

RUTGERS

Edward J. Bloustein School
of Planning and Public Policy

Special Improvement Districts (SIDs)/ Business Improvement Districts (BIDs)

Summary of Research on SIDs/BIDs conducted at Rutgers University
Bloustein School (class studio and other)

Downtown New Jersey 2018 Conference

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Presentation Contents:

Special Improvement Districts (SIDs)/Business Improvement Districts (BIDs)

1. Policy Context
2. Data and Historical Context
3. Characteristics of New Jersey Communities with SIDs/BIDs
4. SID/BID Budgets and Financing; Assessment approaches
5. SID/BID and Main Street
6. SID/BID- Looking Toward the Future

Overall Policy Context for SID/BID and other Revitalization Strategies in NJ

PROBLEM/ OBJECTIVE	SOLUTION				
	Zoning Changes	SIDs & BIDs	Rehabilitation Areas	Redevelopment Areas (Non-condemnation)	Redevelopment Areas (Condemnation)
Eminent Domain					✘
Form Based and/or Sustainable Design	✘		✘	✘	✘
30 Year PILOTs				✘	✘
Redevelopment Plans			✘	✘	✘
Redevelopment Agreements			✘	✘	✘
Property Transfers w/o Bid			✘	✘	✘
Land Use Controls	✘		✘	✘	✘
Project Funding		✘	✘	✘	✘
RAB/ERG Financing				✘	✘
5-Year Tax Abatements			✘	✘	✘

Source: Stan Slachetka, PP, AICP, T&M Associates

SIDs/BIDs: Data and Historical Context

SID/BID Data

- Information available from multiple sources (e.g., 2011 National and New Jersey surveys by Grossman, Becker and Santos; 2016 NJ study; and 2018 NJ surveys/studies).

SID/BID History

- First U.S. BID in New Orleans in late 1970s
- To date, at least 1,000 BIDs nationally
- First N.J. SID in mid 1980s (in Cranford, Trenton, New Brunswick, etc.)
- Example- New Brunswick (NB), City Market formed 1985 to counter retail/other challenges and is one component of a larger NB urban redevelopment strategy

New Brunswick Context for SID/BID

Population: New Brunswick and Middlesex County 1850-2010 Total			
Population: NB as % of Middlesex County			
	New Brunswick	Middlesex County	New Brunswick % of County
2010	55,181	809,858	6.8%
2000	48,573	750,162	6.5%
1990	41,711	671,780	6.2%
1980	41,442	595,893	7.0%
1970	41,885	583,813	7.2%
1960	40,139	433,856	9.3%
1950	38,811	264,872	14.7%
1940	33,180	217,077	15.3%
1930	34,555	212,208	16.3%
1920	32,779	162,334	20.2%
1910	23,388	114,426	20.4%
1900	20,006	79,762	25.1%
1890	18,603	61,754	30.1%
1880	17,166	52,286	32.8%
1870	15,058	45,029	33.4%
1860	11,256	34,812	32.3%
1850	10,019	28,635	35.0%

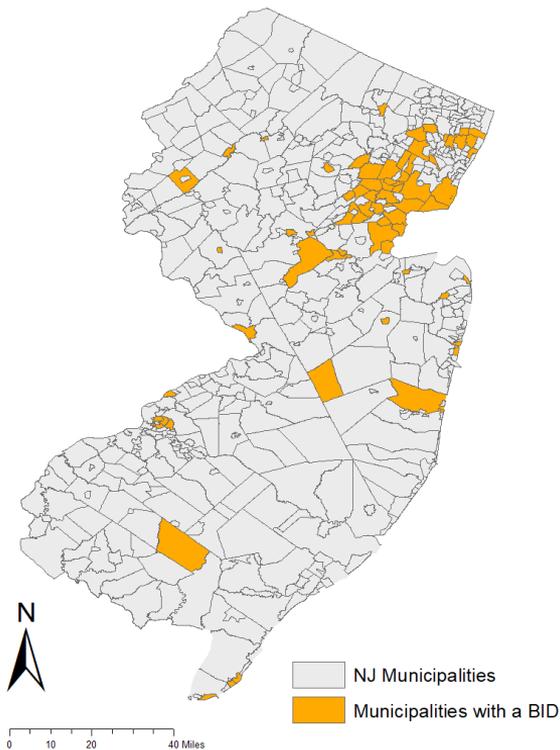
Analysis of the Characteristics of NJ
Communities with SIDs/BIDs
(from 2018 Bloustein Studio)

Demographic Characteristics Overview

70 of New Jersey's 565 municipalities (12.4%) have at least one BID

Those municipalities contained:

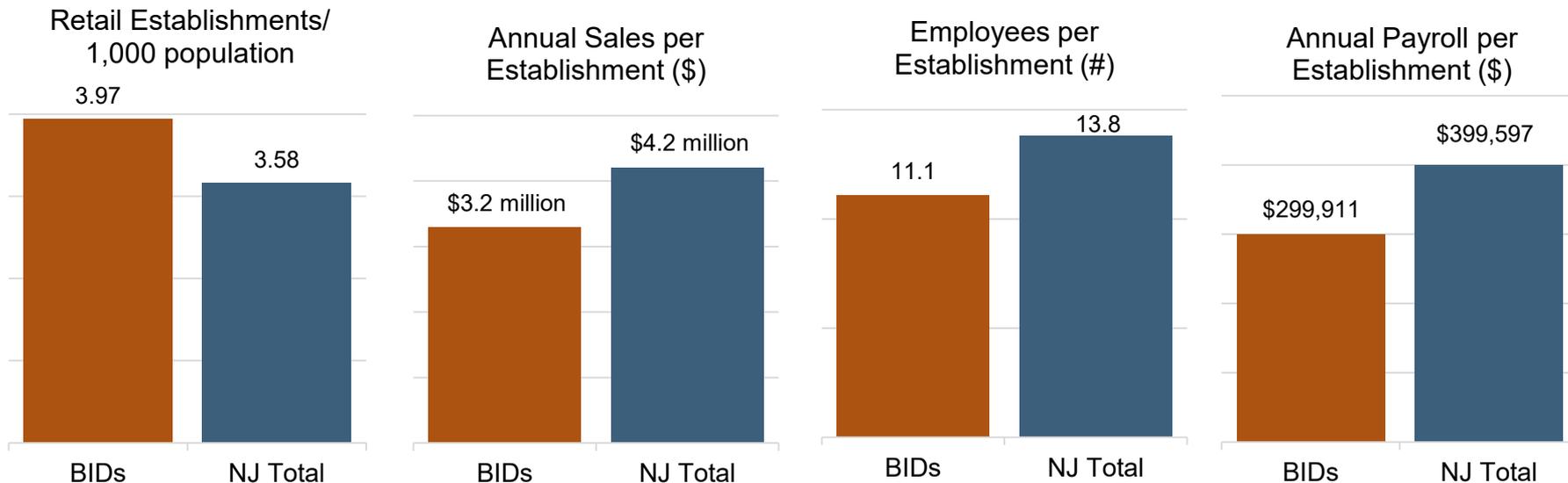
- 2,660,435 population (29.7% of NJ total)
- 844,632 private-sector employees (25.0% of NJ total)
- 9,795 retail businesses (30.9% of NJ total)



Retail Trade

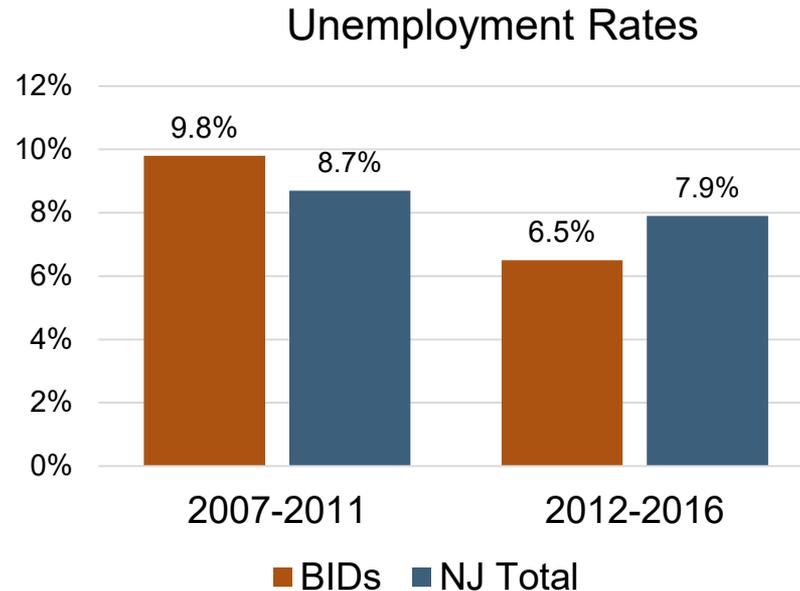
Municipalities with BIDs (MBIDs) had more retail businesses per capita than NJ overall, but MBIDs' businesses tended to be smaller in terms of sales and employment

- Consistent with the "main street retail" image associated with BIDs, vs large shopping centers



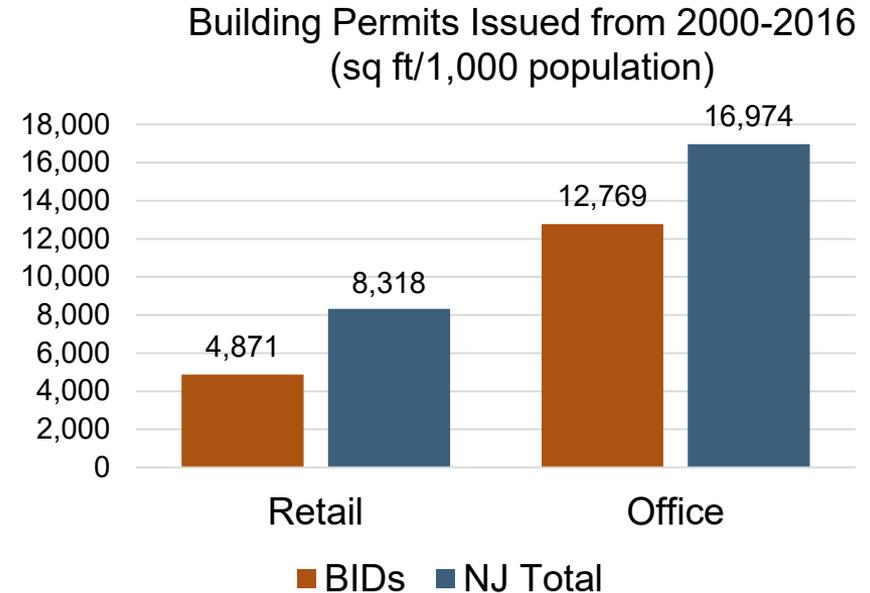
Socioeconomic Indicators

- Municipalities with BIDs (MBIDs) were slightly lower- income than New Jersey overall
 - MBID's median Household Income was \$66,650 vs \$73,702 for the entire state (2016 ACS five-year estimates)
 - MBIDs include NJ's major post-industrial cities, which tend to be lower income
- MBID's unemployment rates have fallen much faster in recent years, relative to the whole state



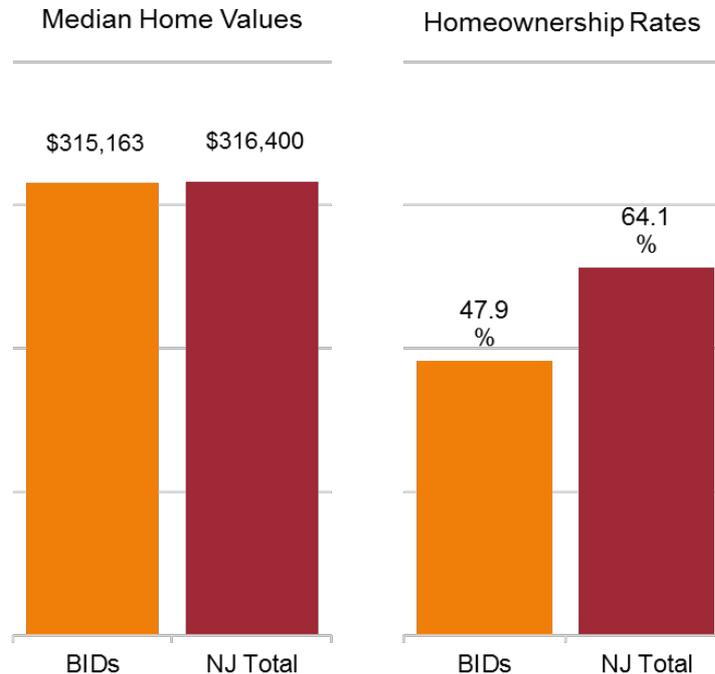
Commercial Development

- From 2000-2016, municipalities with BIDs (MBIDs) lagged significantly behind the rest of New Jersey in commercial development activity
 - We think this is not *because* they had BIDs, but more related to *why* they formed BIDs
 - Consistent with the MBID's focus on small main street retail – less square footage than suburban shopping centers



Housing

- While median home values in municipalities with BIDs (MBIDs) were identical to statewide housing value, they were lower (-\$43,530) compared to the housing values in the MBID's host counties
 - Benchmarking against counties controls for regional variance.
- MBID's homeownership rates were substantially lower compared to the whole state
- Both statistics reflect MBIDs' concentration in central cities, where there is more rental housing (lower ownership), and homes are likely to be smaller and/or older (lower value)



SID/BID Financing: National and New Jersey

Budget Amount and Sources

- Total budgets vary significantly from thousands to \$ millions
- Budget Sources (multiple)
 - Government
 - Private Sector
 - Contracted services
 - Assessment (often significant component)
- Assessment Apportionment
 - Physical scale
 - Property value scale
 - Other (e.g., land use, location, and hybrid)

Revenue Sources of Select National BIDs

BID	Budget	Revenue Sources				
		<i>Assessment</i>	<i>Voluntary Contributions</i>	<i>Grants</i>	<i>Contracted Services</i>	<i>Other¹</i>
Bryant Park (2015) NYC	\$11,139,288	10%	45%	0%	38%	6%
CCD, Philadelphia (2013)	\$20,076,088	74%	0.4%	0%	21%	4%
Central Avenue Historic BID, LA (2016)	\$423,802	99%	0%	0%	0%	1%
Chatsworth BID, LA (2015-16)	\$135,900	78%	0%	0%	0%	22%
Denver Downtown District (2016)	\$6,870,000	80%	2%	0%	7%	11%
Grand Central BID (2014)	\$13,644,634	93%	0.1%	0%	3%	4%
Mount Vernon Triangle CID, DC (2016)	\$894,959	79%	0%	14%	0%	7%
NoMa, DC (2016)	\$3,695,877	62%	0%	25%	8%	5%
Portland Clean & Safe District (2015-16)	\$4,811,322	100%	0%	0%	0%	0%
Seattle MID (2014-15)	\$9,399,782	80%	2%	4%	1%	13%
Union Square BID (2015)	\$2,061,717	97%	0%	2%	0%	1%
Yerba Buena CBD, San Francisco (2015-16)	\$3,151,836	95%	0%	0%	0%	5%

¹Other revenue sources include investment and interest income, fundraising, and miscellaneous.

**Revenue Sources of
 Select **New Jersey**
 Special
 Improvement
 Districts**

BID	Budget	Revenue Sources				
		<i>Assessment</i>	<i>Voluntary Contributions</i>	<i>Grants</i>	<i>Contracted Services</i>	<i>Other¹</i>
CRDA SID, Atlantic City (2015)	\$5,752,685	37%	0%	0%	0%	63%
Historic Midtown Elizabeth (2016)	\$226,000	88%	12%	0%	0%	0%
Central Avenue SID, Jersey City (2016-17)	\$114,370	100%	0%	0%	0%	0%
Jackson Hill Main Street, Jersey City (2016)	\$289,250	84%	16%	0%	0%	0%
McGinley Square Partnership, Jersey City (2016)	\$91,671	79%	0%	0%	0%	21%
Montclair Center BID (2014-15)	\$534,838	100%	0%	0%	0%	0%
New Brunswick SID (2013)	\$506,582	94%	3%	2%	0%	1%
Ironbound District, Newark (2016)	\$835,000	100%	0%	0%	0%	0%
Bunker Hill, Paterson (2016)	\$180,500	100%	0%	0%	0%	0%
Downtown Paterson (2016)	\$304,000	100%	0%	0%	0%	0%
Red Bank RiverCenter (2015)	\$923,551	55%	0%	1%	41%	3%

¹Other revenue sources include investment and interest income, fundraising, and miscellaneous.

SID Benefit Assessment Methods:

- Physical Scale; (frontage or area)
- Value Scale; (property value or sales taxes)
- Differentiation by land use, location, and hybrid.

Physical scale:

Assume that the larger the property, the more it benefits from services offered by SID.

- Property frontage and square footage.
 - Practical to assess (data usually available).
 - Connects to benefit (e.g., directly proportional to sidewalk service usage).
- Flaws:
 - Size as gauge may not be compelling: a building could be large, but have little demand on or benefits from SID (e.g., warehouse).
 - Frontage could be deceptive, if building is deep.

Physical scale:

$$\begin{array}{l}
 \textit{Individual} \\
 \textit{Assessment}
 \end{array}
 =
 \frac{\textit{Gross Building Square Footage of Individual Property}}{\textit{Total Gross Building Square Footage of All Non-Tax-Exempt Properties within the SID}}
 \times
 \begin{array}{l}
 \textit{Annual} \\
 \textit{SID} \\
 \textit{Budget}
 \end{array}$$

- Grand Central SID -2005 (Early New York City SID)
 - Total budget of \$11 million.
 - / by the total square footage - 70 million square feet
 - Further refinements
 - Actual rate is \$0.1594 per square foot for property owners in the original 50-square-block district
 - \$0.1078 per square foot for property owners in a subsequent 20 square block “Northern Expansion.”
 - Individual properties are assessed at the above-cited rates multiplied by their square footage.

Value Scale:

- Assign charges to a property proportionately to its share of total value within a district.
- Connects to SID benefit--Reflects numerous characteristics of the property that include
 - Desirable location,
 - Sought after features,
 - Greater profitability potential,
 - Size.
- Valuation data is usually readily available.
- Flaws:
 - Higher value may not always reflect benefit.
 - Inequities in assessment, and some properties may lack assessment.

Value Scale:

$$\text{Individual Assessment} = \frac{\text{Assessed Property Value of an Individual Property}}{\text{Total Assessed Property Value of the SID}} \times \frac{\text{Annual SID Budget}}$$

- Center City SID in Philadelphia (Early Philadelphia SID):
 - Total assessed value - \$3 billion,
 - SID budget - \$14.5 million.
 - = Individual assessed value proportionate to the total \$3 billion tax base, with this percentage then applied to the \$14.5 million Special Improvement District assessment.

Differentiation by type and land use (and hybrid):

$$\textit{Special Charge Formula} = \textit{Basis} \times \textit{Location} \times \textit{Use Factor}$$

- Three Factors
- 1) Basis = Average of :
 - Each property's percentage of total district square footage and
 - Each property's assessed value of total district assessed value.
- 2) Location measures proximity to Transit Mall
 - On mall = 100% zone;
 - Off mall = 50% zone.
- 3) Use = Variation by land-use type
 - More intensive: retail, entertainment, restaurant, commercial parking;
 - Average intensive: office, residential;
 - Less intensive: industrial, wholesale, warehouse
 - Exempt: educational/charitable/religious

Chatsworth BID (Los Angeles) Assessment Fees: Variation by Use

<i>Class</i>	<i>Property Type</i>	<i>Assessment Fee</i>
Class A	Major Financial, Utility, and Tourism Related	\$1,200
Class B	Major Retail	\$720
Class C	Retail Oriented	\$360
Class D	Services	\$240
Class E	Professionals	\$180
Class F	Manufacturers, Wholesale, Non- Profits, Etc.	\$120
Class G	Automotive Services	\$240

Portland, Oregon SID Formula: Multifaceted

$$\text{BID Assessment} = [(\text{Value of Improvements} + \text{Square Footage of Land and Improvements} + \text{Elevator Capacity}) * \text{Ranking Factor} * 1.15 + \text{Holiday Lighting}] * \text{Inflation Factor 1} * \text{Inflation Factor 2}$$

<i>Factor</i>	<i>Formula</i>	<i>Reasoning</i>
Value of Improvements	\$0.87 per \$1,000 of value of improvements	This factor creates the bulk of the charge. Using this factor allows recognition of an ability to pay, at least at the time of building construction or when the district funding formula was moved under the City's taxing/licensing authority.
Square Footage of Land and Improvements	\$5.52 per 290 square feet of the sum of improvements and land square footage	This factor brings in the concept of space/presence in the district. Using this factor ensures that properties in the District that don't have significant improvements on them, such as surface parking lots, contribute to the clean and safe efforts of the district.
Elevator Capacity	\$0.46 per pound of elevator capacity	This factor brings in the concept of foot traffic in the area, both from customers and employees. The number of elevators and pound capacity estimates how many people use the property each day.
Ranking Factor	1.025 (or 2.5% premium) if property is among the 50 most valuable District business properties 0.975 (or -2.5% discount) if property is among the 51st to 150th most valuable District business properties	This factor was included to recognize that the largest 50 payers in the district have more ability to pay than others and should support the district a little more as a result, so a premium was added to their calculation. The next 100 payers, on the other hand, were allowed a discount on their fee. Any property manager ranked after 150 had no premium or discount change to their calculation.
Holiday Lighting	\$0.01401 per square foot of improvements	This factor was added to fund the holiday lighting program that began in the early 2000's. It is based on square footage of improvements and land, again to ensure that all business properties, including surface parking lots, contribute to the lighting program.

Further Differences Among Property Types

Residential Buildings

- Some BIDs exempt residential buildings outright (or may be precluded by state enabling legislation from charging residential buildings).
- Or BIDs may charge residential buildings a nominal or reduced rate.
- Or BIDs may charge residential buildings a full assessment.

Vacant Buildings & Land

- BIDs may exempt vacant buildings or charge vacant buildings a reduced rate.
- BIDs may charge vacant land at a reduced or at a higher rate.

Non-Profit Owned Buildings

- While non-profit owned buildings are generally exempt from BID charges, some BIDs collect regular or reduced charges from them. If exempt, some non-profit owned buildings may make voluntary contributions to the BID.

Government-Owned Buildings

- Government-owned buildings are typically exempt from BID charges, though there are exceptions (e.g., California BIDs are required to include government-owned buildings in their assessments), and such buildings may make voluntary contributions to the BID.

SID/BID and Main Street

Main Street Program

- 1980, the National Trust for Historic Preservation (the National Trust) established “The National Trust Main Street Center[®]” (NMSC).
- The NMSC was created to revitalize declining downtown centers through a “preservation-based strategy” to restore the economic activity that was on the decline in downtown retail centers.
- There are many Main Streets nationally (and NJ) and have realized significant impacts.

National Main Street Statistics 2001-2012

Year	Dollars Reinvested (billions)	Net Gain in Businesses	Net Gain in Jobs	Number of Building Rehabilitations	Reinvestment Ratio	Average Reinvested Per Community
2001	\$16.1	56,300	226,900	88,700	39.96 to 1	\$9,659,000
2002	\$17.0	57,470	231,682	93,734	40.35 to 1	\$9,512,151
2003	\$18.3	60,577	244,545	96,283	35.17 to 1	\$10,000,000
2004	\$23.3	67,000	308,370	107,179	26.67 to 1	\$12,431,287
2005	\$31.5	72,387	331,417	178,727	28.31 to 1	\$12,486,058
2006	\$41.6	77,799	349,148	186,820	25.76 to 1	\$11,083,273
2007	\$44.9	82,909	370,514	199,519	25 to 1	\$11,083,273
2008	\$48.8	87,850	391,050	206,600	25 to 1	
2009	\$51.5	92,521	411,861	213,380		
2010	\$53.7	97,853	430,851	220,892		
2011	\$56.2	103,306	442,777	228,281		
2012	\$58.3	108,038	467,477	235,538		

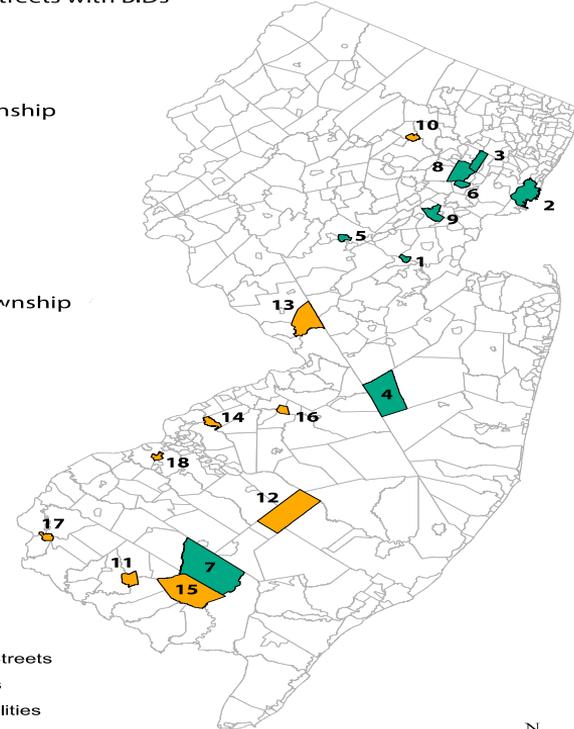
New Jersey Main Streets and BID/Main Streets

- NJ: 18 Main Street programs. Half of them also have BIDs.

New Jersey Main Street Programs

Including Main Streets with BIDs

1. Highland Park
2. Jersey City
3. Montclair
4. Plumsted Township
5. Somerville
6. South Orange
7. Vineland
8. West Orange
9. Westfield
10. Boonton
11. Bridgeton
12. Hammonton
13. Lawrence Township
14. Maple Shade
15. Millville
16. Mount Holly
17. Salem
18. Woodbury



Legend

- BIDs/Main Streets
- Main Streets
- NJ municipalities

Source: NJ OIT Bureau of GIS

0 5 10 20 30 40 Miles



SID/BID and Main Street

- What are appropriate respective roles in NJ and nationally?

SIB/BID Looking Towards the Future

- What is the appropriate role of SID/BID in an era of “return to the city”?
- Related, need to rethink some historical functions (e.g., public safety and parking) and strengthen emerging functions (e.g., arts and culture).
- Need for enhanced information and performance measures
 - What can be learned from leader examples and Main Street
- Statistical impact of SID/BID on property values, crime, etc.– studies to date and future analyses
- How to best coordinate SID/BID with other revitalization efforts (e.g., Main Street; redevelopment, NMTC, and Opportunity Zone areas)?
- What is a “fair” approach to BID Assessment?
 - Physical scale, value, land use/hybrid
 - Residential, non-profit, and government buildings
- Whose interests are furthered by SID/BID activities?