fly in the face of traditional economic dependency notions that suggest that cities are beholden to the demands of business. For example, Peterson (1981) argued that cities were limited due to the mobility of business, labor, and capital. In turn, municipalities were forced to offer large tax incentives to businesses to anchor them in the city. In contrast, the BID phenomenon suggests that under certain circumstances the private sector may be willing to pay more, not less, to continue doing business in an area (Kantor & Savitch, 1998).

BIDs can address the physical needs of an area by providing such amenities as additional sanitation services, street lighting, capital improvements, and maintenance. In this regard, BIDs fit well with mainstream approaches to economic development, which tend to perceive a local market as the product of choices made by business and consumers (Wiewel, Teitz, & Giloth, 1993, p. 81). As Barbara Wolff (personal communication, June 1996), assistant commissioner for the New York Department of Business Services, commented, "We are now evolving to the point of realizing that where we have the BID we have the vehicle to make the street what it can be, in response to different markets and different mixes of clientele." By providing various supplementary services (beyond those that the municipality offers), the BID aims to enhance physical conditions, with the goal of influencing the locational choices of businesses and the shopping choices of consumers.

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BIDs can add a sense of unity to an area through the creation of uniform signage, capital improvements, and the enhancement of public spaces through street planting, holiday lighting, and maintaining public seating areas. In this way, BIDs serve important psychological functions for shoppers. BIDs can generate a feeling of safety by providing additional security (guards or cameras, e.g.), and enhanced street lighting. This generates the perception of a secure environment in which to shop and encourages increased consumer use.

At base, BIDs are reflections of their members. The impetus for creation comes directly from local stakeholders, such as property owners and businesses. In New York, after BIDS are created, property owners have the balance of power with regard to decision making and agenda setting.[6] Voting power on the board of directors is weighted in their favor. Thus, BIDs offer these property owners some degree of power over local development activities within the area. As one BID program manager pointed out:

> You can go to any BID and find a group of leaders. There may be a dozen or two dozen. However many there are, they can be a really positive force in their neighborhood. And what they

> really do is manage their neighborhood. The BID gives them a way to manage their neighborhood. Just like a shopping mall, the BID gives these groups a structure. (E. Evy, New York BID program manager, personal communication, August 1996)

BIDs offer services and local political power in exchange for the payment of additional taxes.

BIDs represent an interesting trajectory of community economic development provided, of course, that local property owners are rooted in the community. Halpern (1995) described community economic development as "one of the few [development strategies] that was not imposed on poor neighborhoods but grew out of their own efforts to define their needs, control their fate, and create viable local communities" (p. 125). A BID is an organizational tool for the management of local development, in which board members define the agenda. However, the degree to which the districts can be considered "community economic development entities" needs to be understood, in part, through the lens of these BID stakeholders. Although BIDs can offer some degree of local control and ownership, much depends on the composition of property owners. As a city program manager commented, "If they own property and operate a retail store, they are more likely to see the advantages of having a BID. But if they only own property, it's harder for them to see" (J. Coward, director of technical assistance programs, Department of Business Services, personal communication, August 1996).

The BID offers owners control over their own fate, but it is not always the case that the interests of owners are identical to those of either the local merchants or the local residents. Thus, in the minds of some, BIDs can lead to a perversion of the community development concept when owners are not of the community themselves. As one critic commented, BIDs "serve the narrow interests of some groups within the BID at the expense of all the rest" (Adler, 2000, p. 17). Thus, though BIDs do offer power, they do not offer equal power to all interests.

BIDs can be closed and narrow in their focus or open and expansive. In some cases, the BID serves a less tangible social capital function for the local business community by creating a venue for the development of mutually agreed on local economic development agendas. BIDs offer a forum in which mutual interests can be identified and bridges can be built to local government. As one policy maker commented, "The interaction of the business owners and the property owners in the management of this thing is very exciting. These people really work. They come up with new ideas" (J. Coward, personal communication, August 1996). Thus, with effective leadership, BIDs can enhance the capacity of local private sector interests to achieve collective outcomes. This is particularly important for communities in transition. One BID manager put it this way:

> Take a BID like Flatbush Avenue in Brooklyn. That's an area that's really changed. I wasn't there, but people tell me that it was a very Jewish business area, and it really changed to an Indian and Caribbean business area. And the cohesion that was there was no longer there. The BID was able to pull these new ethnic groups and the different kinds of businesses together. (E. Evy, personal communication, August 1996)

BIDs can fulfill a variety of developmental functions. BIDs can function as sustainers of existing development. They can take on a promotional role in which they focus on marketing efforts to consumers, or they may fulfill a developmental role to promote economic growth and lure new business to the area. As I will illustrate later, although some BIDs fulfill all three functions, most are targeted to a narrower set of activities—shaped by both the organizational features of the BID itself, as well as the environmental context of the neighborhood.

BIDs, therefore, can help minimize some of the risk factors associated with doing business in an area. They help share the burden of physical upkeep and create the perception of security. They create a forum for local businesses to build common agendas and recognize mutual needs and interests. By creating a partnership among property owners, business, the community, and local government, the BID in essence represents a tool through which to enhance the viability of an area as a place to do business.[7] All BIDs aim to enhance business in an area and to create a stable environment. Although the vision of what BIDs can do is promising, their capacity to function as

TABLE 1
New York Business Improvement District (BID) Typology

Structural Feature	*Corporate* (n = *11)*	*Main Street* (n = *10)*	*Community* (n = *20)*
Revenue range	Greater than $1 million	$300,000-$1 million	Less than $300,000
Median program expenditure	91%	83%	62%
Median administration expenditure	9%	17%	38%
Median number on board of directors	37	24	15
Median geographic scope	31 blocks	10 blocks	14 blocks
Types of property in BID	Corporate office, commercial, retail, government	Retail, commercial, government	Retail
Distribution of property within BID	Large amounts of office and retail space	Moderate amounts of retail and commercial space	Small amounts of retail space
Features of property within BID	Multilevel high-rise, interior shopping arcades, and street-level storefront spaces	Street-level storefront and two- three-story commercial and shopping spaces	Primarily street-level storefronts
Dominant group of property owners in BID	Corporate and commercial	Retail	Retail

SOURCE: GuideStar (2004); Hevesi (1997, 2000a, 2000b, 2000c, 2000d, 2000e, 2001a, 2001b, 2001c, 2001d, 2001e, 2001f, 2001g, 2001h, 2001i, 2001j, 2001k, 2001l, 2001m); New York City Department of Business Services (1995); Thompson (2002a, 2002b, 2002c, 2002d, 2003a, 2003b, 2003c).

sustainers, promoters, or developers of an area must be understood within the context of its organizational structure, its stakeholders, and its socioeconomic environment.

Differentiating BIDs by Structure and Function

In previous research based on interviews with stakeholders from a small number of BIDs, it was suggested that three types of BIDs could be found in New York: corporate, main street, and community (Rogowsky & Gross, 1997, 1998, 2000). BID types differ from one another along structural and functional lines. BIDs with larger budgets and boards of directors, as one might expect, tend to provide a wider range of services than do smaller BIDs. In this research, I found that large and small BIDs also vary by the functions they perform. Smaller community-type BIDs tend to engage primarily in maintenance functions. Main street BIDs, though carrying out maintenance functions, also invest in promotional and marketing activities, whereas the corporate BIDs, in addition to maintenance and promotion, are involved in capital development projects. What follows is a description of the features of these BID types, followed by a discussion of the statistical validity of the BID typology for the New York sample. Tables 1 and 2 offer a more detailed picture of the structural and functional attributes of each BID type.

As Tables 1 and 2 illustrate, corporate BIDs are the largest on a variety of organizational or structural measures: They tend to cover large swaths of land, offer an extensive array of services, and have budgets in excess of $1.5 million. There are 11 corporate BIDs in New York. These tend to be the most visible of New York's BIDs. Examples include the Times Square BID, the Grand Central Partnership, and the Alliance for Downtown New York. These BIDs have large boards of directors (30 or more members) with a great deal of professional expertise (lawyers, property developers, financial experts, etc.). Indeed, the boards of many of the organizations are a virtual "who's who" of renowned business experts. For example, on the board of the Alliance for Downtown New York (the largest corporate BID in New York by all measures) are representatives from Standard & Poor's, Goldman Sachs, J. P. Morgan & Chase, the Bank of New York, Cushman & Wakefield, and some 30 other property managers, architects, large retail business owners, and local government officials.

The boards of smaller BIDs are quite different, as one main street BID manager noted in describing her own board of directors: "Most of the property owners here are second generation [immigrants], with limited formal education" (J. Barkin, personal communication, June 1996). I

TABLE 2
Functional Features of New York Business Improvement Districts (BIDs)

	Corporate (n = *11)*	*Main Street* (n = *10)*	*Community* (n = *20)*
Median number of services provided	10	6	4
Featured service provided by BID type[a]	Capital improvements	Area promotion and marketing	Physical upkeep of area
Services provided by BIDs[b]	Security, sanitation, area promotion, holiday promotion, capital improvements, marketing, maintenance, information, and social services	Security, sanitation, area promotion, holiday promotion, marketing, graffiti removal maintenance	Sanitation, holiday promotion, graffiti removal
Primary function	Area development and attraction of new businesses to the area	Area promotion and support for development of existing businesses	Area maintenance and retention of existing businesses

SOURCE: GuideStar (2004); Hevesi (1997, 2000a, 2000b, 2000c, 2000d, 2000e, 2001a, 2001b, 2001c, 2001d, 2001e, 2001f, 2001g, 2001h, 2001i, 2001j, 2001k, 2001l, 2001m); New York City Department of Business Services (1995); Thompson (2002a, 2002b, 2002c, 2002d, 2003a, 2003b, 2003c).
a. More than 70% of BIDs in type provide these services.
b. More than 50% of BIDs in type provide these services.

would suggest that the existence of significant expertise on the boards of corporate BIDs might explain their comparatively low levels of expenditure on administration (15% of BID expenditures for this type) vis-à-vis the other BID types.

In studying the corporate BIDs of New York, I also found that although these BIDs provide a wide range of services, they offer one unique service (unique, that is, within the New York sample)—capital improvements. For example, the 34th Street Partnership has a capital project staff that oversaw the placement of new streetlamps, plantings, and sidewalk enhancements all aimed at generating "a place that people want to be in and to linger . . . a welcoming destination" (*34th Street Partnership Newsletter*, 1995, p. 5). All of the corporate BIDs of New York provide capital improvement services in contrast to only two community and four main street BIDs in my sample. This suggests an important functional distinction for the corporate BIDs. Corporate BIDs directly shape commercial growth in ways that few main street or community BIDs do—by directly investing in capital improvements, such as widening the sidewalks to accommodate larger pedestrian traffic flows, investing in lighting to allow for 24-hour use, and improving landscaping to improve the perceived quality of life in an area. It is not surprising to find that the corporate BIDs provide these services given the significant investment required to carry out these large-scale projects. Corporate BIDs, with large revenue streams and boards of directors that commonly include development, legal, and marketing professionals, would appear to be the best suited to conduct these kinds of activities. Interestingly, the main street and community BIDs that did carry out capital improvements were located in high-income neighborhoods, suggesting that even smaller BIDs have the capacity to conduct capital improvements in resource-rich environments.

All of the corporate BIDs of New York provide capital improvement services in contrast to only two community and four main street BIDs in my sample.

Main street BIDs, as Table 1 suggests, represent the middling group of BIDs, according to all aspects of organizational structure. There were 10 main street BIDs in the New York sample. The mean revenue of New York's main street BIDs was $572,977. As indicated in Table 2, I found that a large proportion of main street BIDs were engaged in marketing and promotion activities. I would suggest that this focus is a reflection of the dominant property owners on the boards of directors—commercial and retail interests. As one main street BID manager commented,

> In the BID, the profit motive overshadows any development of community. The property owners here are niche retailers. Their attachment is to the dollar, to profits, not the place. To understand the BID, you need to understand the property owners and where they are coming from. (J. Kelly, director, Fulton Market Development Corporation, personal communication, July 1996)

Within the main street group of BIDs, in addition to area maintenance activities, 80% were involved in area-based promotional activities (as compared with only 50% of community BIDs), and 70% were involved in marketing activities (as compared with 35% of community BIDs). For example, the Hub-Third Avenue BID in the Bronx generates circulars advertising local shops and sponsors special promotions for major shopping days. The BID distributes these free to local merchants and customers. The Lower East Side BID has a Web site to advertise its local businesses, produces a shopping guide, and advertises the area in local newspapers and on the radio. The 125th Street BID in Harlem distributes maps and guides that identify some 600 businesses in and around the area, as well as identifying banking and other local services that shoppers might need.

The community BID is the smallest type by revenue, board size, and scope of services. There are 20 community-type BIDs in New York. They focus primarily on basic maintenance of the area, with some 85% providing sanitation services. As one development professional commented,

> I think these [community-type] BIDs have been a tremendous help in keeping the area stable and making people feel that this is an okay place to be. I don't think they have taken the next step of positively developing the area. It's more like preventing any deterioration, keeping it clean, keeping it nice. (H. Levine, Greater Jamaica Development Corporation, personal communication, July 1996)

These BIDs had small budgets; the mean revenue within this group was $176,732. The most common services provided by this group were sanitation and intermittent holiday promotion. For example, the 82nd Street BID in Queens spends the bulk of its revenue on "sweep team," which provides sanitation services 6 hours a day, 6 days per week. The Pitkin Avenue BID in Brooklyn installs decorative lighting and banners in its district during holiday seasons. Many of these BID types also are involved in sporadic marketing efforts—when budgets allow. Interestingly, in this group I found that many BIDs, despite their small budgets, provided services to quite large areas. In fact, the mean number of blocks for these BIDs was 14, although the districts ranged in size from 4 to 40 blocks. But these geographically large BIDs tend to provide a limited number of services (mean of 4).

Alongside the description of BID types, I felt it important to explore the threefold BID typology statistically to determine the degree to which it accurately characterized the New York BID universe. I conducted analysis of variance (ANOVA) tests on the structural and functional attributes identified earlier. ANOVA allowed me to consider the degree to which these three types of BIDs (corporate, main street, and community) varied by the seven structural variables (size of the board of directors, total revenue, total expenditure, proportion spent on programs, proportion spent on administration, numbers of services provided, and size of geographic area served) and five functional variables (business retention, area upkeep and maintenance, physical area development, social development, and capital improvements). In each case, I tested the null hypothesis that no differences existed in the structural or functional attributes of corporate, main street, and community BIDs. If the null hypothesis was true, average scores on each measure would be the same across BID types. As Tables 3 and 4 indicate, the F values and associated levels of significance generated by the ANOVA tests led me to reject the null and accept the alternative hypothesis. Statistically significant differences exist in the structural and functional attributes of corporate, main street, and community BIDs. With the exception of geographic size, all the structural and functional variables analyzed proved to be significantly different by BID type, thus validating the typology.[8]

BIDs AND NEIGHBORHOOD CONTEXT

The final part of this analysis concerned whether contextual differences found in low-income and high-income neighborhoods affected BID practice. Do BID types function differently when situated in resource-rich compared to resource-poor neighborhoods? Do main street and community BIDs located in high-income areas operate differently from those in low-income areas?

TABLE 3
Analysis of Variance in the Structural Attributes of Business Improvement Districts (BIDs) by Type

BID Attribute/Source	*Sum of Squares*	df	*Mean Square*	F	*Significance*
Size of the board of directors					
Between groups	1,226.737	2	613.368	11.704	.000
Within groups	1,519.732	29	52.405		
Total	2,746.469	31			
Revenue					
Between groups	177,249,606,398,276	2	88,624,803,199,138.20	15.601	.000
Within groups	215,872,026,936,437	38	5,680,842,814,116.77		
Total	393,121,633,334,714	40			
Expenditure					
Between groups	163,625,521,580,742	2	81,812,760,790,370.80	17.351	.000
Within groups	169,745,360,766,104	38	4,715,148,910,169.56		
Total	333,370,882,346,846	40			
Program expenditure					
Between groups	0.250	2	0.125	3.472	.044
Within groups	1.043	29	3.598		
Total	1.293	31			
Administrative expenditure					
Between groups	0.250	2	0.125	3.441	.046
Within groups	1.052	29	3.626		
Total	1.301	31			
Total number of services provided					
Between groups	180.130	2	90.065	32.194	.000
Within groups	106.309	38	2.768		
Total	286.439	40			
Geographic size of BID					
Between groups	23,224.122	2	11,612.061	3.453	.042
Within groups	127,789.9	38	3,262.893		
Total	151,014.0	40			

TABLE 4
Analysis of Variance in Business Improvement District (BID) Functions by BID Type

BID Function/Source	*Sum of Squares*	df	*Mean Square*	F	*Significance*
Area upkeep and maintenance					
Between groups	26.883	2	13.442	20.988	.000
Within groups	24.336	38	.640		
Total	51.220	40			
Area marketing and promotion					
Between groups	15.602	2	7.801	7.418	.002
Within groups	39.959	38	1.052		
Total	55.561	40			
Area development by capital improvement					
Between groups	35.025	2	17.513	26.750	.000
Within groups	24.877	38	.655		
Total	59.902	40			

Because BIDs are geographically rooted, I speculated that BID structure and function would be a reflection of the socioeconomic conditions of the residential community.

Using tract-level census data, I divided the BID sample by income, median rent, labor force participation, and proportion of foreign born. I then separated out the BIDs located in the top and bottom quartiles for more detailed case study analysis. The sample was composed of 10 BIDs in

TABLE 5
Socioeconomic Profile of Low- and High-Income Neighborhoods in Business Improvement District (BID) Samples Drawn From Top and Bottom Quartiles of Total BID Sample as Compared With Citywide Averages

	New York City as a Whole	*Low-Income Group (n = 10)*	*High-Income Group (n = 10)*
Percentage active in the labor force	58	52	72
Percentage living below poverty level	21	33	9
Median household income ($)	38,295	23,800	85,235
Median household rent ($)	705	561	1,513
Percentage population who spend 35% or more of their income on rent	34	40	31
Percentage foreign born	35	38	24
Percentage foreign born who entered within the past 10 years	15	20	10
Housing tenure			
Percentage owners	30	7	26
Percentage renters	70	93	74

SOURCE: U.S. Bureau of the Census (2000).

wealthy neighborhoods and 10 in poor neighborhoods. The bottom-quartile BID sample included 5 main street BIDs (125th Street, HUB-Third Avenue, Washington Heights, Lower East Side, and Jamaica Center) and 5 community BIDs (Pitkin Avenue, Graham Avenue, Brighton Beach, White Plains Road, and Grand Street). The top-quartile BID sample included 5 corporate BIDs (Alliance for Downtown, Times Square, East Mid-Manhattan, Lincoln Square, and Madison Avenue), 4 main street BIDs (Bryant Park, 14th Street-Union Square, Village Alliance, and North Houston New York), and 1 community BID (Columbus Avenue). Table 5 presents a socioeconomic profile of the low-income and high-income BIDs relative to the city as a whole.

I focus the bulk of the remaining discussion in this final section on the contrasting experiences of community and main street BIDs in the low-income and high-income neighborhood groups and the lessons they offer to development professionals contemplating the formation of a BID. This focus seemed appropriate for two reasons. As mentioned previously, much has already been written about New York's corporate BIDs. In addition, the corporate BIDs of New York are located only in high-income communities, thus preventing any meaningful contextual neighborhood comparisons.

Table 6 presents an overview of the key differences that I found overall in behavior and governance of community and main street BIDs in high-income neighborhoods, as compared with those in low-income neighborhoods. Triangulation of the data gathered from interviews, audits, and participant observation suggested three contextual elements were at the center of these differences: local market conditions (property values and consumer base), resource availability within the BID (finance, expertise, and time), and differences in stakeholders (business owners, property owners, and residents). Each of these factors will be discussed, along with a consideration of their implications for BID practice. I would only emphasize that these are indicators based on a limited sample and that future research will be carried out with a larger sample to validate these initial case study findings.

Resource Availability and Market Conditions

Comparisons between BIDs in high- and low-income areas suggest that resources and market conditions have implications for the activities BIDs focus on, the partners they choose to work with, and, more broadly, the distributive orientation of the BID overall. Most overtly, low-income communities tend to have lower property values than do wealthy communities. In New York, BID assessment revenues are based on a formula pegged to the assessed value of real property. In turn, as Table 7 illustrates, BIDs in poor

TABLE 6
Behavioral Differences in Main Street and Community Business Improvement Districts (BIDs) by Neighborhood Context

BIDs in Low-Income Neighborhoods	*BIDs in High-Income Neighborhoods*
Partner with outside organizations to compensate for low resource base	Rely on internal membership for resources
Diverse set of stakeholders	Uniform set of stakeholders
Low levels of participation by board members	High levels of participation by board members
Redistributive orientation	Distributive orientation
High level of internal conflict among board members over BID agenda	Low levels of internal conflict among board members over BID agenda
Lacking in board oversight	Effective board oversight
High propensity for financial management problems	Low propensity for financial management problems

TABLE 7
Comparisons of Structural Features Within Business Improvement District (BID) Types by High- and Low-Income Groups

	High-Income Group	*Whole BID Group*	*Low-Income Group*
Median assessment revenue ($)			
Main street	744,370	572,977	479,880
Community	218,760	176,732	132,507
Median number on the board of directors			
Main street	22	24	25
Community	18	15	14
Median geographic scope (blocks)			
Main street	17	10	5
Community	16	14	9

SOURCE: GuideStar (2004); Hevesi (1997, 2000a, 2000b, 2000c, 2000d, 2000e, 2001a, 2001b, 2001c, 2001d, 2001e, 2001f, 2001g, 2001h, 2001i, 2001j, 2001k, 2001l, 2001m); New York City Department of Business Services (1995); Thompson (2002a, 2002b, 2002c, 2002d, 2003a, 2003b, 2003c).

communities, for the most part, receive less revenue per property for their property tax assessment and cover a smaller geographic area than those in high-income neighborhoods.[9] Thus, BIDs in low-income neighborhoods have less fiscal and human capital to apply to service provision than do those in high-income neighborhoods.

As Table 7 indicates, BIDs in low-income neighborhoods also have fewer board members, thus leaving them with less human capital to draw on in terms of management and oversight. One outcome of this, according to audits, is that BIDs in poor communities are more frequently faulted for poor board management of activities and inadequate participation of the board overall. Audits also revealed that the BIDs most often cited for financial management problems were those in low-income neighborhoods. In contrast, the audits of the BIDs in high-income neighborhoods found high levels of participation by board members, adequate management and oversight of the BID, and few fiscal management problems.

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BIDs are also affected by local market conditions. In low-income communities, local residents are the primary consumers of goods provided by the local merchants. With lower income levels, the population has less purchasing power—again generating less revenue for the area as a whole. Not only do businesses in low-income areas generate less revenue via sales, but they also have far less foot traffic than central shopping districts do. In contrast, BIDs situated in high-income areas not only rely on more revenue due to the higher assessment reaped by higher base property values, but New York's wealthier areas also tend to have multiple consumer bases—residential, worker, and tourist. As David Midler, a market researcher, reported about the economic conditions in the 34th Street BID (a corporate BID),

TABLE 8
Proportion Engaged in Area Promotion

	High-Income Group (%)	*Low-Income Group (%)*
Main street	75	100
Community	33	60

SOURCE: GuideStar (2004); Hevesi (1997, 2000a, 2000b, 2000c, 2000d, 2000e, 2001a, 2001b, 2001c, 2001d, 2001e, 2001f, 2001g, 2001h, 2001i, 2001j, 2001k, 2001l, 2001m); New York City Department of Business Services (1995); Thompson (2002a, 2002b, 2002c, 2002d, 2003a, 2003b, 2003c).

> Any one of these markets [area residents, office workers, or tourists] is enormous; by itself, it would make retailers in other locations quite content. Looking at the office workers, for example . . . the number was equal to the total population of New Haven, Connecticut. (*34th Street Partnership Newsletter*, 1995, p. 2)

This may explain why, as Table 8 illustrates, a larger proportion of BIDs in poor communities were allocating resources to area promotion than were those in high-income neighborhoods.

All the main street BIDs in low-income communities were engaged in area-based promotional activities, compared with 75% in the high-income main street group. I would suggest that the high-income BIDs had a larger consumer base and thus were able to redirect their focus to other areas of need. For example, 75% of the high-income BIDs carried out some capital improvement activities, as compared with only 25% of the low-income main street group.

BIDs in low-income neighborhoods are caught in the difficult situation of having significant problems to cope with but few resources to apply. This leads some BIDs to provide a very limited range of services that directly address the most visible aspects of decay (i.e., sanitation and sidewalk maintenance). In the area of graffiti removal, a problem often associated with blighted neighborhoods, I found that 100% of the community BIDs studied in the low-income neighborhood sample provided this, whereas the community BIDs in the high-income neighborhood did not. This is simply to suggest that for development professionals contemplating formation of BIDs in low-income communities, they must be prepared to allocate resources to problems specific to the locality, diverting resources from other areas. For resource-poor BIDs this is particularly important, as audits suggest that these BIDs are prone to fiscal problems such as debt, late payments to contracted service providers, and credit problems. Several of the resource-poor BIDs were operating in the red with expenditures that exceeded revenues.

Interestingly, in interviews I found that this lack of resources in the low-income groups often led these BIDs to engage in outreach to other local partners. As one BID program manager stated,

> So the $3 million BID can say we are concerned about the graffiti, the garbage, or security and go out and buy it, get it done. The $200,000 BID can't afford to do that much, so they do what they can. But there is still a big gap. That's why the smaller BID needs to reach out to other partners. That's why if it's security, the smaller BID will call the police precinct, while the larger might go out and hire a security force. (J. Coward, personal communication, August 1996)

Thus, the smaller BIDs located in low-income neighborhoods may, by necessity, adopt different behaviors to compensate for revenue shortfalls.

Interviews suggest that the low-income group may also adopt a more community-oriented approach to local development. As one main street BID manager in Jamaica, Queens (a low-income, immigrant neighborhood) commented,

> In terms of marketing, we work with the other community organizations, the community board, the college, the library, etc. We try to be as visionary as possible because if you're standing by yourself, you're isolated. We are about community, and if you present that, you are going to be successful. We are

> not like the larger BIDs like Times Square. We can't take the view that we are omnipotent. (J. Barkin, director, Jamaica Center Special Assessment District, personal communication, June 1996)

A review of BID activities also indicates that those in poor communities often promote progressive development activities, those geared toward the redistribution of economic benefits, and share the risks of local investment. For example, the Lower East Side BID is a main street BID located in an immigrant community in which median household income is $26,000. Audits reveal that this BID is heavily involved in traditional community development activities, such as advocacy, technical assistance, and training for local merchants. Interestingly, I also found that despite limited resources, some 20% of the community BIDs provided social services; the community BIDs in the wealthy neighborhoods did not.

Differences in BID Stakeholders

Comparisons between high-income and low-income areas reveal that there are often quite different sets of stakeholders, with implications for the development orientation of the BID (i.e., distributive vs. redistributive). Perhaps more significantly, these differences appear to affect internal governance processes (i.e., level of conflict, board management, and board participation).

Interviews suggest that in areas experiencing decline, commercial property owners have tended "to divide up and parcel out" (J. Kelly, director, Fulton Mall Improvement Association, personal communication, 1996) their land for rent because of the difficulties in luring larger merchants to the area. Higher risks associated with doing business in these areas mean that attracting merchants to larger spaces can be a tricky process. Property owners, in turn, often subdivide their properties into smaller parcels to garner higher rental rates to compensate for turnover. The result for the BID in such an area is that a highly diverse collection of small businesses tends to dominate. In contrast, high-income neighborhoods tend to have stable or growing property values and a population base with higher purchasing power. For local businesses in these neighborhoods, there is often greater competition for space. Here, owners tend to rent larger spaces, as the local market will support them. Thus, low-income areas tend to be dominated by small business, but large retail businesses often characterize high-income areas, with smaller businesses being edged out in the competition for space. As one BID official commented,

> The "mom and pop" shops are concerned with being competitive, they are concerned with the competition brought about by large retail outlets, and they are concerned with escalating rents. In wealthier areas they are not at all concerned about large retail; in fact, if anything, they would like to get more of them. (L. Fonfa, senior BID manager, Department of Business Services, personal communication, August 1996)

These differences, I would suggest, have implications for governance. Small retail businesses and small-lot property holders commonly dominate BIDs operating in low-income neighborhoods, not to mention that there are also significant numbers of new immigrant businesses and absentee landlords. Having property owners who are not themselves small-business owners, large numbers of very small immigrant businesses, and small numbers of long-standing mom-and-pop shops inevitably make consensus forming and agenda setting much more difficult by virtue of the differences in vision. The wealthy neighborhoods have a smaller number of large-lot property holders, many of whom also operate businesses on their land, resulting in fewer but larger retailers. Though other interests are prominent on the boards of the high-income BIDs (i.e., corporate and office users), interviews suggested that this group tends to share common development visions, the point being that a BID in a low-income area is often faced not only with many small businesses, but also with varied interests. Thus, again the BIDs in low-income neighborhoods must often cultivate a wider range of "group process" skills, such as community organizing and group facilitating, to compensate for a lack of social capital than is necessary for the BID located in a wealthy area.

Instrumental Lessons for Economic Development Professionals

Small and large BIDs clearly differ from one another in form and function, and all BIDs are rooted in their neighborhoods. BIDs in low-income communities are faced with a wider range of needs, a wider range of stakeholders, and limited resources (revenue and expertise) to respond with. This means that BIDs in these communities must often seek creative solutions to problems by forming linkages with local partners. Conversely, BIDs in high-income neighborhoods face fewer socioeconomic problems, have fewer stakeholders, and have greater resources that enable increased investment in the physical infrastructure of the area. BIDs can be important development tools in poor and wealthy areas, but effectiveness requires a careful analysis of both people and place. What are the lessons for the development professional?

1. Know your stakeholders.
2. Ensure adequate representation of those stakeholders on the board of directors.
3. Identify and prioritize needs according to local context.
4. Target resources appropriately. For example, in the case of low-income communities, advocacy and social capital enhancement may be essential tools for BID success.

Low-income community and main street BIDs need to recognize the limitations posed by resource constraints. Audits have suggested that small BIDs in low-income communities frequently suffer from financial mismanagement problems and lack of oversight of activities. I would suggest that in these neighborhoods, BIDs must recognize their resource constraints and perhaps even consider scaling back or prioritizing activities to areas of greatest need. Interviews and audits have suggested that BIDs in low-income neighborhoods are often simply trying to do too much with too little. In turn, they often find themselves in debt, behind in payments, or in breach of contract with service providers. BIDs must recognize the diversity of interests and needs among their property owners (large, small, old, new, immigrant, mom and pop, large retail chains, corporate, etc.). Recognizing these differences in interest among property owners will likely enhance the capacity of the BIDs to achieve outcomes. And so, the lessons for small BIDs in low-income communities are perhaps straightforward: Recognize resource constraints (fiscal, human, and social capital), reach out to local partners, and target resources to meet the needs of all stakeholders.

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NOTES

1. There are 46 business improvement districts (BIDs) currently operating in New York, with more in the planning stages. I was able to gather data on 41. The 5 missing included 4 BIDs that had just been formed and 1 that I was simply unable to get current data on. In addition, because data were gathered from a variety of sources and in certain cases there were gaps in the data submitted, I must emphasize that the data set is a work in progress. In cases where data are missing, it is noted in the text or relevant table.

2. According to Dalaker & Proctor (2000), 16.4% of central city residents in the United States live below the poverty line. Thus, one half of New York's BIDs are in neighborhoods that by most standards would be considered to have large numbers of poor people. To substantiate the degrees of poverty, I also looked at income levels, median rentals, residential skill bases, and educational attainment. These factors are discussed in detail in the findings sections.

3. BIDs are required to submit annual financial statements to the New York City Comptroller's Audit Committee. BIDs with budgets greater than $500,000 are reviewed every 2 years; those with budgets under $500,000 are reviewed every 3 years. The comptroller's audit reports offer a wealth of information on finances and operating practices, and many include attitude surveys of property owners and businesses.

4. GuideStar (2004) is a database that offers public access to financial and program information on nonprofits, based on forms submitted to the Internal Revenue Service.

5. Frequency distributions, cross-tabulations, and chi-square were used to analyze the categorical data. In addition to generating basic descriptive statistics on ordinal and continuous data (i.e., mean, median, mode, and standard deviation), I also did analysis of variance (ANOVA), conducted correlation analyses using the Pearson correlation coefficient to explore relationships between continuous variables, and used Spearman rank coefficient to explore ordinal data relationships.

6. New York State Consolidated Laws (1981): General Municipal, Article 19-A, Business Improvement Districts, Section S 980-M, Section B:

> The board of directors of the association shall be composed of representatives of owners and tenants within the district, provided, however, that not less than a majority of its members shall represent owners and provided further that tenants of commercial space and dwelling units within the district shall also be represented on the board. The board shall include, in addition, three members, one member appointed by each of the following: the chief executive officer of the municipality, the chief financial officer of the municipality and the legislative body.

7. In New York BIDs, the partnership is composed of owners and tenants (with owners holding a voting majority by law on the board of directors) and includes three to four city government appointees (without voting rights). See New York State Consolidated Laws (1981).

8. Post hoc Bonferroni tests were performed to validate the results of the ANOVA and to compare differences between the means for each structural and functional component. The Bonferroni comparisons indicated significant mean differences ($p > .05$) for all functional and structural variables by BID type, with the exception of geographic size.

9. Assessment formulas vary by area. Though all are rooted in property values, variation comes in terms of whether formulas are based on total square footage of land, total square footage of commercial buildings, or frontal footage on the commercial strip. Formula is a part of the district plan agreed to by the property holders, with a percentage cap set by city government. Any change to the assessment level requires approval by all parties.

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