

Business Improvement Districts: An Effective Revitalization Tool for Massachusetts' Forgotten Cities?

by

Laura Rothrock

B.A. in Political Science
Loyola College in Maryland, 2000

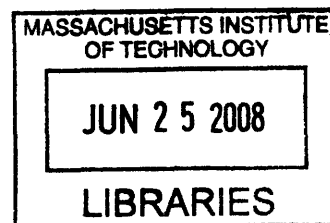
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Author: _____
Department of Urban Studies and Planning
May 22, 2008

Certified by: _____
Professor Lorraine Hoyt
Department of Urban Studies and Planning
Thesis Supervisor

Accepted by _____
Professor Langley Keyes
Chair, MCP Committee
Department of Urban Studies and Planning

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Abstract:

Lawrence, Massachusetts is one of many “forgotten cities” characterized by high vacancy and crime rates as well as the outsourcing of the manufacturing industry. Yet with the recent redevelopment plans for a number of underutilized mills clustered in the downtown, stakeholders in the community believe Lawrence is on the brink of an urban renaissance. This thesis is intended to assist a coalition of property owners who are in the process of forming a business improvement district (BID) to enhance their investments in the mill district. However, these stakeholders face a dilemma: they must form a partnership with a city government that lacks capacity and rely on faulty BID enabling legislation in order to collectively leverage district improvements.

Through case study analysis of BIDs, this thesis identifies key barriers to BID formation and provides recommendations on how best to overcome them. It also recommends that the Massachusetts BID enabling legislation be changed by removing the opt-out clause.

Targeted at stakeholders in Lawrence and other forgotten cities in Massachusetts with an interest in forming a BID, two primary conclusions are drawn. First, a public-private balance of power shaped by way of a legal contract that outlines the city's and BID's role in forgotten cities is essential. Second, BID planners in Massachusetts, because of the opt-out clause in the enabling legislation, need to conduct additional outreach to property owners in the district.

Thesis Advisor: Lorlene Hoyt

Title: Assistant Professor, Department of Urban Studies and Planning

Acknowledgements:

During this past year I became involved in the city of Lawrence through MIT@Lawrence, a university-community partnership between faculty, students, and staff at MIT and civic leaders, residents, and community-based organizations in the city. Through this initiative, I met a number of residents, community advocates, and property owners who inspired this thesis. Their commitment to transforming this once “forgotten city” into a sustainable, thriving, and equitable community is truly remarkable.

I would like to thank everyone who contributed to this thesis. I interviewed 6 BID directors, several property owners and economic development consultants who gave me valuable facts and ideas. In particular, I would like to thank Maggie Super Church, Community Development Consultant, for inviting me to participate in this work and serving as my reader. Her work and dedication to improving the city is an inspiration. I would also especially like to thank Lorlene Hoyt, my thesis advisor and the MIT@Lawrence Director. She spent countless hours with me working on this thesis, MIT@Lawrence projects, and my graduate coursework. Her prior research on my thesis topic laid the groundwork for much of my research.

Hopefully this project will in some way contribute to the revitalization of the downtown mill district in Lawrence for the people in this community who have not forgotten its potential.

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Chapter I: Introduction

After decades of American suburbanization following World War II, the shift in jobs and population left urban centers with a void filled by increased crime, poverty and vandalism. Recently, however, many of the country's downtowns have been experiencing signs of revitalization. People are returning to cities to enjoy arts, culture, shopping, eating and entertainment. The overall 'urban lifestyle' has become more attractive and many cities are experiencing an increase in residents, a true sign of revitalization.

The overarching term 'urban revitalization' encompasses a number of indicators such as the investment and development of new properties and businesses in the district; increased sales and property values; and decreased vacancy rates, vandalism and crime. While an amalgamation of factors including micro- and macroeconomics, policy initiatives, and infrastructure improvements may spur urban revitalization, urban planners utilize a range of tools to help initiate, supplement, leverage and direct these factors. One such tool that is now widely used to stimulate and manage the revitalization of commercial districts is a business improvement district (BID).

A BID, by definition, is when property owners within a specific boundary place an additional levy on themselves to obtain a variety of services for their district. The BID model emerged Toronto in 1970, spread to the United States in 1975 and became widespread in the 1980s and 1990s. The tool was, and still is, particularly useful in downtowns when limited local, state, and federal governments cut back on resources. Property owners have used the model to supplement the services their city governments provide in order make their districts safer, cleaner, and more competitive in the greater retail, office, and real estate marketplace. Property owners, city officials, and other stakeholders across the globe have intentionally transferred and imported the BID model by studying best practices in other districts. Through this mechanism of 'tool transfer' stakeholders have utilized BIDs to revitalize districts across North America, Europe, South Africa and New Zealand.¹ Its widespread transfer is a testament that BIDs are an effective tool for revitalizing commercial districts.

¹ Hoyt, Lorlene. "Importing Ideas: The Transnational Transfer of Urban Revitalization Policy." *International Journal of Public Administration* 29 (2006): 221-243.

Despite the widespread use of the model, many BID advocates have been unable to import the tool into their own districts because of certain place-based characteristics that make this transfer difficult. For example, few cities in Massachusetts have been able to institute the model due to the Commonwealth's BID enabling legislation that allows property owners to opt-out of the district after formation. In addition, "forgotten cities," America's small, poor, post-industrial cities, have had difficulty importing the tool because of the complex public-private power struggle that is particularly prevalent in these areas. If planners in the five forgotten cities in Massachusetts—Lawrence, Chelsea, Fall River, Holyoke, and New Bedford—want to use the BID model as a revitalization tool in their commercial districts, they will have to overcome both of these obstacles in order to successfully implement the model.

Forgotten Cities

The term "forgotten city" was coined by MIT Professor Lorlene Hoyt to describe 150 of America's small, poor cities that have experienced periods of dominance and decline as part of the rise and fall of the manufacturing-based economy. These cities are post-industrial, (having a population of more than 5,000 by 1800); small (between 15,000 and 150,000 residents); and poor (with median household incomes of less than \$35,000).² The transfer of the BID model is difficult in forgotten cities because the manufacturing industry has many times left their downtown commercial districts with dilapidated infrastructure and vacant mills. Unlike in major urban office and retail centers in New York or Los Angeles, when BIDs are used as a revitalization tool in forgotten cities, lower property values translate to lower BID budgets and a smaller array of services. On the other hand, because these cities' governments lack spending capacity and they have not experienced the urban renaissance that larger cities have recently enjoyed, forgotten city downtowns can benefit even more from the tool than their larger, corporate counterparts. In small post-industrial cities, the need for the BID model is greatest but the capacity is least.

Massachusetts Cities

Cities in Massachusetts face an additional barrier in implementing the BID model. The Commonwealth's BID enabling legislation allows property owners to opt-out within 30 days

² Hoyt, Lorlene and Andre Leroux. *Voices from Forgotten Cities: Innovative Revitalization Coalitions in America's Older Small Cities*. PolicyLink and CHAPA: 2007.

after forming a district. This clause makes a main staple of the BID model—equity, or the notion that everyone pays and everyone benefits—null and void and creates a ‘free rider’ problem. In Massachusetts’ small cities, where property owners tend to know each other well, the opt-out clause is especially difficult because certain stakeholders feel they are continually investing in the district while others take a back seat. In order to generate property owner buy-in and as an essential part of BID implementation, all BID advocates must illustrate how the model has effectively revitalized other downtowns. This outreach is not difficult in cities where neighboring commercial districts utilize the model because when property owners can see how the tool has given their competition an advantage, they are more likely to want to transfer the model to their own districts. But the lack of BIDs in Massachusetts, due to either the perception or reality that the opt-out clause will make BID formation impossible, has required additional outreach to property owners in the Commonwealth.

In this thesis I will examine the following research questions: How can the BID model be successfully implemented in 1) small, poor, post industrial, or “forgotten” cities and 2) cities in Massachusetts? By investigating lessons learned from both of these types of BID models, I will answer my primary research question: Are BIDs an effective tool for Massachusetts’ forgotten cities?

Audience

This research is intended for two audiences. Generally, this thesis is written for property and business owners, elected officials, community organizations, and other stakeholders in Massachusetts’ forgotten cities with an interest in importing the BID model. While BID advocates in this specific set of cities—Lawrence, Chelsea, Fall River, Holyoke, and New Bedford—are the most direct audience, stakeholders in other cities in Massachusetts, as well as forgotten cities outside the Commonwealth, are the secondary audience, particularly in chapters that directly relate to them. Specifically, this thesis is intended for local stakeholders in the city of Lawrence; a forgotten city in Massachusetts, where a number of property owners are seeking to apply the BID model to enhance their recent investments in the downtown mill district.

Methods

In order to provide recommendations to stakeholders in Lawrence on how best to overcome these barriers, I investigated three forgotten cities that utilized business improvement

districts to revitalize their downtowns, as well as the only three cities that have operational BIDs in Massachusetts.

I interviewed the Executive Directors of the BIDs in the forgotten cities of Hartford, CT; Ithaca, NY; and York, PA. Out of 150 forgotten cities, only a fraction has operational business improvement districts in their downtowns. Out of this group, I chose these three cities because of their very different characteristics. While most forgotten cities do not reap benefits from institutional or corporate anchor institutions like that of a large metropolis, the insurance industry cluster in Hartford gives the city a unique advantage while Ithaca benefits from its anchor institution, Cornell University. On the other hand, York lacks a corporate or institutional anchor of a similar, national magnitude. My original intention in choosing these cities was to determine if a BID in a forgotten city might lack capacity due to a lack of corporate members or anchor institutions like those in or surrounding BIDs in large cities like Philadelphia, Los Angeles or New York. However, I found that the difficulty in transferring the tool to forgotten cities has less to do with anchor institutions, and more with finding the right balance in a public-private partnership where the *public* side lacks capacity.

To determine how the tool has been successfully transferred in Massachusetts, I interviewed Executive Directors of BIDs in Hyannis, Springfield, and Westfield, MA. I also interviewed BID proponents in Massachusetts, the BID Coordinator for the Commonwealth, BID consultants, economic development professionals, and property owners in the Lawrence mill district. Lessons learned from these interviews and case studies are featured throughout this thesis with the intention of assisting similar stakeholders in adopting the tool.

Organization

Readers are encouraged to treat this thesis as a reference guide, exploring the chapters that interest or apply to them most. **Chapter II** offers a summary and brief literature review on what the BID model is, its history, how and why it forms, its capabilities, as well as BID debates. **Chapter III** examines how the forgotten city case study communities were able to overcome barriers in BID formation and service delivery, while **Chapter IV** examines how communities have coped with the Massachusetts legislation and formed districts in spite of the opt-out clause. Next, **Chapter V** gives the reader a brief history and demographic information of Lawrence, its downtown mill district, and the impressive amount of new redevelopment and investment

projects that are occurring or in the pipeline there. This chapter is intended to set the stage for **Chapter VI**, which considers the feasibility of the model in Lawrence, a forgotten city in Massachusetts.

With this information available, it is my hope that communities in other forgotten cities and/or in Massachusetts will be better equipped to determine if the BID model is an appropriate tool for revitalization of their commercial center. As will be demonstrated in this report, a BID model will be most effective in formation and implementation if property owners and the municipal government agree upon their relationship to the BID before formation, and keep their economic development activities and goals transparent and corresponding.

Chapter II: Business Improvement Districts: Relevant Lessons for Key Stakeholders

Are American downtowns experiencing a renewal? If they are, implicit in the word ‘renewal’ is that that these downtowns were once without vigor. A number of scholars have recently pointed to the trend toward downtown revitalization. One such scholar, Alan Greenblatt, summarizes American downtowns’ fall and rise in the last several decades stating, “after World War II, suburban job and population growth in the United States far outstripped that of cities, leading many to worry that downtowns were doomed. In recent years, however, many cities have revived their fortunes by fashioning downtowns that are attractive and—for the first time in decades—drawing new residents.”³ Residents are finding a downtown lifestyle attractive because of the proximity to not only places of employment, but also local shops, restaurants and entertainment venues. As Greenblatt notes, “once-forlorn urban centers from San Diego to Philadelphia are now busy construction zones that are filling up with trendy shops and restaurants.”⁴

Despite urban centers making a comeback, strong federal policy on urban issues is lacking.⁵ Therefore, a number of cities have had to get creative about planning and financing mechanisms for revitalization in commercial districts. One such method, a business improvement district (BID), has been used successfully as a commercial district revitalization tool and transferred both within the United States and abroad. Policy makers, property owners and other stakeholders have intentionally studied the best practices of successful BIDs in order to implement the BID as a revitalization tool in their own districts. This practice of studying and importing the model has been called ‘tool transfer’ or ‘policy transfer’ in BID literature.⁶ While BIDs have been transferred to both large cities and *within* large cities (such as Los Angeles, San Diego and Philadelphia) and to small cities and suburban areas alike, some communities have to overcome additional barriers to make the transfer successful.

³ Greenblatt, Alan. "Downtown Renaissance: Are Center Cities Finally Returning to Health?" *Congressional Quarterly Researcher* 16.24 (2006): 553-576.

⁴ *Ibid.*

⁵ "In Search of a Real Urban Policy," Editorial. *New York Times* 19 February 2008.

⁶ Hoyt, Lorlene. "Importing Ideas: The Transnational Transfer of Urban Revitalization Policy." *International Journal of Public Administration* 29 (2006): 221-243.

What is a BID?

A Business Improvement District (BID) is a special assessment district in which property and business owners of a defined area elect to contribute a common fee to supplement or enhance services already provided by their local government. State enabling legislation sets the stage for BIDs, as they are binding legal agreements that are authorized by government and differ in structure depending on their state's legislation. While enabling legislation may determine specific types of services a BID may provide, by and large these include the maintenance, development, marketing and promotion of the commercial district. Typically public-private partnerships, BIDs have been successful across the United States and abroad in revitalizing commercial districts because they create a stable management structure and provide a dependable revenue stream to fund improvements.

Why do BIDs Form?

Private property owners opting to place additional taxes on themselves is conceptually remarkable. Paul Levy, Executive Director of Center City District BID in Philadelphia, explains this incongruity, writing, “normally tax-averse business people—corporate property owners and managers, and small retailers—are choosing to be assessed an extra mandatory charge in order to finance business improvement districts.”⁷ The reasons for BID formation vary from place to place, but as Lawrence O. Houston explains in his book on BIDs, these reasons usually fall into one of two categories: fear or opportunity. Examples of fears that can motivate formation include a combination of events such as a large employer leaving town, increasing vacancy rates and decreasing property values, competition from suburban shopping centers, or the stigma of inner-city crime. Opportunities might include the opening of a new convention center or a major event that might cause the sense that “company is coming, but we’re not ready for prime time.”⁸

During the decades when major decentralization occurred, city merchants were not only disadvantaged by the accessibility and convenience of regional area malls, chain stores and restaurants that were causing them to lose market share, but also by these institutions’ management capacity. Houston explains this shift and void, stating, “In the days when downtowns dominated their regions, widespread participation of merchants and property owners

⁷ Houston, Lawrence O. Jr. *Business Improvement Districts*. Washington: The Urban Land Institute, 2003.

⁸ *Ibid.*

gave their associations the power to shape urban investments. But with the dominance of national chains, real estate investment trusts, and absentee ownership, these voluntary organizations usually lack strong leaders and cannot sustain themselves on member contributions.”⁹

The shift in management and collaboration amongst business and property owners can also be explained by the shift in the U.S. economy at large. When the primary industry in many cities was manufacturing, the main concerns of business owners was cheap land and access. Today, in the post-industrial economy, quality of life has become just as important for many industries and workers have come to expect a number of amenities. Many retail, office and medical centers with numerous tenants are managed by a single entity. Tenants pay a common area maintenance (CAM) fee and receive services, such as security, cleanliness, and promotional activities in return. The need for centralized urban commercial district management like that of suburban competitors was apparent to the late urbanist William H. Whyte, who wrote in 1988, “some cities are trying to compete with the shopping malls by copying the physical form of them... What they should be copying is the centralized management of them: their ability to coordinate tenant selection, promotion, leasing, and market research.”¹⁰ A number of BID directors interviewed for this thesis agreed that BIDs are not just financing tools or service delivery organizations but management organizations that rely on centralized amalgamation of their district’s property owners for success.

Urban business and property owners lacked not only a centralized organization, but also government support like that of their suburban competitors during the era of decentralization. As people continued to move out of cities following World War II, the United States Congress represented and was accountable to fewer urban constituents. During the first two years of the Reagan Administration, programs for cities were cut by nearly a quarter and Carter’s Office of Neighborhoods was eradicated. Federal revenue sharing, where federal money was allocated to local government, was also cut. Ironically, the lack of federal funding and oversight has motivated downtown business and property owners to take revitalization into their own hands. MIT Assistant Professor Lorlene Hoyt explains how “the withdrawal of federal agencies has done more for the cities than all previous federal activities combined. Now you have business

⁹ *Ibid.*

¹⁰ *Ibid.*

improvement districts, universities and hospitals partnering with cities and raising resources in creative ways.”¹¹ One of those creative ways is the business improvement district.

The first BID was created in Toronto in 1970, the model was transferred to New Orleans in 1975 and became widespread in the 1980s through policy transfer.¹² In a 1999 study, Jerry Mitchell found that almost 60% of BIDs were created since 1990 and nearly 28% were established since 1995.¹³ Paul Levy explains this build-up and rapid transfer of the model, stating:

It is understandable that when successive mayors and city councils lost general revenue sharing and other federal programs in the 1980s, they allocated their scarce resources to neighborhoods where voters lived. But, given the dense concentration of people downtown each day, it should have been no surprise that increased litter, graffiti, and a rise in homelessness were a consequence of cutbacks. When the commercial office boom of the late 1980s ran headlong into this maelstrom of disorder and diminished public resources, a business improvement district became a necessity by 1990.¹⁴

Transfer of the BID Model

Today, there are probably several hundred BIDs in the United States, but because new BIDs are forming frequently it is impossible to have exact information on the number of organizations. Jerry Mitchell’s survey in 1999 found 404 BIDs located in 42 states and Washington, D.C.¹⁵ During the writing of this thesis, in Massachusetts alone, there were several communities— Amherst, Taunton, Newton, Chicopee and Hingham—that were studying the feasibility of a BID in their community while one, Northampton, was in the early stage of formation.¹⁶ Every BID manager interviewed for this thesis had experiences to varying degrees of other organizations asking them for advice on how to properly form and use the BID model in their district. Paul Levy, who manages Philadelphia’s Center City District (CCD), one of the largest BIDs (in terms of budget and range of services) in the country, had so many requests for technical assistance about BID formation from other communities that he hired an additional

¹¹ Greenblatt, Alan.

¹² *Ibid.*

¹³ Mitchell, Jerry. "Business Improvement Districts and the 'New' Revitalization of Downtown." *Economic Development Quarterly* 15 (2001): 115-123.

¹⁴ Levy, Paul R. "Paying for the Public Life." *Economic Development Quarterly* 15 (2001): 124-131.

¹⁵ Mitchell, Jerry.

¹⁶ Phone interview with Ann Burke, Vice President, Economic Development Council of Western Massachusetts, 19 February 2008.

staff person to manage these requests.¹⁷ Communities now pay large sums of money (in L.A. around \$75,000 per contract)¹⁸ to hire consultants whose primary service is to assist them in BID formation. These trends point to the fact that BIDs are now revered as a tool that is successful in revitalizing commercial districts.

Bid Debates

Even though there is little quantitative proof or literature on the effectiveness of BIDs at reducing vacancies or increasing property values, few disagree that BIDs have played an important role in downtown revitalization.¹⁹ However, BIDs remain the subject of debate, primarily surrounding the notion of the privatization of public space. Lorlene Hoyt and Devika Gopal-Agge group these concerns as five main questions: “Are BIDs democratic? Are BIDs accountable? Do BIDs create wealth-based inequalities in the delivery of public services? Do BIDs create spillover effects? Do BIDs over-regulate public space?”²⁰ Because the structure of a BID involves a small number of board members who ultimately make major decisions about the service area, critics argue that BIDs concentrate power and generate services to the wealthy, thus diverting dollars and attention from other neighborhoods, while crime spills over to them.

At the heart of these concerns is the notion of the public-private partnership. Because BIDs have an effect on public space, should they be managed by a private entity? Hoyt, Gopal-Agge, and Levy use evidence that in Mitchell’s survey 87% of BID revenues come from self-assessments and not privatized city contracts to counter the argument that BIDs divert city services.²¹ Ann Burke, Vice President of the Economic Development Council of Western Massachusetts and consultant to communities forming BIDs in the Commonwealth, further argues this point by saying that services should be strictly supplementary to city services and should be activities that the city should never be doing in the first place. Just like a city

¹⁷ Meeting with Paul Levy, Executive Director, Center City District Philadelphia, 15 February 2008.

¹⁸ Phone interview with Miranda Pastor, Los Angeles Office of the City Clerk, BID Program Director. 2 April 2008.

¹⁹ Briffault, Richard. "A Government for Our Time? Business Improvement Districts and Urban Governance." *Columbia Law Review* 99.2 (1999): 365-477.

²⁰ Hoyt, Lorlene. and D.Gopal-Agge. "The Business Improvement District Model: A Balanced Review of Contemporary Debates." *Geography Compass* 1.4 (2007): 946-958.

²¹ *Ibid.*

government would never intervene in mall security, cleanliness, or marketing, city governments should not intervene in supplemental management services in a commercial district.²²

But to draw on this analogy further, mall managers are free to regulate their service area as they see fit (within legal limits, of course) and unlike downtowns, can open and close their doors to the public. Just as malls provide services to their customers, BIDs “improve the physical, economic and social conditions within their geographical jurisdiction in a way that serves their own interests and those of their customers.”²³ But who are the customers of BIDs? Property owners, of course, have to buy into the BID model and pay the fee, but the city, who should represent the public interest in this public space, is also an essential customer. After all, in most states the legislation requires municipalities to approve BIDs. This city buy-in is why many BID ‘how to’ guides stress the importance of including the city early in the planning stages. Unlike malls, BIDs deliver private services in public space and this is why a private-public partnership is vital.

Even if BID revenues come strictly from self-assessments, and provide services that are strictly supplemental to city services, critics still argue that they can change the fabric of a neighborhood to be less authentic; presenting with sophisticated marketing plans, signage, streetscapes, and uniformed ambassadors greeting visitors. Paul Levy responds to this notion of ‘Disneyfication’ asking, “Were our city centers more ‘authentic’ when they were abandoned at night, lathered with graffiti, and plagued by crime?”²⁴ This discourse is similar to that of the long-standing debate about gentrification, that is, the changing social and economic fabric of a neighborhood that displaces residents.

While there has been case study research on the impacts of BIDs at the local level (like that of BIDs’ impact on property values in New York City or crime spillover from BIDs in Philadelphia)²⁵ possibly the reason why there is not a more comprehensive study of the impact of BIDs is because their social and economic effects are different on a case by case basis. As Hoyt and Gopal-Agge conclude in their article summarizing the debates surrounding BIDs, “researchers and practitioners alike caution that prior to BID adoption it is important to devise

²² Phone interview with Ann Burke.

²³ Hoyt, Lorlene. “Planning Through Compulsory Commercial Clubs: Business Improvement Districts.” *Economic Affairs* 25.1 (2005) : 24-27.

²⁴ Levy, Paul.

²⁵ Hoyt, Lorlene. and D.Gopal-Agge.

and employ reliable methods of prospective policy evaluation. That is, advocates should undergo a public process whereby they critically assess the implications and potential effects of the BID model.”²⁶ It is also important for BID stakeholders to determine the goals of BID formation early on. This way, performance evaluation can be based on milestones that are specific (decreased crime, increased property values, increased sales) to the revitalization goals of the district and the city overall.

The BID Process

With the increasing number of BIDs forming today, there is a number of BID ‘how to guides’ that explain the BID formation process to communities wanting to establish a BID. One of the first such guides was published in 1995 by The New York City Partnership entitled, *The BID Manual: Establishing and Managing a Business Improvement District*. The manual describes the BID process as having three phases: planning and outreach, formal approval and operation.²⁷ This thesis will examine the planning stages and formal approval stages in order to provide lessons learned to districts hoping to import the BID model.

Planning

The initial planning of a BID can come from a number of sources—community development corporations, business owners, civic organizations, or a mayor or city officials. Several BID managers interviewed for this thesis have stressed the importance of having BID formation start in the private sector. Stacey Irving, who is the Assistant Director of the Center City District and in charge of providing technical assistance to smaller, neighboring BIDs, explains that when the BID concept is generated from the mayor, property owners view the BID as a tax increase. Ms. Irving also stresses the importance of a BID piggybacking on an existing organization that is already familiar with the community.²⁸ *The BID Manual* emphasizes the importance of the sponsoring organization’s strength as well, and reads, “no BID effort will succeed without the active support of a local sponsoring organization that is willing to undertake the work” and outlines traits that the sponsor must have as “1) extensive knowledge of the

²⁶ *Ibid.*

²⁷ Houstoun, Lawrence.

²⁸ Meeting with Stacey Irving, Assistant Director, Center City District, 15 February 2008.

community and a history of involvement with it; 2) skill at organizing and gaining the support of property owners and merchants; 3) a board of directors or membership that is representative of the interests of property owners and tenants in the proposed district; and 4) a vested interest in the long-term economic sustainability of the area and a reputation for seeking positive change within the community.”²⁹

The planning process is a lot of work and can take several years. A study by the Atlantic Group that looked at six major BIDs from across the United States and twelve BIDs in New York City and found that the average time spent in planning and organizing was 18 months for BIDs outside New York, but 30 months inside the City because of an extra step required in the law.³⁰ BID legislation can greatly affect the planning process. Massachusetts, whose BID legislation also has an extra step in the law, is a peculiar case that will be examined further in **Chapter IV**. The manual published by the Massachusetts Department of Housing and Community Development entitled, *A Guide to Establishing A BID in Massachusetts* states that the planning process, which is “consensus building, marketing of the BID to property owners, developing an improvement plan to address district needs, and establishing or identifying a management entity to implement the plan” takes ten to twenty months and the entire process can take, on average, about a year and a half.³¹ Even though careful planning is vital, Houston also warns against taking too much time to plan, stating, “Experience teaches that momentum strengthens consensus building. Business leaders quickly tire of seemingly endless meetings. A businesslike process can do much to inspire interest and a drawn-out process can turn interest off.”³² Complicated enabling legislation present in Massachusetts can hinder Houston’s business-like timeline recommendation not only just administratively but also, as explored later, because it requires advocates to conduct additional outreach during the planning stage.

In their ‘how to’ manual, the Massachusetts Department of Housing and Community Development, the entity overseeing BIDs in the Commonwealth, provides an outline of the essential planning steps to take in order to form a BID. These steps are outlined in **Figure 1**, below.

²⁹ Houston, Lawrence.

³⁰ *Ibid.*

³¹ Massachusetts Department of Housing and Community Development. *A Guide to Establishing a BID in Massachusetts*.

³² Houston, Lawrence.

Figure 1: Typical BID Formation Steps

- | |
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| <p><u>A. Planning Stage: Conceptual</u></p> <ul style="list-style-type: none">○ Form a sponsoring organization with a board of directors of membership that is representative of the property owners and tenants in the district.○ Develop list of services that the BID could provide.○ Describe possible boundaries of the district.○ Make estimates of the revenues that could be generated at different levels of assessment.○ Evaluate the impacts of different levels of assessment on individual property owners.○ Determine what level of services can be funded at various revenue levels.○ Prepare conceptual service plan. <p><u>B. Planning Stage: Advanced</u></p> <ul style="list-style-type: none">○ Prepare a preliminary plan and budget that includes a description of services and costs and the proposed district boundaries.○ Test-market the plan and budget in a meeting and in door-to-door discussions with the property owners and merchants in the proposed district.○ Finalize a multiyear plan and budget that includes an estimate of the costs for each property owner.○ Prepare a feasibility study that documents why the recommended services are needed and summarizes the planning process to date. |
|--|

One major point in BID formation that will be explored later, because it is especially pertinent in forgotten cities in Massachusetts, is the door-to-door “test marketing” of the plan, which really is more of stakeholder outreach, education and advocacy (see **Chapter VI, Figure 9B** for how this step differs in Massachusetts and forgotten cities).

Once communities go through the initial planning process, they may find that a BID is not feasible in their district. Ms. Irving cites that there are two main reasons many communities are not able to support a BID. Either they lack enough assessed value to function as a BID, or they lack expertise, or both. Expertise is important in navigating the politics in stakeholder outreach and dealing with administrative and legal steps of BID formation within the timeline outlined by the state legislation. Ms. Irving says the Center City District provided technical assistance to help start eleven or twelve new BIDs in Philadelphia. But for those eleven or twelve, there were 30 or 40 organizations seeking technical assistance that were not able to become BIDs because they lacked the financial resources or the technical expertise.

Staffing

The latter reason for failure in BID formation is why a qualified BID manager is so

essential to the success of the BID. As a management organization, the BID must be able to navigate the bureaucracy of city and state protocols, maintain a budget, coordinate services, become accountable to a board of directors and members, and respond to press and political pressure. While all of these activities are part of the operational stage of the BID process, they are important to keep in mind in the planning stages. Ms. Irving explains that many communities simply do not have someone with the capability and expertise to perform the role of managing the BID. She cited one neighboring BID manager who called and asked her if the Center City District offered a payment plan to their members. Because this manager was even asking this question (to which the answer was no) revealed to her that the organization did not understand how the BID depends on a constant source of revenue. She also cited other operational problems that neighboring BIDs had—such as not knowing how to collect assessments, file liens and judgments, and deal with community problems outside their capacity, such as crime or education. Her fear was that many of these BIDs would self-destruct due to their lack of expertise, and found this problem was especially troubling for BIDs with smaller budgets and influence, which may not be able to financially support a large staff or even one or two full time personnel with experience and expertise. Houston agrees on the importance of a strong manager stating:

“A clear relationship exists between the salaries paid to the top employees and the effectiveness of (and respect for) the BID’s work. The executive or manager must be multitalented in order to accomplish the diverse tasks involved in the job...parking, security, public relations, construction and business permitting, urban design, and business attraction and retention. Many skills are needed...a multitalented executive should be paid accordingly.”³³

Managing a BID is a challenging task, which may be a reason many BID managers interviewed for this thesis spoke of high turnover rates in BID Directors. If BID planners have to compromise between paying talented staff high salaries, and the number of services the BID can provide, they should consider hiring the talented individuals who will be able to phase in services according to the budget as the BID becomes more established.

Budget

Of course, staff salaries will depend on the BID’s budget, which will depend on the level

³³ *Ibid.*

of assessment generated from properties. Mitchell's survey found that the average budget for BIDs was \$200,000, but many budgets were well over \$1,000,000.³⁴ One key in the feasibility stage is to find the proper balance of financial support without spreading resources too thin. Ms. Irving explained that many BIDs made the mistake of stretching out their boundaries to gain additional property assessments but then found they did not have the organizational capacity to spread their resources that far. Some state laws may dictate the maximum budget. According to Massachusetts's legislation, the amount of the fee is established separately by each BID but cannot exceed ½ of 1% (.005) of the total assessed value of the real property owned by participating members in the district. "In planning a BID," Houstoun states, "compromise in coverage and budget should be the last resort. When BIDs fail, the cause is likely to be that they provide inadequate benefits, not that their assessments are too high."³⁵ The larger the budget, the more likely that BIDs will be able to retain additional staff, increase the array of services provided in the district, and therefore have the most capacity to make an impact in the district. BIDs with budgets under six figures are more likely to experience staff turnover, need additional technical assistance and provide a lower array of services to the district.³⁶

Services

A BID must also plan to provide services that are specific to their community and should not make the planning mistake that Houstoun warns against as "copycat planning."³⁷ Even though a BID is a tool that is transferred from community to community and it is important to look at lessons learned from other BID models, the tool should not be transferred literally. Ms. Irving explained that many smaller BIDs look at the comprehensive services that the Center City District in Philadelphia, with a budget of nearly \$20 million, provides and have unrealistic expectations that a BID will make the same changes in their own communities.

Many communities have state enabling legislation or other distinctive qualities that make the tool easier to import while others, more difficult. Small, post-industrial cities and cities in Massachusetts fall into the latter category and may look at other models, through this thesis, so

³⁴ Mitchell, Jerry.

³⁵ Houstoun, Lawrence.

³⁶ MIT Department of Urban Studies and Planning 11.422: Downtown Management Organizations Class. *Philadelphia's Business Improvement Districts: Assessment of Needs*. Spring 2008.

³⁷ *Ibid.*

that they may learn lessons in successfully transferring the tool.

Key Lessons

In order to successfully transfer the BID model, advocates must look to the best practices both to determine how the model can be utilized in their own district, and to illustrate what the model can achieve to gain stakeholder buy-in. BID planners will want to keep the following key lessons in mind when conducting BID feasibility studies:

Figure 2: Key BID Planning Lessons

- 1) The idea for a BID should come from the private sector, so as not to be mistaken for a tax, but a BID is a public-private partnership that needs municipal support early on in the planning process.
- 2) BIDs that piggyback on an existing organizations that have proven track records of making positive impacts in the community benefit from extensive knowledge of the district and stakeholder trust.
- 3) Stakeholders should determine the goals of the BID early on through a public process that creates a method for policy evaluation.
- 4) Stakeholder outreach is key. Property owner buy-in is essential in BID formation.
- 5) BID planning is an investment that can take several years. Planners should be diligent, especially in stakeholder outreach, but taking too much time will cause property owners to lose interest.
- 6) Technical expertise in BID staff is essential and qualified directors demand higher salaries. If potential BIDs have initial limited budgets and have to compromise between services and qualified staff, planners should consider phasing services and hiring qualified individuals.
- 7) The right combination of budget and services is essential. BIDs should have at least a six-figure budget, but should not make boundaries too large to generate assessments and then spread resources too thin.
- 8) The spread of the BID model is an example of tool transfer but planners should avoid copycat planning. Stakeholders must come up with their own set of BID services that will produce outcomes that are most essential to revitalizing their specific districts.

Chapter III: BIDs in Forgotten Cities

What is a Forgotten City?

Although widespread tool transfer of the BID model is cited as evidence that BIDs successfully revitalize downtowns, certain city characteristics make the transfer more difficult. This is particularly true in small, poor and post-industrial cities. All three of these characteristics are complementary and particularly symptomatic in a group of cities throughout the United States. With the outsourcing of the manufacturing industry in the last several decades, most of these small cities have had difficulty making the switch to a service-based economy as rapidly as their larger counterparts, and are therefore not experiencing the urban renaissance at similar intensities.

The term “forgotten city” was coined by MIT Professor Lorraine Hoyt as part of the Department of Urban Studies and Planning Forgotten Cities Seminar to examine small post-industrial cities that have experienced periods of dominance and decline. This term includes cities with an industrial history having a population of more than 5,000 by 1800; small cities with between 15,000 and 150,000 residents; and poor cities, with median household incomes of less than \$35,000. These criteria embody 150 cities in the United States and 7.4 million people.³⁸ In their report on the thematic summary of forgotten city research, *Voices from Forgotten Cities: Innovative Revitalization Coalitions in America’s Older Small Cities*, Hoyt and Andre Leroux make the further distinction that “unlike global cities and ‘comeback’ cities, forgotten cities did not reap the benefits of a robust national economy in the late 1990s. Though their needs are great, they have only very recently received attention from scholars and policymakers.”³⁹ While larger cities tend to have institutional support—from corporations, universities, hospitals, and foundations—that have helped their economies overcome decentralization and post-industrialism, forgotten cities generally do not have this luxury.

Inherent in these cities with poor populations and limited economic drivers are municipal governments that lack capacity and stretch limited resources, such as funding and services, too thin. The BID model, which emerged in the United States in part from a void in government support, may seem like an appropriate revitalization tool for a forgotten city experiencing a void

³⁸ Hoyt, Lorraine and Andre Leroux.

³⁹ *Ibid.*

in institutional and municipal support and services. At the same time, these cities have difficulty supporting a self-sufficient BID because they do not have a large corporate presence to provide revenue, like that of many successful BIDs in large cities such as Philadelphia or New York. Furthermore, forgotten city downtowns experience higher levels of vacancy and lower property values than larger commercial urban markets.

Is the BID model a tool worth transferring to a forgotten city? If so, how might stakeholders in such cities best utilize the tool to revitalize their downtowns? To answer these questions, I will analyze how these ‘forgotten city’ characteristics impact BIDs by examining the narratives of BIDs in three forgotten cities: Hartford, Connecticut; York, Pennsylvania; and Ithaca, New York. Although these three cities all meet the “forgotten city” criteria outlined above, they were chosen because each has its own unique characteristics that may influence the BID model. While most forgotten cities lack a strong corporate or institutional presence, the insurance industry cluster anchors downtown Hartford, while the city of Ithaca’s major anchor institution and economic driver is Cornell University. York, Pennsylvania, on the other hand, has neither a major corporate or institutional anchor on a similar scale to Hartford or Ithaca. Even though all three cities have varying degrees of major economic drivers, they share the fact that their populations are poor and their municipal governments lack resources to prioritize downtown revitalization. Stakeholders in these three forgotten cities have chosen to utilize the BID model as a mechanism to revitalize their downtowns, and despite their dissimilar characteristics, one they all share—limited municipal capacity—has been a major obstacle in successful tool transfer.

Hartford, CT

The city of Hartford boasts a number of diverse and historic neighborhoods and assets including the downtown central business district, Trinity College and Hartford University, a large city park that abuts the Connecticut River, the Mark Twain House, the Governor’s mansion and its very own Little Italy. In the nineteenth and early twentieth centuries, Hartford was a major manufacturing city, but many factories have since closed or relocated. Although Hartford has been able to transition to a service-based economy, the outsourcing of manufacturing jobs coupled with flourishing nearby suburban developments and the construction of new highways

that intersect the downtown has caused an economic decline in the city beginning in the late 1950s.

Today, Hartford qualifies as a forgotten city but also has the benefit of being the “insurance capital of the world” because many of the world’s insurance companies are headquartered here. Therefore, Connecticut’s capital has advantages by already having a large number of multinational corporations located in the downtown. At the same time, according to the Census 2000, Hartford exhibited the second highest poverty rate in the country of cities with a population of 100,000 or more. As of the U.S. 2000 Census, there were 121,578 people residing in Hartford and about 30% were living under the poverty line. The median household income was \$24,820 while the median family income was \$27,050. These numbers juxtapose a downtown that has been historically inhabited by large corporations that provided white-collar jobs. However, most of these workers commute from the suburbs, and because of crime and poverty in the city, tend to frequent the city as infrequently as possible.

The Hartford Business Improvement District (HBID) can provide relevant lessons to planners and stakeholders of potential BIDs because it was formed recently amidst a municipal government that is stretched for resources and does not have the capacity to focus attention downtown. The referendum to establish a BID was passed in October 2006 and HBID operations began in January 2007. In an effort to formalize their fragmented services and support for downtown, community and civic organizations such as Hartford Proud & Beautiful, MetroHartford Alliance, Greater Hartford Arts Council, and Business for Downtown Hartford, spent about three years formulating the Hartford BID, from conception to inception. These organizations wanted not only to enhance the existing programs available to downtown business and property owners, but also to change both the perception and reality of crime there. Proponents thought these short term goals could be achieved by using the BID model, and that public safety milestones would eventually lead to a long-term goal of revitalization: increased property values, decreased vacancy rates, and an active business district where employees and patrons would enjoy spending time.

According to the current HBID Executive Director who was also involved in the formation process, Michael Zaleski, the idea for a BID in downtown Hartford was brought up three times prior, but these previous attempts failed due to immediate lack of support from major property owners. During the final attempt, Mr. Zaleski and other proponents of the BID knew

they needed to strategically pitch the idea in order to succeed. He explained that the top twenty property owners (out of 251) in the district made up 90% of the assessed value, so the BID planners needed them on board to make a viable organization. Zaleski says they had support from about five of these twenty at the start, while the rest remained skeptical. Therefore, the BID organizers spent about a year educating these major property owners, meeting with them once a month. Their tactic was to reach out to them vis-à-vis their relationship with the chamber of commerce, MetroHartford Alliance, and then approach smaller property owners using these larger institutions as leverage.

Even though the idea of a BID came from the private sector, the major challenge for Zaleski and the chamber in selling the BID concept to property owners was a lack of trust in the city government and the belief that the BID would be used by the city like a tax. Similar to property owners unfamiliar with the BID model in numerous cities, property owners in Hartford saw the concept as additional taxes to the city for services that the city should be providing. The BID proponents' counter argument was that this money would go not to the city, but directly back to the members to use as they saw fit, and would only supplement city services.

Although Zaleski admits downtown Hartford has a corporate presence that most BID Directors "would kill for," he says that this type of property owner may have been more difficult to convince. Because multinational corporations like The Hartford or Aetna are responsible to shareholders, their number one concern is the bottom line. Although their BID payments may only be a miniscule line item in their operating budgets, it is one that has to get absorbed somewhere on their balance sheet.

Another challenge in HBID's formation was that every company had different reasons to want the BID model, and Zaleski and the chamber had to combine these into one pitch. For example, major corporations, such as the insurance companies, were less concerned about clean streets but wanted improvements in security to ensure their employees were safe. On the other hand, the developer of a new apartment tower saw marketing of the downtown as a priority to attract residents. Meanwhile, the BID concept was less attractive if property owners were also users of the buildings because they could not pass through the costs to tenants.

Because the Connecticut BID legislation requires a double majority—50% of the assessed value and 50% of the property owners must vote yes—Zaleski saw their outreach tactic as achieving support from the assessed value first and then convincing half of the property

owners (with 251 properties, they needed support from 126). Because a small number of major insurance companies own several properties, once they were on board, the outreach process came down to convincing smaller property owners. While the property owners remained hesitant, Zaleski persisted in monthly meetings and emphasized that a BID could formalize services to downtown property owners in a fair, equitable manner because everyone will pay for benefits that everyone will receive. In the end, before the BID sponsors brought the BID plan to the city for referendum, the property owners came up with a list of six stipulations required for their buy in, listed in **Figure 3** below:

Figure 3: Conditions for major property owner support of a Hartford BID

1. Negotiation of a satisfactory commitment from the City of Hartford that maintains and seeks to increase services in the district;
2. Setting the mill rate assessment for the BID at 1 mill (1 mill is equal to \$1 for every \$1,000 worth of assessed value);
3. Inclusion of a provision in the municipal ordinance that requires significant representation of the major property owners on the board of commissioners;
4. Inclusion of a sunset provision in the municipal ordinance that requires a reauthorization of the district after 3 years;
5. Inclusion of specific language in the municipal ordinance regarding the dissolution of the district if the property owners are not satisfied with either the operation of the district or City compliance with the memorandum of understanding; and
6. Development of very clear measurements to determine whether the BID is successful and is accomplishing the goals that are envisioned.

As this list illustrates, property owners in Hartford had very specific requirements for their support for the BID model. While many of these stipulations deal with accountability to members that the BID will in fact promote positive changes in the district, Zaleski claims that the financial support from the city ‘sealed the deal’ for property owners. He writes, “The city cash contribution was seen as critical because the owners did not want the city stepping away from its regular duties and relying on this new revenue source to complete their basic work. I'd say the

commitment by the City to not decrease services and consider expanding services was just as important as the cash contribution.”⁴⁰

In the end, Zaleski’s efforts were more successful than he imagined and the referendum passed with 70% of the properties and 78% of the assessed value voting yes (he notes that a challenge was that a non-response was equivalent to a no vote and some properties were owned by trusts or LLCs, without local management, and were therefore hard to reach). He says that despite the property owners’ feeling that that the city is not doing enough for downtown, a public-private partnership is able to function because the organization has been intentionally stripped down to supplemental services. While the property owners want complete control of the BID revenue, Zaleski says that the city would never let the BID take on too much authority either. He describes the relationship as a balance of power in which “the city always retains ultimate control.”⁴¹

The 23-person Board of Commissioners (representation in accordance with requirement #3, above), decided that the BID’s priorities would be ‘safe and clean.’ However, as Zaleski says, it is really “safe, safe, safe, clean.” He works with a \$1,214,400 budget and his top priorities are #1) public safety—both perception and reality of, #2) cleaning the district, and #3) marketing the district, for which he has only a modest budget. As the only person on staff, Zaleski has placed numerous security ambassadors on the street. He has tripled the number of street sweepers in the area, oversees a beautification program that removes graffiti within 24 hours of its appearance and placed several hundred new flower planters throughout the district. His tertiary marketing and promotional efforts are in the works as well.

Zaleski admits that his biggest challenge now is working on how to communicate with property owners. He says most members are not highly involved and because of their stipulations (outlined in **Figure 3**), he must be sure to document and take credit for HBID’s work and provide a quarterly newsletter of his achievements.

The trend towards downtown Hartford’s revitalization is promising. An increasing number of shops, arts and cultural resources, as well as restaurants and bars have opened downtown. Downtown housing development is also increasing and, Zaleski says, the area is supposed to grow from 2,000 residents to 6,000 in the next few years. Moreover, suburbanites

⁴⁰ Email from Mike Zaleski to Laura Rothrock, 29 February 2008.

⁴¹ *Ibid.*

who once perceived downtown Hartford as a crime stricken area that they would endure only for employment are now coming into downtown for entertainment during nights and weekends. Still, Zaleski says the image of Hartford has a long way to go and the BID is no silver bullet but only a piece of the puzzle.

York, PA

Known as White Rose City (after the War of the Roses between England's House of Lancaster and House of York), York was one of the first capitals of the United States (following Philadelphia, Baltimore, and Lancaster). York's other claim to fame is the York Peppermint Patty, which was created there in 1940. This small historic city has a small town ambience and boasts a number of cultural assets, including the historic York Fair, which claims to be the country's oldest fair, a performing arts center, and a downtown retail district.

The Census 2000 paints a picture of York as a forgotten city. With a population of 40,862 in 2000, the median household income was \$26,475, and the median family income was \$30,762. About 20% of families and 23.8% of the population were below the poverty line.⁴² The city has an industrial and manufacturing base, which has suffered from outsourcing in recent years. In 2005 the Pfaltzgraff Company, which had been manufacturing in York since 1895, closed down their plant. However, the area remains home to manufacturing arms of Harley-Davidson, as well as weightlifting equipment and HVAC companies. Still, York City exhibits crime rates and unemployment rates nearly twice that of the surrounding county.⁴³

An important piece of the revitalization puzzle in any city is the city government, hence why it is so important for BIDs to work with the municipality and share the same vision and goals. And while HBID may provide an example of a business community that is hesitant in their trust of the city, York, PA is an example of a downright corrosive public-private partnership. The York Business Improvement District was approved by the city in 1998. That same year, the already existing York Main Street program, a 501(c)3, and the BID merged under the holding company, Downtown Inc. While the Main Street program is one block longer East than the 18 square-block BID, the merging of the organizations made sense because they are able

⁴² American Fact Finder. United States Census Bureau 2000.

⁴³ Stanley Robert. Testimony before the Pennsylvania House Majority Committee, 27 September 2007.

to share overhead costs and programming activities as well as a joint mission. Because the Main Street program can go after funding dollars that the BID cannot and raises almost the same amount of revenue as the BID generates, Christina Mauhar, the Executive Director of Downtown Inc., explains that this arrangement basically doubles the budget but property owners are only paying half. The two organizations had separate boards until they recently merged in 2006, which Mauhar admits was challenging due to the separate cultures linked to the business and non-profit community. However, she points to the upside, which is a more active board, who went from meeting twice per year to once a month.⁴⁴

Like Hartford's BID, Downtown York Inc. is struggling to maintain a public-private balance with a city government that lacks resources and capacity. But unlike Hartford, York's political relationships have been broken to an extreme. Ms. Mauhar explains the city is on the cusp on bankruptcy and is attempting to use Downtown Inc. to make up for their limited capabilities.⁴⁵ While the BID is currently generating revenue with a \$1 million assessment, for an annual operating budget of \$106,000, the mayor, members of city government and city council would like the assessment raised so the BID may provide more services. At the same time, Downtown Inc. does not receive funding from the city and their in-kind services—office space and use of the city website and phone—were taken away. Mauhar maintains that once the Economic Development Director was pushing the millage increase and took away the in-kind services, the relationship went sour and has continued to worsen since.

One issue that is central to this sour relationship is downtown law enforcement. Crime, panhandling and loitering have lead to a perception and reality of an unsafe downtown. As one York Daily Record writer notes, although “the downtown is starting to see millions of dollars in investment in housing and business.... [potential residents of York are] weary of the sound of gunfire, crime and too few police while shouldering the highest tax rate in the county.”⁴⁶ The York BID attempted to supplement the police service with an ambassador program. As part of this program, personnel walked the district, greeted shoppers, gave directions and monitored any criminal activity. Mauhar explains that this system did not deter crime because there was still a lack of police presence and police could not respond quickly enough to the ‘eyes and ears’ of the

⁴⁴ Interview with Christina Mauhar, Executive Director, Downtown, Inc., 4 February 2008.

⁴⁵ *Ibid.*

⁴⁶ Hoover, Mike. “So much yet to fix,” *York Daily Record*. 19 January 2007.

ambassadors. Seeing that this program was not deterring crime, Downtown, Inc. board members urged Mauhar to overhaul the ambassador program that they saw as a “waste” of \$130,000 annually.⁴⁷ While Mauhar plans to change the ambassador program to focus mostly on sanitation and marketing, city officials had another idea: they wanted Downtown, Inc. to pay for a 24/7 downtown police officer. After “persistent calls by city officials for the agency to fund downtown police patrols,” Downtown Inc. finally agreed to pledge \$10,000 for a downtown police presence, half of what the city had asked of them.⁴⁸ Mauhar explains how the city politically calculated their request for \$20,000 by asking for the money in a City Council meeting that aired on local television. When the BID board responded that their agency should not pay for services that should be provided by the city, a headline in the following day’s newspaper read “Downtown Inc. doesn’t support law enforcement.” Therefore, Mauhar says, the board voted to pledge the \$10,000 as a goodwill gesture to show that the agency supported the police. However, BID constituents feel like they are being double taxed to replace an over-stretched city government who wants to pull their downtown resources and use them elsewhere.

The Pennsylvania legislation states that the governing authority, in this case the five-person City Council of York, must vote to approve the BID district board members. The board submits names to the mayor, who submits the names to the Council for approval. Mauhar says that city oversight is supposed to be just that, and not a mechanism to place their own members on the board. However, the city saw recent board turnover as an opportunity to gain power within the agency and has tried to appoint board members without Downtown, Inc.’s knowledge. After the mayor pushed to have Ken Schreiber, the city’s marketing and economic development coordinator, sit in on board meetings as a liaison for the city, York City Council approved his appointment to a voting board member, even though his name was not one that the board had submitted to Mayor John Brenner for approval.⁴⁹ Mauhar explains that Brenner, who has not been able to raise revenue for downtown with city resources, gave Schreiber’s name to City Council himself, in an effort to utilize the agency to drive his own agenda. Mauhar, who was interviewed for this thesis a day before the Council voted to approve Schreiber, claimed the Downtown Inc. board might vote to dissolve themselves if Schreiber became a member. She

⁴⁷ Dagan, David. “Downtown Agency Undergoes Changes.” *Central Penn Business Journal*, Online Edition. 20 April 2007.

⁴⁸ *Ibid.*

⁴⁹ “Downtown York’s New Board Members.” *York Daily Record*. 10 February 2008.

said that while her constituents knew dissolving was an extreme and reactionary move, they saw it as the only viable option to take control back from the city. She explained that because many of Downtown York's property owners do not live in York and Brenner does not see them as constituents who can vote him out of office, the BID board carries little political clout with city officials. While the board of Downtown Inc. has not voted to dissolve as of yet, Mauhar notes this could be possible because the members feel they are being told by the city government who should sit on their board and how they should use their own money; essentially that they don't know what is best for them.

As Mike Zaleski of Hartford said, this public-private relationship is really a balance of power with the city always retaining the ultimate power. Downtown, Inc. has not been unable to maintain this balance and thinks dissolution may be the way to counter what they see as an abuse of power.

Ithaca, NY

Ithaca, located in central/upstate New York close to the Pennsylvania border, was once internationally known for the Ithaca Gun Company, manufacturers of shotguns, and was home to clock, auto, and other manufacturing industries as well. Surrounded by Cayuga Lake, Ithaca boasts a picturesque setting complete with dams, world-renowned fossils, and waterfalls. During the early twentieth century, Ithaca was the center of much of the silent film industry, which benefited from the area's beautiful surroundings.

When people think of Ithaca today, they may immediately think of Cornell University, politically liberal minded inhabitants, and, as the popular T-shirt suggests, gorges. However, as a former industrial hub whose economy now rests on higher education and light manufacturing, Ithaca also qualifies as a forgotten city. According to the Census 2000, the city of 29,287 had a median household income of only \$21,441. About 13.5% of families and 40.2% of the population were living below the poverty line.⁵⁰

While like most forgotten cities, Ithaca's downtown business district does not have a large corporate presence, Ithaca does have the advantage of being a university town and

⁵⁰ American Fact Finder. United States Census Bureau 2000.

therefore exhibits existing demand for and supply of complimentary retail such as book stores, coffee shops, art and craft dealers, independent cinema houses and locally-owned restaurants.

The central business district, Ithaca Commons, is a downtown pedestrian mall that was built in 1974 in an effort to contrast decentralization. Not unlike urban retail in other forgotten cities, Ithaca Commons has had to compete with expanding suburban commercial zones that feature 'big-box' national chain stores and restaurants. In the 1990s, the Commons' vacancy rates grew and the major retail anchors—Woolworth's, McDonald's and CVS—left downtown. Gary Ferguson, Executive Director of what now is the Ithaca Downtown Partnership BID, explains how like other forgotten cities, the political and social focus shifted away from downtown. "By the mid 1990s it was starting to feel tired," he said in an interview with *The Ithacan Online*. "What happens sometimes in communities, and I think it happened here, is we make these good investments then we say 'I'm done. Let's move on to something else.' ... Consequently there wasn't much more attention paid to downtown."⁵¹

In order to refocus attention downtown, a group of stakeholders attempted to form a BID in the district in 1995, but failed partially because the boundaries were too large and the mission was too broad.⁵² While a majority of property owners (55%) voted to form the district in 1995, the goal of a 75% commitment was not met. While the original plan was based on marketing and business development, a new plan emerged in 1997 with a more strategic vision of 'safe and clean.' The Ithaca Downtown Partnership (IDP) business improvement district was created in 1997 consisting of 22-blocks of retail space that includes Ithaca Commons. Today, the Partnership operates with an annual budget of \$525,000, \$300,000 of which comes from assessments while the rest is made up of city funding, grants, special events that generate revenue, and miscellaneous contributions.

While Downtown York, PA may be the example of a poor public-private partnership, Ithaca serves as the prime example of coordination and balance of power between the city and BID. Ferguson explains that IDP maintains a close relationship with the city. New York state law requires the city to hold seats on the BID board, but unlike York's city board member contention, Ferguson says the city's three voting seats on the board has actually helped IDP

⁵¹ Saine, Jamie. "A Stroll Downtown." *The Ithacan Online*. 24 January 2008.

⁵² Phone interview with Gary Ferguson, Executive Director, Downtown Ithaca Partnership, 28 February 2008.

maintain a strong relationship with local officials. Mr. Ferguson has been able to negotiate the ability to sit in on city planning and economic development meetings and the city and the Partnership are able to understand each other's missions and share similar agendas. The BID benefits financially from this partnership as well. For example, the City of Ithaca recently appropriated \$250,000 for the BID's 2008 budget for a project called the Ithaca Commons Reconstruction Design. Ferguson told The Ithacan Online that money will go toward "evaluating and renovating The Commons", but he has not solidified the plans as of yet.⁵³

While the Ithaca Downtown Partnership may have a close working relationship with the city, Ferguson admits their relationship with the county is not as constructive. The county, who is also the biggest landowner in the downtown, used to give financial support to IDP but pulled their capital in the last few years. Unlike the city government, the county does not share a vision with the BID and the relationship suffers from what Ferguson describes as "urban vs. rural and city vs. suburb" politics. The county still retains a seat on IDP's board, a seat that is controversial to IDP's members. However, Ferguson explains that IDP's relationship with the county is useful because county officials run the local tax abatement program that is utilized by IDP. Even with the two entities' different agendas (similar to York's BID/city relationship), unlike York, Ferguson sees that this relationship is needed and therefore uses it to his advantage.

Once perceived as an organization that was simply a carry-over of the downtown merchant association, IDP is now regarded as a major economic development player in the region. IDP has been able to act as a catalyst in bringing \$100 million in public and private investment to the downtown. Such investment includes 120 new businesses (for a net of about 60 to 70), a new 225-unit housing project (the first new downtown housing since 1970), a 50% increase in downtown office space, a restored historic theater, two new hotels, a five-plex cinema and parking garages, plus façade improvements, an ambassador program and a number of popular festivals that have doubled in size. The IDP also spearheaded the effort to put the downtown properties on the National Register of Historic Places.

Even with a small budget, the Partnership has been able to expand its focus from 'safe and clean' to business retention and development, marketing and member services, and community and special events. Because of their close relationship with the city, IDP has also been able to become involved in local policy and environmental planning. Gary Ferguson attests

⁵³ Saine, Jamie.

to the importance of a shared community strategic vision in achieving success. He says IDP has done this by preparing a “Downtown Ithaca Ten-Year Development Strategy.” This strategic plan provides guidelines for downtown development from 2000 – 2010 and was endorsed by the city government. To support this plan, IDP commissioned an Entertainment Study and Strategy Plan in 2006, to “reinforce downtown Ithaca as a central place to gather for amusement, socialization and enjoyment, while attracting more people to interact and shop downtown, and assisting in creating a desirable downtown residential neighborhood which will be attractive to those attracted to an urban, downtown lifestyle.”⁵⁴ Each year since 2000, IDP creates an annual work plan that addresses a portion of this strategic 10-year plan.

The Public-Private Balance in Forgotten Cities

As is clear from the three forgotten city case studies, a balance of power between the city government and a BID is more crucial in determining feasibility than the district’s millage, services, and budget size. This public-private relationship is especially important in forgotten cities because these are places where city resources are limited but need is great.

Christina Mauhar warns that potential new BIDs should formulate their organization by thinking of positions, not people. While a BID may be feasible under the current city administration, it may not be able to maintain a public-private partnership if a new municipal administration abuses power or does not understand the role of the BID. Therefore, new BIDs should outline very specific responsibilities and relationships before forming, much like the Hartford BID did. Such a document will provide a mechanism to protect property owners, which is essential for city BIDs in forgotten cities. Other key lessons learned from all three forgotten city BIDs are summarized in **Figure 4** below:

⁵⁴ Ithaca Downtown Partnership. *Downtown Ithaca Entertainment Study & Strategic Plan*, 2006.

Figure 4: Key Lessons from Forgotten City BIDs

<i>Hartford</i>	<i>York</i>	<i>Ithaca</i>
<ol style="list-style-type: none"> 1) BID rids downtown of free-rider problem 2) BID planners got key players on board early and knew whom other property owners respected and would listen to for buy-in. 3) Large, corporate property owners generally have less community interest. 4) Planners had to find the right combination of services to appeal to all. 5) Conditions of support (services and capital) from the city were vital in BID formation. 6) Constant communication with BID members is challenging but necessary. 	<ol style="list-style-type: none"> 1) BID's piggybacking on existing organizations helps due to economies of scale. 2) City should not make demands of BID if not providing any technical or financial support. 3) BID members feel the city is using them to drive their own agenda because there is a lack of communication and transparency between the two entities. 	<ol style="list-style-type: none"> 1) Initial boundaries that are too large and missions that are too broad will not create feasible BID organizations. BID planners should start small and rely on phasing in subsequent years. 2) City board members encourage transparency in BID and city agendas. Transparency has the capacity to encourage city funding and support. 3) Even if government and the BID have different agendas (i.e. BID and county in Ithaca), the BID should foster government relationships to use to their own advantage. 4) City and BID should keep each other abreast of long-term goals that compliment each other.

While the Ithaca Downtown Partnership's healthy relationship with the city may be due in part to the culture of these specific organizations, the roles and action steps outlined by both the city and BID have cultivated this strong relationship. While the city has power over the BID by sitting on the board, the city balanced the power by including Mr. Ferguson in city planning and policy activity. This way, both parties are kept abreast of each other's plans and goals and can therefore achieve a common vision for downtown Ithaca.

While state legislations vary in outlining the relationship between the BID and municipal authority, no matter what the state, if this relationship is broken, the BID will not succeed. In forgotten cities, where small-town politics collide with big financial resource gaps, a public-private partnership is particularly essential. Even though the BID is supposed to be a tool for property owner use to help manage and revitalize their district, the face of a downtown in a forgotten city belongs to the community who has not forgotten it. Even though in many public-

private partnerships there is a constant struggle for power where the city remains in control, property owners, and particularly members of BIDs in forgotten cities, must also leverage their power. After all, in a city with limited resources, downtown property owners may be the city's biggest resources. BID planners should be mindful of leveraging this power during the planning stage, by encouraging the city to commit, at minimum, baseline services in the district. This commitment should then encourage the public-private balance to transfer to the implementation stage where just as BID and city services augment each other, so do each entity's economic development strategies and goals.

Chapter IV: BIDs in Massachusetts

In the United States, state law authorizes local governments to enter into public-private partnerships to form business improvement districts. As the case studies in the previous chapter illustrate, these laws can, in the words of Houston, “profoundly shape the manner in which local BIDs are created and governed and the functions they serve.”⁵⁵ State legislation can determine everything from who sits on the board, to the amount of property assessments that can be used as a fee, and what percent of property owner approval (or disapproval) a BID boundary must achieve in order to form. While research on the effectiveness of state enabling legislations on BIDs is limited, Houston explains that “some states make it relatively easy for localities to create BIDs, and others make BID formation relatively difficult, often out of a desire to protect property owners from added assessments and without much regard for the likely benefits of BIDs to property owners.”⁵⁶ Massachusetts is a state that falls into the latter category.

Massachusetts General Law Chapter 40O, passed in 1995, enables communities to establish a BID within contiguous boundaries where at least 75% of the land is zoned or used for commercial, retail or industrial uses. Chapter 40O also requires the BID be established through a public hearing process and petition that describes the BID boundaries, service plan, budget and fee structure. The fee amount is established by the BID but cannot exceed ½ of 1% (.005) of the total assessed value of the real property and the BID may cap the maximum annual fee. The petition must be signed by the owners of at least 60% of the real property and at least 51% of the assessed valuation of the real property within the proposed boundaries. Once established the municipality collects the fees and distributes them to the BID and may charge the BID a fee for this service. Similar to city taxes, the municipality may place a lien on properties that fail to pay the BID fee. The board of directors is responsible for overseeing BID activity, and unlike the Ithaca, NY example, Chapter 40O does not require specific board composition.

The point of contention surrounding M.G.L. Chapter 40O is the outlined “opting-out” period. The statute states that:

Any property owner within the BID may, within 30 calendar days after the municipality declares the BID organized, elect not to participate or “opt-out” of the BID. By “opting-out” a property owner is neither subject to the BID fee nor eligible to receive any of the benefits or services of the BID. The property owner must notify the city/town clerk in

⁵⁵ Houston, Lawrence.

⁵⁶ *Ibid.*

writing of his/her desire to opt out. He/she may elect to participate in the BID at a later date. Acceptance of participation in the BID is permanent until BID dissolution or property transfer. Upon transfer of the property within a BID, the new owner has 30 days to “opt- out” of the BID.

Mike Zaleski explained that in Hartford, he was able to ‘sell’ the BID idea to property owners by emphasizing that the model was an equitable way to revitalize downtown. In other words, that even though a small number of civic organizations, the chamber of commerce, and a few property owners had been continually investing in downtown, the BID model would make this process fair; everyone pays and everyone benefits. Many scholars and authors agree that fairness is one of the main reasons for forming a BID. As Gina Caruso and Rachel Weber explain, “The model of voluntary improvement associations that are funded through an involuntary assessment is an attractive middle ground between chambers of commerce (with their associated ‘free rider’ problems) and unpopular property taxes.”⁵⁷ Because of the opt-out clause, BID proponents in Massachusetts benefit less from using this reasoning because it creates the free rider problem Caruso and Weber mention. Although the legislation does say that property owners who opt-out may not receive “any benefits or services of the BID,” BID directors argue that it is difficult to sweep around certain properties, deter crime in specific areas, or provide capital improvements sporadically throughout a contiguous district. Property owners are also more likely to be hesitant in opting-in, when they know their neighbor can opt-out.

At the same time, BID proponents trying to ‘sell’ this idea to property owners to bring them on board in investing in the tool, may use the opt-out clause to their advantage, letting them know that they should sign the petition because they can always opt-out afterwards. However, this tactic can be self-destructive for smaller BIDs who rely on a certain amount of properties to generate enough revenue to operate. While there has not been a large amount of literature regarding the effects of BID legislation, Houstoun claims that when Massachusetts officials drafted Chapter 40O, “this statute ignored the time-tested principle of benefit districts by allowing individual property owners to opt out of paying their share of costs. In the view of many observers, this provision is why no BID has emerged in Boston and why only two [currently three] have been formed in Massachusetts.”⁵⁸

⁵⁷ Caruso, Gina, and Rachel Weber. "Getting the Max for the Tax: An Examination of BID Performance Measures." *International Journal of Public Administration* 29.1-3 (2006): 187-219.

⁵⁸ Houstoun, Lawrence.

This chapter examines the three existing BIDs that have emerged in Massachusetts—in Springfield, Hyannis, and Westfield—in order to determine how this opt-out clause has affected BIDs in Massachusetts and provide lessons learned to stakeholders in the Commonwealth’s communities hoping to form a BID such as Amherst, Taunton, Newton, Chicopee, Hingham and Lawrence. Furthermore, stakeholders in the other Massachusetts forgotten cities of Holyoke, Chelsea, New Bedford, and Fall River—where the need for commercial revitalization is greatest but capacity is least—may also benefit from these lessons learned should they import the model. Finally, this chapter makes a recommendation on how the Massachusetts BID enabling legislation should be changed to better leverage BIDs as a mechanism for commercial district revitalization in the Commonwealth.

Springfield

Springfield is a city in southwestern Massachusetts, along the Connecticut River, and is considered one of two anchors of the Hartford/Springfield metropolitan area. Beginning in the mid 1800s, Springfield’s economy was based on large manufacturers of the industrialization era including railway car, gasoline pump, automobile, and motorcycle manufacturers. The city’s nickname is the *City of Homes*, given during the late nineteenth century because of the city’s plethora of Victorian mansions and single-family worker homes developed during the industrialization era. Within the last sixty years, the economy has slowly eroded as the manufacturing industry closed their facilities, including the Springfield Armory (closed in 1968), American Bosch (1986), and Danaher Tool (2005). Springfield has since struggled to fill the manufacturing void with a service-based economy like larger post-industrial cities have. As jobs left the city, the residential base followed. Large department stores in downtown could not compete with suburban retailers and closed their doors as well. The Eastfield Mall, built on the city outskirts in 1969, is now the major retail destination in Springfield, as opposed to downtown.

According to the Census 2000, Springfield had 152,082 people living in the city. The median income for a household was \$30,417, and per capita income was \$15,232. 19.3% of families and 23.1% of the population were below the poverty line. If not for the extra 2,000 residents, Springfield would have been included in the forgotten cities category.

The Springfield BID was established in 1998 as the first BID in Massachusetts following the 1995 enabling legislation. Ann Burke, now Vice President of the Economic Development Council of Western Massachusetts, was involved in the formation of SBID. According to Burke, the key proponents in forming a BID in downtown were a new mayor and a new economic development organization, the Springfield Business Development Corp., of which she was a part.⁵⁹ This organization began evaluating the feasibility of a BID in downtown Springfield in January 1997 and in July 1997 received a Memorandum of Understanding (MoU) from the city, under then-Mayor Michael Albano, to provide “baseline-plus” city services that included financial support of \$100,000 annually.⁶⁰ Although signed by the BID president, several city officials and the mayor, the MoU was not a binding legal contract, a fact that would cause problems during the operational stages.

The BID proponents saw the model as the best way to provide a unified voice for property owners and predictable funding for downtown to improve Springfield’s position in the regional marketplace as a center for commerce and entertainment.⁶¹ Downtown Springfield was anticipating change in 1997, with an expansion of the Civic and Convention Center, the Basketball Hall of Fame, and a new Tourist Information Center. The BID was seen as a way to “provide the supplemental programs and management necessary to capitalize on this important opportunity.”⁶² But in the words of Houstoun, with opportunity also came fear.

Ann Burke, with the city’s support and Memorandum of Understanding, had to educate the property owners about the BID model in order to gain their support. Similar to the Hartford BID, a small number of properties (four) make up the largest amount of SBID’s budget (80%). Ms. Burke was able to use support from MassMutual, who is the largest property owner and made up about 20% of the budget, and the city seed money as leverage to convince other property owners to buy into the BID. Ms. Burke explained that she made property owners aware of the opt-out clause, but noted that this clause turned out to be a positive attribute to some property owners who were hesitant on making a decision. In the end, she says, only about 12 of

⁵⁹ Phone interview with Ann Burke.

⁶⁰ Springfield Business Development Corp. *BID: Business Improvement District, Springfield, MA, 1997.*

⁶¹ *Ibid.*

⁶² *Ibid.*

the 275 properties chose to opt-out, and this did not end up affecting the BID's formation.⁶³

Jeff Keck, current Executive Director of SBID, explains that additional property owners would have opted out had they understood the opt-out cause properly. Even though Keck was not directly involved in the BID formation, he knows of about a dozen property owners who felt Burke conveyed to them that they could opt-out after three years if they were dissatisfied with the BID. He says that even today he deals with BID members that feel like Ann Burke deceived them in order to get their signature and vote, but that resentment is “more of a grumble today as an afterthought, but in the beginning it created poor business relations.”⁶⁴ Even though the legislation states that property owners can opt-in after they've initially opted-out, the reverse is not true. Property owners signing the petition who do not opt-out after 30 days, are members of the BID permanently, unless the BID dissolves or the property is transferred. The Massachusetts legislation does require a specific accountability measure, that every three years the BID Board of Director or his/her Designee shall update its strategic management, budget, and services plan and that a copy of this strategy be sent to each BID member.⁶⁵ But this measure of accountability does not mean that members can opt-out if they are dissatisfied, as a few SBID property owners felt they were led to believe, but only that the plans must be transparent to BID members every three years.

Mr. Keck explains that the opt-out clause has not greatly limited SBID's performance, as most of the property owners that opted-out are generally smaller properties or on the fringe with the exception of one major property owner, the late Peter Picknelly of Peter Pan Bus Lines, who opted-out five of his six properties. In the early stages of operation, when the dozen or so properties learned that they could not opt-out after 30 days and that Picknelly was not paying his fees, “some voiced that they would go to him [Picknelly] and start the petition to disband the BID [but] it never happened”⁶⁶ The fact that this never happened and that some, but not most, property owners neither felt “duped” nor opted-out reflects that the BID is working for most members. Keck thinks that the property owners that chose to opt-out did, and still do, not have a clear understanding of what the BID can actually do for them. At the same time, Keck cannot

⁶³ Phone interview with Ann Burke.

⁶⁴ Email from Jeff Keck, Executive Director, Springfield Business Improvement District to Laura Rothrock, 10 March 2008.

⁶⁵ General Laws of Massachusetts, Chapter 400. “Business Improvement Districts.”

⁶⁶ Email from Jeff Keck to Laura Rothrock, 10 March 2008.

completely avoid graffiti removal or trash pick-up in front of these few properties, so they do benefit without paying.

Other property owners in downtown Springfield have elected to opt-in; a telling sign that SBID is improving the downtown neighborhood and providing property owners a return for their investment. Still others, like the Picknelly family, are only partially in. Jeff Keck explained that one developer bought an entire block of property in the heart of downtown and believed in the BID model but did not want to deal with another bureaucratic organization, so he has held his largest property out until he sees the return on his investment in the smaller properties.

The skepticism of property owners in the effectiveness of the BID is especially complex, as outlined in the forgotten city case studies, when the city has limited resources. Property owners associate the BID with a city government that they already feel is not doing enough for them. Meanwhile, the success of a BID is hard to measure when larger factors—job growth, crime, homelessness, and the economy as a whole—are out of the BIDs control, but greatly affect the property owners' expectations of increased entertainment and commerce activity and decreased crime and vacancy in the district.

Since SBID's inception, Springfield has had to endure an economic downturn that exceeds that of most forgotten cities. Still, the organization has been able to weather what could have been a larger storm in their public-private partnership. Former Springfield Mayor Albano, who was a proponent of SBID's inception and signed the MoU, was involved in a federal corruption probe and accused of over-spending and relying too heavily on state aid by the State Department of Revenue.⁶⁷ Consequently, \$3.4 million of state funding was cut in 2003, the municipality laid off 287 employees, the city's bond rating plummeted to just above junk and the state eventually took control of the city's finances in 2004 under a new agency, the Finance Control Board.

Keck admits that the city's federal probe and state takeover has affected the work of the BID, especially because the BID was seen as part of the agenda of the old mayor, who had a tainted reputation. When Mayor Ryan came into office in 2003, SBID held monthly meetings with him in order to gain his support for what the BID was achieving in downtown. Keck says that the new mayor wanted control over downtown, but also had to reduce spending because of

⁶⁷ "Down But Not Out." *CommonWealth*. Winter 2004: 48-57.

the fiscal crisis. Ryan lowered the amount of BID financial support from the city because of the fiscal crisis and spent a year rewriting the Memorandum of Understanding with the BID. The city and BID were never able to reach a new understanding and neither party signed Ryan's MoU. The primary reason why BID members and staff were displeased with the new MoU was because the language changed from holding the city accountable to baseline services (the original MoU's intention) to holding the BID accountable to economic development goals and city oversight. Keck believes this language change was due in part to Ryan not having a clear understanding of what the BID could do and how the city could utilize the BID in its economic development strategy.⁶⁸ While Ryan was able to balance the city's budget, Keck explains that the retraction of city services caused crime to go up.

Springfield serves as a prime example of the sometimes inverse relationship between the services of a city and a BID. SBID has been able to provide services to property owners that have been especially important in a city undergoing a fiscal crisis and "because of the fiscal crisis, the BID had to increase its operational budget twofold (more cleaning, more security, more landscaping, etc)."⁶⁹ Keck explains how the city pulled baseline services in the district despite the MoU, writing, "The [city government] started slowly siphoning city services down to minimal and then when the financial problems came to a head during Mayor Ryan's administration, all city services pretty much came to nothing (except police). This was the very thing the BID membership was fearful of, and it happened, regardless of the MoU."⁷⁰ When the city resources get weaker, BID services can get stronger, but the reverse is also true. Keck explains that as the services that SBID provides increase, the city services are sometimes used elsewhere and he is "always trying to get the city to do what it's supposed to."⁷¹

Keck says he hopes for a change with the new administration, under Mayor Sarno, who took office in January 2008. He explains that Sarno has an appreciation for the services that the BID provides in downtown and the impact it has been able to make thus far. He writes, "because of the new mayor and the mutual respect, the board of directors are reconsidering the budget outlay and hope to now use the funds as they were intended to (not to supplant city services but

⁶⁸ Phone interview with Jeff Keck, 4 February 2008.

⁶⁹ Email from Jeff Keck to Laura Rothrock, 10 March 2008.

⁷⁰ Email from Jeff Keck to Laura Rothrock, 19 May 2008.

⁷¹ *Ibid.*

to augment them).”⁷²

Hyannis

Hyannis is the largest of seven villages in the town of Barnstable in Cape Cod, Massachusetts. Hyannis is a major tourist destination, due to its beach, fishing and boating port, ferry connections to the islands of Nantucket and Martha’s Vineyard, and two major retail districts—the Route 132 commercial district and historic downtown Main Street. While the Rt. 132 retail is made up of suburban footprints—big box stores and strip malls with parking in front along a busy route, Main Street Hyannis, a business improvement district, has the ambiance of a walkable small New England town. Cynthia Cole, Hyannis Main Street Business Improvement District (HMSBID) Executive Director, describes Main Street as “a good retail mix of locally owned shops, restaurants and services. The majority of the street caters to both summer and year round residents but many could not succeed without the influx of summer residents and tourists.”⁷³ She says that many people are surprised to hear that Hyannis’s year round residents are a mix of wealthy, middle class and poorer residents.⁷⁴

HMSBID was formed in 1999 “in response to the need to carry out the Hyannis Renaissance.”⁷⁵ The idea for a BID came from the private sector, as a committee made up of Chamber of Commerce members researched the concept following the 1995 state enabling legislation. The committee then brought the idea to the town to gain assessed value information and technical assistance. While the town was able to provide assistance in formation, Cole stresses the importance of having the idea come from the private sector and particularly, the peers of other property owners. Rick Penn, owner of Puritan of Cape Cod and the largest property owner, was chairman of the BID committee and other property owners were influenced by his willingness to invest in downtown. Cole says that about 35% of property owners were immediately engaged but about 35% were hesitant. She was hired to provide outreach and education to the hesitant property owners and she says she used the opt-out clause to her advantage if a property owner expressed concern about not being able to make up his or her

⁷² *Ibid.*

⁷³ Email from Cynthia Cole, Executive Director, Hyannis Main Street Business Improvement District, to Laura Rothrock, 12 May 2008.

⁷⁴ Phone interview with Cynthia Cole, 30 January 2008.

⁷⁵ Main Street Hyannis website, hyannismainstreet.com.

mind about BID buy-in. She told them they could sign on now and then decide last minute to opt-out if they needed to. Because Springfield's BID was not operational at this time, Cole had to look outside the state for examples and used Burlington, VT's Church Street as a model. She put together a selling kit with renderings of what the BID could do for downtown Hyannis, and saw resistance from property owners decreasing. The entire BID formation process took about three years, but about a year of that was trying to get the second batch of signatures from property owners. Finally, the BID was approved with 75% of property owners signing the petition and 10% of property owners opting out. Cole says if she had to do it over again, she would talk to the Springfield BID proponents and compare ways in which BID outreach and education was conducted in order to gain support from property owners. At the time, however, there were no technical assistance services available to potential Massachusetts BID stakeholders from established BIDs that formed under the Massachusetts enabling legislation.

Cole says that the opt-out clause has been difficult for her district because the opting out property owners have been essentially getting a free ride. She says some BID services are easy to target only to members, such as marketing of specific businesses, while others, like signage and street beautification, are harder. Even still, HMSBID has had an enormous impact on the area. Since its inception, the BID has been able to provide a voice for property owners in regulatory issues and government relations, leverage nearly \$2.5 million in capital improvements, provide business development, attraction, and technical assistance services, as well as marketing, security, maintenance, and beautification services.⁷⁶ HMSBID has been able to accomplish all of this with two full time staff members and two part time staff members, generating revenues of about only \$140,000 annually. HMSBID occasionally receives small grants from the town for a specific purpose, but for the most part has been able to successfully write grants (although Ms. Cole says she urges BIDs to form as 501(c)3s instead of 501(c)6—HMSBID's structure—because this allows for more leverage in raising capital). Since inception, two major property owners have since opted-into the BID, a true testament of the success of a renaissance in downtown Hyannis.

Westfield

Westfield, a suburb of Springfield, is located in southwestern Massachusetts at the

⁷⁶ *Ibid.*

western edge of the Connecticut River Valley. The town is bordered by linear cliffs that are part of a larger mountain range along the Northeast. Despite Westfield's recent commercial and residential land development, Westfield still boasts significant amounts of undeveloped forests.

In the 19th century, the manufacturing industry was prevalent in Westfield and the town was named "Whip City" due to the buggy whip industry presence in the 1800s. Today, the city is mostly home to workers who commute to Springfield, but has a significant college population (15%) due to Westfield State College. In 2000, the median income for a household in Westfield was \$45,240 and the median family income was \$55,327. About 6.9% of families and 11.3% of the population were below the poverty line.⁷⁷

Westfield, with a population of 40,072, is the newest community to form a BID in the Commonwealth, having done so in June 2006.⁷⁸ In 2004, the Chamber of Commerce, with support from the city, commissioned a BID feasibility study. The Chamber hired Ann Burke, who formed the Springfield BID and is now working with Northampton to conduct the feasibility and outreach of the model, as a part time consultant.⁷⁹ Unlike Hyannis, the key proponents for a BID were not specific property owners but the Chamber of Commerce. Still, the Chamber was an organization that represents the private interest and does not look as though they are trying to pass city services to potential BID members. Lisa McMahon said that the Chamber saw the potential for downtown and commissioned a number of reports and studies of the area. Although these reports illustrated ways in which the downtown could use this potential by creating a strategic roadmap for revitalization, McMahon says they ended up sitting on a shelf because the district lacked resources for implementation.

The Chamber and Ann Burke were able to use these revitalization plans to their advantage in gaining support for the BID. A major reason the BID proposal passed was that many of the district property owners were also involved in these master plans that sat on a shelf. BID proponents convinced them that this was the best tool to promote a shared strategic vision for downtown.⁸⁰ Burke and the chamber also went to the boards of major institutions in town, including the YMCA, the hospital and Westfield State College and gave a presentation on what

⁷⁷ United States Census Bureau, Census 2000.

⁷⁸ The District Westfield website, thedistrictwestfield.com.

⁷⁹ Phone interview with Ann Burke.

⁸⁰ Phone Interview with Lisa McMahon, Executive Director, The District Westfield, 5 March 2008.

the BID could do for the district. When certain property owners remained unsure or unwilling to participate in the BID, these proponents would think about whom these people respect and sent them to foster support.⁸¹ These tactics worked because the Westfield Council voted to establish the BID in September 2006 and operations began in early 2007.⁸² The district boundaries include 191 member properties and an additional 33 that have opted out. Even though this BID has a larger membership than Springfield, because they do not have large office towers like a large downtown commercial center, they have 1/20th the size of Springfield's budget.⁸³

During the planning process the BID proponents wanted the boundaries to be larger than they currently are but had to retreat over a particular bridge because of lack of support. Two property owners—one who owned a historic train station that is now home to an insurance company and another, a candle company—wanted to be included in the district. Yet because their neighboring property owners said they could not afford the fees and because the proponents needed a certain percentage of support to pass the City Council, these property owners were told they could not be included. “I wish I could put banners and flowers there,” McMahan said.⁸⁴ If not for the opt-out clause, these property owners who wanted to become part of the BID would have been able to.

The opt-out clause has also created resentment among property owners because unlike Springfield with a number of corporate property owners, Westfield is a small town where, McMahan explains, “everyone knows everyone.” Community members know who opted-out and this creates tensions when members feel they are making the extra effort in investing in the district *and* picking up the slack of their opting out neighbor.

Even in the early operational stages, McMahan has been frustrated by the implications of the opt-out clause in service delivery. Like Keck and Cole, she says there are some services she cannot justify delivering only to members. McMahan uses snow blowing as an example, explaining that pedestrians shouldn't have to trudge through a neglected building on their way to another shop in the district. She says that yes, she can avoid graffiti or trash removal at certain properties, but she is “trying to create a look” of a cohesive district so it is difficult to do so and neglect certain properties. Both McMahan and Cynthia Cole of Hyannis' BID see the opt-out

⁸¹ *Ibid.*

⁸² The District Westfield website, thedistrictwestfield.com.

⁸³ Phone interview with Ann Burke.

⁸⁴ Phone Interview with Lisa McMahan.

clause as such a problem that they recently met with a state senator to try and get the legislation changed.⁸⁵

Despite the opt-out clause, and even though the BID has only been in operation for a year and McMahon is the only person on staff, her energy and enthusiasm for the BID have been paying off. She's had seven or eight merchants (not property owners) ask her if they could become part of the BID, a sign, she says that she is bringing positive attention to the businesses in the district. Still, property owners remain skeptical due to the opt-out clause, with one property owner telling her, 'until everyone is in, I won't be.'

Opt-out Implications for Massachusetts

Ann Burke downplays the opt-out problem saying, "In a perfect world, Massachusetts would do better without the opt-out clause...but this hasn't been the experience of the three BIDs here."⁸⁶ She explains that in Springfield and Westfield, a relatively small number of property owners have opted out and that the BIDs have been able to achieve success in the management of their districts by providing a number of services. In reality, she says, the people who opt-out still receive services anyway. The real problem with the opt-out clause, according to Burke, is that it scares people away from forming a BID. Communities do not want to spend the time and money conducting feasibility studies for a year or two when the opt-out clause does not allow the district to get off the ground. But this is a misperception, she says. The opt-out clause can actually *help* communities form when they have property owners who are hesitant.

She is correct that this clause can be used to the BID proponents' advantage in gathering signatures—sign now and you can opt out later—but is this fair? All three BID directors in the Commonwealth have admitted that they cannot really divert resources away from these property owners and they benefit from services that are financed by others. And as the Westfield case illustrates, opting out of a district can cause resentment amongst property owners, especially in a smaller city.

The counter argument is that certain property owners may not be able to afford the fees and should be able to opt out. In the Westfield example, had the opt-out clause not been in effect, the property owners included in the original larger boundary would have had to pay the

⁸⁵ *Ibid.*

⁸⁶ Phone Interview with Ann Burke.

fee, regardless of their financial ability to do so. For small businesses struggling to keep their balance sheets “out of the red,” especially in lower-income communities, this can be a legitimate concern. However, according to the Massachusetts law, “if a building owner can't pay the BID fee they can apply for hardship and can either pay a scaled back amount or none. Westfield has done this with several building owners,” explains Emmy Hahn, the Coordinator for the Massachusetts Downtown Initiative of the Department of Housing and Community Development.⁸⁷ Clearly, the intention of a BID is to increase business and property values and if the majority of properties could not afford the fees in a district, a BID would not be an appropriate revitalization tool.

All of the BID directors interviewed for this thesis tended to agree that outreach and education was key in gaining support from property owners forming a BID. The reason why outreach is so important is because asking property owners to tax themselves additionally can, in concept alone, cause an immediate negative reaction. As Mike Zaleski of Hartford bluntly stated, “no one wants to pay more taxes.” Education will circumvent the usual arguments of ‘I’m not paying for what the city should do.’ Emmy Hahn explains that the reason the opt-out clause was put into the legislation was to put to rest the fears of additional taxes. “At the point that the legislation was passed there was a strong feeling that it was a tax and not a fee for service,” she wrote. “The powers that be at that time felt that the best way to deal with the perception that it was a tax was to allow people to opt-out. You can't opt-out of a tax, was the reasoning.”⁸⁸ But Hahn admits this is no longer the sentiment, “It is interesting how things change. If the legislation was passed today, I don't believe it would have the opt-out. Fee for service is very popular now and people believe it should include everyone that it applies to.”⁸⁹

Opposition of the BID model diminishes when stakeholders see the successes in neighboring communities and want to transfer the tool to their own. All BID proponents interviewed for this thesis agreed that the most effective way to gain support for a BID is to teach stakeholders what the tool can do by showcasing successful models. But when none of these models are close to home, they fall below the radar for many communities. As Anne Burke explained, “it's like we're ten years behind the times” noting that most states have a large

⁸⁷ Email from Emmy Hahn, Coordinator for the Massachusetts Downtown Initiative of the Department of Housing and Community Development, to Laura Rothrock, 13 May 2008.

⁸⁸ Email from Emmy Hahn to Laura Rothrock, 12 March 2008.

⁸⁹ *Ibid.*

number of BIDs and some cities alone have multiple BIDs, such as Philadelphia with 14, San Diego with 18 and New York with 59. Burke says that because there are so few BIDs in Massachusetts, more outreach to property owners is required because they are not as familiar with what the model can achieve and haven't seen its results from nearby competition. Jeff Keck agreed that a lack of BID support from Mayor Ryan and the opting out of property owners was due to a lack of understanding of the tool. He says many of his members *still* don't understand what the BID can do. Yet if there were a number of operational BIDs in Massachusetts, stakeholders would have a trust and understanding in the model. To that point, Burke claims that one main reason why there are so few BIDs in the Commonwealth is not because of the opt-out clause, as many critics argue, but because Boston, the face of downtown in Massachusetts, does not have a BID.

But is Boston's lack of a BID *because* of the opt-out clause? Boston has tried numerous times to form a BID in their downtown retail district, Downtown Crossing. The idea was first proposed in 1997 at the suggestion of Mayor Menino, and a coalition of property owners put together a plan, which passed city council. However, because their plan required a change in the opt-out legislation so that no property owners could opt out, the proposal required oversight from the State House, where the momentum was halted. "By exposing the BID to the Legislature," an article in the *Boston Business Journal* stated, "proponents put it in the path of the powerful Boston Police Patrolmen's Association, which held up the legislation in the late 1990s over worries that their members would be replaced by private security patrols."⁹⁰ Whether or not the opt-out clause caused Downtown Crossing's BID demise, Burke affirms that if it forms, other communities in Massachusetts will soon follow.

And form they just might. Mayor Menino, according to a December 2007 city press release, announced plans for a BID for Downtown Crossing "that would generate millions in annual revenues to fund continued investment that would continue Downtown Crossing's transformation from a retail-only district to a mixed-use center of city life."⁹¹ However, if the mayor and BID proponents in Boston encourage a Home Rule Petition again to avoid property owner opt-out, the state legislature may again rule against the BID.

⁹⁰ Mason, Edward. "Bid for Hub Business Improvement District All But Dead." *Boston Business Journal*. 7 May 2004.

⁹¹ "Mayor Menino Delivers Annual Address to Greater Boston Chamber of Commerce." City of Boston's Mayor's Office. 11 December 2007.

Even though a Downtown Crossing BID has yet to get off the ground because of the opt-out clause, the three Massachusetts BIDs are existing and successful despite it. Emmy Hahn says the clause can be problematic, but not a reason for communities to avoid the tool.⁹² And while Springfield and Hyannis went out on a limb to be the first two communities to form in the state, others, like Westfield, can use these two case studies, and the failed attempts of Boston, as an example of how the opt-out clause might affect formation. The fact that the Westfield community was willing to put money up front to hire Ann Burke for the feasibility study, despite the few examples in the state, shows that they were not completely fearful of the clause. Furthermore, a handful of new communities are testing the BID waters in the state, including Northampton, Amherst, Taunton, Newton, Chicopee, and Hingham, a telling sign that the idea is picking up momentum.

Still there is work to be done in outreach and education and Emmy Hahn says that the Commonwealth has never really gotten behind the BID idea. She said she tries to get the word out about BIDs by publishing a new manual and visiting communities at the request of the city or civic organizations to explain the BID model, but she is still only a “one-woman show” at the state level. And while there has been a push to change the opt-out legislation, from the Downtown Crossing effort to Cole and McMahon meeting with state officials, both Hahn and Burke were hesitant to say this would occur any time soon. Hahn did say that if the legislation does change, those BIDs forming under the opt-out provision may get grandfathered in, which doesn’t help the immediate cause of McMahon and Cole.

So is the Massachusetts BID legislation faulty? For BID Directors, definitely yes. Keck, Cole and McMahon all agree that the opt-out clause does make it difficult for BID services and benefits to be fair and equal and that their budgets, and maybe their boundaries and services, might be improved if everyone was in. But for property owners, the legislation is also faulty. Even though Ann Burke says that the clause helps property owners who are hesitant about the BID, it also seems to create confusion and resentment. In addition to what Keck alluded to as a misunderstanding of when members could opt-out, Hahn says that when properties transfer ownership there is also confusion. New owners are allowed to opt-out within 30 days, but many don’t know this and try to opt-out four or five months later. This misunderstanding can also create resentment in the community and, if new owners opt-out within 30 days, BID budgets and

⁹² Phone interview with Emmy Hahn, 1 February 2008.

services may have to be altered suddenly. Property owners are also likely to be resentful if they are financing services for their neighbors who chose to opt-out of the fee.

Does the opt-out clause prevent BID communities from forming? Yes, because BID organizers are afraid that the time and money they invest in importing the tool will go to waste if property owners opt-out. There is a catch-22 occurring in the Massachusetts BID void. Organizers are hesitant to conduct outreach about BIDs in fear of the opt-out clause, but the opt-out clause has also caused fewer property owners to have an understanding of what the model can do and therefore requires more outreach. As Ann Burke admits, communities in Massachusetts require much more outreach on the model than elsewhere.

Admittedly, I have only interviewed Executive Directors and BID proponents and not property owners. So the notion that ‘they don’t know what is best for them because they don’t understand the model’ may sound presumptuous. In the end though, whether or not the BID model is best for a community, BID proponents need property owner buy-in and should not only conduct educational outreach about the tool, but also really ‘sell’ the idea by using other successful BID models as examples. Therefore, although BID planners should be honest about any downfalls the model might have, they still need to be enthusiastic and should avoid, as Houstoun calls it, “excessive caution” when trying to sell this idea.⁹³ Telling property owners they can opt-out if they don’t agree does not exactly make the case for the power of a BID. This lack of enthusiasm from BID planners encouraging stakeholders to “opt-out later,” coupled with few examples of BIDs in Massachusetts, makes it difficult for property owners to want to buy-into the model and transfer the tool to their districts.

The irony of the Massachusetts legislation is that while it may have been crafted with the opt-out clause to deter the perception that a BID is a tax, it has actually required more outreach and education to convince property owners that a BID is, in fact, not just an increase in taxes for city services. The opt-out clause has also proven to cause inequality, resentment, and confusion amongst property owners in the three operational Massachusetts BIDs. Although Anne Burke’s assertion that three BIDs have been able to form and operate under the current enabling legislation is valid, these districts would be more effective if they were not limited by the opt-out provision. In order to most effectively utilize BIDs as a revitalization tool in Massachusetts, lawmakers should remove the opt-out clause in the state enabling legislation.

⁹³ Houstoun, Lawrence.

In the meantime, stakeholders in other communities in the Commonwealth interested in importing the tool to their communities should look at lessons learned from Springfield, Hyannis, and Westfield, summarized below, to determine how best to transfer the model despite the limitations of the opt-out provision.

Figure 5: Key Lessons Learned from Massachusetts' BIDs

<i>Springfield</i>	<i>Hyannis</i>	<i>Westfield</i>
<ol style="list-style-type: none"> 1) BID planners got key players on board early. 2) Not properly explaining the opt-out clause for BID advocate's advantage will cause property owner resentment later. 3) An understanding between the city and BID should be a binding legal contract so baseline services will not change with a new administration or fiscal crisis. 4) The BID can withstand a city fiscal crisis but BID and city services will have an inverse relationship. 5) It is impossible for opting-out property owners not to receive services and benefit from the BID. 	<ol style="list-style-type: none"> 1) BID advocacy works best when it comes from a property owner. 2) Using model BIDs in a 'selling kit' encourages property owner buy-in. 3) BIDs should form as a 501(c)3 to fully leverage grant-writing ability. 4) It is impossible for opting-out property owners not to receive services and benefit from the BID. 	<ol style="list-style-type: none"> 1) Engage property owners who participated in district market analyses by encouraging them that a BID is a tool that can implement study recommendations. 2) Use key institutional players to gain support from property owners. 3) Without large corporate members, larger boundaries can still mean smaller budgets. 4) In small Massachusetts cities where property owners know each other, the opt-out clause creates resentment. 5) It is impossible for opting-out property owners not to receive services and benefit from the BID.

Chapter V: Lawrence in Context: History, Demographics, and the Evolving/Transforming Mill District

As several BID Directors interviewed for this thesis expressed, a BID is not a saving grace to downtown revitalization, but is a piece of the puzzle that utilizes private and public investment of time and money. Houstoun stated that cities form BIDs amidst fear and opportunity. Many cities transfer the tool because they think the BID model may be the extra push their districts need to turn new investments (opportunity) that face a void in resources (fear) into district revitalization or renaissance.

Is the downtown Lawrence, MA mill district experiencing a renaissance? A number of new mills in the process of redevelopment from vacant or underutilized spaces into housing, office, or mixed-use properties point to this community's rebirth. Of course, implicit in the definition of the word 'renaissance,' is that the community was once without life or vigor. To understand how and why Lawrence, and most especially the downtown mill district, might experience an economic and social revival is to understand its rise and fall in history.

In the mid 1800s, a group of wealthy Boston industrialists, headed by Abbott Lawrence, searched for sites where they could establish textile mills near ample sources of waterpower. They found such a site along the Merrimack River in Massachusetts, and incorporated the city of Lawrence in 1853 out of parcels taken from the surrounding communities of Methuen and Andover. Lawrence became a planned industrial city made of mills and canals built along the Merrimack. The city earned its nickname "the Immigrant City" by attracting thousands of laborers from all over the world. Immigrants from Ireland, Italy, Canada, and Germany, to name a few, came to Lawrence seeking the American dream and took part in the industrial revolution working in these mills along the river. By the 1900s, Lawrence was an economically thriving city; home to the cotton and wool textile industries⁹⁴.

The decline of the textile industry beginning in the 1950s eroded Lawrence's workforce and population. The federal government declared Lawrence a disaster area due to unemployment rates in the 1950s⁹⁵ and the population fell from over 80,000 residents in 1950 to

⁹⁴ Cole, Donald B. *Immigrant city: Lawrence, Massachusetts, 1845-1921*. Chapel Hill: University of North Carolina Press, 1963.

⁹⁵ Lawrence History Center Newsletter. "Urban Renewal." *Lawrence History News* 4.1: 2005.

approximately 64,000 residents in 1980.⁹⁶ The outsourcing of this industry also marked Lawrence with abandoned or partially vacant mills concentrated in the downtown along the Merrimack River. Like many U.S. cities suffering from a post-industrial economy after World War II, Lawrence city officials made several controversial revitalization efforts in the name of urban renewal. In the 1950s, half of one of the largest mills in the world, the Wood Mill, was demolished. In the mid-1970s, large sections of downtown Lawrence were razed and replaced with parking lots and a three story parking garage.

Lawrence suffered further devastation in the 1980s and 1990s. While Lawrence lost nearly half its manufacturing jobs in the 1970s and 1980s, another 20 percent of its employment base was lost in the recession of the early 1990s.⁹⁷ During this period the city became known as the arson capital of the country, with over 200 buildings set afire during an eighteen-month period in 1991-1992. The city had other notorious claims to fame as well, including “the auto-fraud center of the country and a place where businesses went to die.”⁹⁸ Not only were the commercial centers plagued with rising violent crime rates and vacant storefronts and mill buildings, but also the Commonwealth of Massachusetts had to establish a fiscal oversight board, as the city could not maintain its budget, and the Department of Education threatened to take over the distressed school system.

Today, the city presents with similar, albeit improving, statistics. With a population of 72,043 according to the Census 2000, the median income in Lawrence in 2006 inflation-adjusted dollars is \$31,276 compared to \$50,502 in Massachusetts, and 37.5% of residents have no high school degree.⁹⁹ According to the Department of Education, only 41% of the Lawrence high school class of 2006 graduated in four years, which is about half the statewide average of 80%. The unemployment rate in Lawrence is an unadjusted 12% in January 2007, which is double the state’s 6% rate during the same period.¹⁰⁰ Affordable rental housing has long been lacking in Lawrence and the city is 5th in the Commonwealth in foreclosure filings with 700 filings in

⁹⁶ Plastrik, Peter and Madeleine Taylor. *Lawrence Community Works: Using the Power of Networks to Restore a City*. Barr Foundation, 2004.

⁹⁷ Butler, Britta. *ReWorking the City of Workers: A New Housing Paradigm for the Immigrant City*. MIT Master’s Thesis, 2003.

⁹⁸ Porter, Paula and Tom Duggin. “The Revival of Lawrence.” *Valley Patriot* March 2006: 18.

⁹⁹ United States Census Bureau, Census 2000

¹⁰⁰ Kolluri, Mini. “Lawrence Unemployment Rate Continues to Rise.” *The Eagle-Tribune*. 10 March 2007.

2007.¹⁰¹

Demographically, Lawrence is still an immigrant city, although the countries of origin have changed. Immigrants from the Dominican Republic began entering Lawrence in significant numbers during the 1960s. Today, Lawrence has a Hispanic majority. Almost 70% of residents are non-white, 30% are foreign born, and of the immigrant residents in Lawrence 70% are from the Dominican Republic.¹⁰² Tensions between the Hispanic community and Caucasian population erupted as this new wave of immigrants emerged, and these tensions reached an all-time high during race riots in 1984. A racial disconnect in the city remains, as David Holtzman explains, “immigrants from the Dominican Republic have given new life to the once-moribund downtown, opening hundreds of small businesses there and in surrounding neighborhoods. But in City Hall, the old guard still holds sway, and there has long been a sense of disconnect between the needs of the young immigrant population and the political leadership.”¹⁰³

Despite Lawrence’s rise and fall, many property owners and residents are hoping the city is on the brink of a renaissance; and they have reason to believe so as crime rates are dropping and new shops and restaurants are coming into the city. The downtown mill district in particular has recently seen millions of dollars in investment from the private and non-profit sectors.

The downtown mill district owes much of its investment to the Reviviendo Gateway Initiative (RGI), a community planning effort, launched by grassroots community organizations and a diverse group of businesses, institutions, residents, and non-profits. These stakeholders partnered with the city government to make the vision of downtown Lawrence “as the historic heart of an international city—a place that is vibrant, dynamic, diverse and proud”¹⁰⁴ a reality. These efforts resulted in the 2003 Reviviendo Gateway Overlay District, the first major zoning change in the city since 1946 that allowed residential uses along the North Canal in the former commercial-only district. Residential uses encourage private investment in Lawrence, as developers see opportunity in the mills to rehabilitate these mammoth historical structures into housing or commercial spaces. This trend is occurring throughout post-industrial cities in the United States. Many developers see these properties as opportunities to create housing for the

¹⁰¹ Union Crossing, Lawrence: Project Summary, 8 February 2008.

¹⁰² U.S. Census Bureau, Census 2000.

¹⁰³ Holtzman, David. “Back From the Brink.” *Shelterforce Online*. March/April 2005: 140.

¹⁰⁴ Clark, Heather. *Redeveloping Lawrence, Massachusetts’ Historic Mill District: Insights into Adaptive Reuse in Untested Residential Markets*. MIT Master’s Thesis, 2004.

‘yuppie software developer looking for the urban lifestyle,’ the ‘newly formed family looking in the urban rental or condominium market’ or the ‘empty-nest baby boomers looking to downsize.’ Residential uses in the Lawrence district can also mean a 24-hour live/work urban core that is dense and walkable. Residents in the mill district on the nights and on the weekends not only mean a safer downtown, but also a downtown that will most likely attract complimentary businesses such as restaurants and cafes.

The first major project utilizing the Reviviendo Gateway Overlay District was the rehabilitation of Washington Mills Building #1 into rental apartments. The Architectural Heritage Foundation (AHF), backed with community support and financial support from the Bank of America Community Development Corporation, completed the renovation of the 240,000 square foot building that was on the brink of full vacancy. The project brought over \$40 million in investment and created 155 households in the mill district. The units are designed for flexible live/work utilization to “help nurture small businesses and provide further stimulation to the local economy.”¹⁰⁵ The Washington Mills opened in the summer of 2007 and rented about half the units in the first five months.

After a successful initial lease-up of the Washington Mills, the Architectural Heritage Foundation also purchased the Morehouse Bakery at the corner of Mill and Methuen streets in December 2007. In addition, they have an agreement to buy the 150,000-square-foot Pemberton Mill from Iron Mountain, a data storage company that currently uses the building as a records warehouse. AHF plans to convert the old bakery building into a satellite campus for the Cambridge School of Culinary Arts, and the Pemberton Mill into a hotel.¹⁰⁶ Both uses would bring activity into the mill district and are consistent with RGI’s vision for a vibrant downtown. A hotel will allow the district to have more of a 24-hour community feel, while the culinary school could spur future restaurant activity in the district.

Other developers are following suit in the trend set by the community RGI vision and AHF and even more housing may be available in downtown Lawrence in the near future. Forest City Enterprises, a leading national developer, plans to develop The River Mill at 240 Canal Street into a 280-unit apartment complex. The projected \$70 million project will hopefully bring

¹⁰⁵ Kirk, Bill. “Cleveland Development Giant Closes in on Riverfront Mill Purchase.” *The Eagle-Tribune*. 3 February 2008.

¹⁰⁶ Benton, Nelson. “My Take: Old Mill Would Make Grand Hotel.” *The Eagle-Tribune*. 3 February 2008.

residents to downtown Lawrence. While the developers are planning to demolish the one-story mill, the decision on demolition will be left to the National Park Service, as the company used historic tax credits upon purchase.¹⁰⁷ Forest City does not envision the project to open until mid-2010, but the city and community are already excited about the investment in the city and the impact the development will have on the livelihood of the mill district.

Another mill redevelopment project that excited the Lawrence community is now on hold, however. Millionaire developer Bob Ansin purchased the Wood Mill on Merrimack Street in October 2003 and has begun developing the mill into a mixed-use project called “Monarch on the Merrimack.” The \$200 million “green-technology” project planned for more than 600 residential loft condominiums and upscale retail businesses, including a jazz club, a cyber café, and a kosher deli. During Phase I of the development, more than 550 people from 70 cities in 12 states put their names on a waiting list to live in the Monarch lofts. A major setback recently occurred, however, when the local daily newspaper, *The Eagle-Tribune*, reported contractors were not being paid and asbestos was found in the building. While the asbestos was actually in a land pocket outside the building and the newspaper printed a correction, a major lender and a number of loft buyers pulled out.¹⁰⁸ The project is now on hold and it is uncertain what will become of the property until financing is secured. The project may have to convert to rentals in order to support construction costs with the limited funding.

College Street LLC, owners of the Malden Mill, plan to transform the old Arlington Mills complex into a mixed-use environment that will support between 500 and 600 mostly rental housing units. According to their website, the developers plan to “transform more than 1 million square feet of aging and underutilized mill buildings into a vibrant, pedestrian-friendly mixed-use development.”¹⁰⁹ In meetings with city officials, College Street explained they plan to partner with an affordable housing developer and the city is confident the housing reuse will help in revitalization of the district.¹¹⁰ Although this new investment is an important part of the Lawrence renaissance, the complex is located outside of the immediate mill district along the

¹⁰⁷ Kirk, Bill. “Cleveland Development Giant Closes in on Riverfront Mill Purchase.” *The Eagle-Tribune*. 3 February 2008.

¹⁰⁸ “Down but not out.” *Merrimack Valley Magazine*, November 2007.

¹⁰⁹ Malden Mills Development website, maldenmillsdev.com.

¹¹⁰ Chelf, Stephanie. “Developers Forced Out of Malden Mills: New Owners Plan to Build Complex Themselves.” *The Eagle-Tribune*. 21 October 2007.

Merrimack. Therefore, Malden Mills will not likely be part of a potential contiguous BID boundary made up of properties concentrated downtown.

While a national corporate presence is lacking in the Lawrence mill district, The New Balance Corporation is the exception that makes it all but absent. The company has spent more than \$17 million in renovations to their property in the mill district. New Balance is expanding in research and development, manufacturing, and retail on the site, and has additional expansions planned for the future. The Merrimack Valley Community Foundation Inc. has invested \$1 million in the Ayer Mill, where New Balance is headquartered, installing new windows, and spearheading a major renovation of the clock tower, which is a landmark in the Merrimack Valley.¹¹¹

While New Balance may be Lawrence's exception to a corporate presence, and Forest City may be the exception to a national developer presence in Lawrence, some local property owners have taken revitalization efforts into their own hands. Chet Sidell, former owner of a garnet manufacturing company, along with Gary Sidell, have invested over \$5 million in the KGR Mill building at 60 Island Street, turning one of their old manufacturing sites into an office building. The building, as well as their property at 56 Island Street, now houses over sixty tenants comprising of a mix of doctors, artists, non-profits, software and advertising companies. Their largest tenant, Cambridge College, is a four-year institution offering mostly night and weekend classes.

On the other side of the canal from KGR, Sal Lupoli purchased the Riverwalk Mills on Merrimack Street and has created "Sal's Riverwalk." Mr. Lupoli has invested \$15 million in this project and created more than 200 jobs. The once vacant mill building now houses a number of commercial uses including the Merrimack Valley Credit Union and Sal's Restaurant.¹¹² Sal's first tenants at Riverwalk, brothers Lou and Juan Yopez, owners and founders of the high tech company Mainstream Global, saw Mr. Lupoli's success and decided to buy and redevelop the Plymouth Mill at 25 Marston Street. They plan to convert the property into 100,000 square feet of high-end office space and aim to attract professional tenants, especially doctors who

¹¹¹ Porter, Paula and Tom Duggin.

¹¹² *Ibid.*

conduct business at nearby Lawrence General Hospital.¹¹³

While a Lawrence renaissance may be in the preliminary stages, many wonder if the downtown mill district will revitalize the community, or become *another* community. The fear is that loft-style developers will attract young professionals who will leave Lawrence to work and socialize in Boston. This demographic might not help residents of Lawrence, but rather outside professionals looking to own a piece of less expensive real estate outside, but still in proximity to, the more expensive Boston market.

Lawrence Community Works (LCW), a resident-led non-profit community development corporation (CDC) who spearheaded RGI, has begun a new initiative to redevelop mills along the Merrimack in an effort to juxtapose the Monarch and Washington Mill projects that they categorize as “loft-style developments with the minimum affordability required, and are geared toward drawing young professionals and empty-nesters into the city”.¹¹⁴ LCW wants to “ensure that tapping the potential of the mill buildings—one of the City’s great assets—will benefit and create rising value for all our residents and families, regardless of income.”¹¹⁵ The group has a long track record of affordable housing development and community planning in Lawrence. The CDC has developed a membership of more than 2,200 residents, a staff of 21 and an annual budget of nearly \$1.5 million. To date, the group has generated over \$12 million in neighborhood investment, all under their mission of equitable, sustainable, community-driven development in Lawrence.

In 2007 LCW purchased the Southwick Mill, a 215 thousand square-foot building, for redevelopment. This acquisition is part of a larger vision to create a vibrant ambience in the downtown Lawrence mill district called Union Crossing, along with development partners Chet and Gary Sidell (redevelopers of 56 and 60 Island Street) and Juan and Lou Yopez (redevelopers of 25 Marston Street). Union Crossing will be a 400,000 square-foot mixed-use development located in the heart of the North Canal Historic District and will include the redevelopment of adjacent mill buildings—the Duck Mill at 4 Union Street and 220 Canal Street—as well as construction of three new buildings, on 8.5 acres of land. The Union Crossing proposal includes residential opportunities for families and workforce dedicated housing (150 to 165 units; mixed

¹¹³ Kirk, Bill. “Joining the Mill Club: Yopez Brothers Just Latest in Long Line of Developers Eager to Share in Success of City.” *The Eagle-Tribune*. 15 May 2007.

¹¹⁴ Union Crossing, Lawrence: Project Summary, 8 February 2008.

¹¹⁵ *Ibid.*

income) commercial and medical space, day care, parking and green space around the Merrimack River. The basic program and phasing of this large-scale project is as follows:

Figure 6: Basics of Union Crossing Project Phasing and Program¹¹⁶:

<p>PHASE ONE (targeted construction start of 2009) <i>50 Island Street (Southwick Mill)</i></p> <ul style="list-style-type: none">• Approximately 40 units of mixed-income family rental housing (townhouses and flats) for Lawrence General Hospital employees, visiting employees, and other workforce members (Building 9, floors 3-5)• A new 12,000 sf day care center (Building 9, floor 2)• Approximately 80 at grade parking spaces (Building 9, floor 1)• Approximately 65,000 sf of new commercial space in Building 4 <p>PHASE TWO <i>4 Union Street (Duck Mill)/220 Canal Street</i></p> <ul style="list-style-type: none">• Approximately 70 units of mixed-income family and workforce housing• Ground-floor commercial space (office, institutional, retail)• New parking and riverfront access <p><i>50 Island Street- Agawam Dye Works</i></p> <ul style="list-style-type: none">• Approximately 36,000 sf of new community space (health/ wellness) and/or parking <p>PHASE THREE <i>New construction on Island Street</i></p> <ul style="list-style-type: none">• Approximately 12,000 sf of new commercial/ retail space• Approximately 24,000 sf of new workforce housing
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LCW is taking the lead on the residential development, while the Yepez brothers and Chet and Gary Sidell are working to develop the commercial components. Similar to LCW, the commercial partners have a strong track record in growing and nurturing local businesses that are generating net new jobs for Lawrence and the Commonwealth.

The \$75 million investment will change the ambiance of Union Street dramatically and restore vigor into this area that has been quieted with the outsourcing of the manufacturing industry. "We're building a neighborhood," said Maggie Super Church, Union Crossing Project

¹¹⁶ *Ibid.*

Manager for LCW. "Housing, shops, services, outdoor space and parks."¹¹⁷ The project will not only provide new housing, offices, and retail, but also turn part of a parking lot into a raised city park and create an estimated 200 jobs. The photograph and rendering in **Figure 7** below illustrate the vision for Union Crossing.

Figure 7: View from Union Street Before (above) and After (below) Union Crossing



Credit: Jeff Shumaker, Illustrator

While mill owner and Union Crossing partner Chet Sidell says, "In my opinion, there will be more development going on in the next ten years in the mill district than we've seen in the past 40 years,"¹¹⁸ it is apparent this is not just his opinion. But with large amounts of investment pouring into the mill district, and a city government with limited resources, LCW is looking for a way to best take advantage of this opportunity and ensure that other investors and

¹¹⁷ Kirk, Bill. "Mill City Makeover: Southwick Clothing Complex to be Reborn as Union Crossing." *The Eagle-Tribune*. 6 April 2008.

¹¹⁸ Interview with Chet Sidell, KGR, 8 February 2008.

developers look ‘beyond the lot line’ and not just redevelop, but revitalize the district into a lively, walkable community where people enjoy working, shopping, dining and living.

A BID seems like the appropriate tool to achieve these goals, especially because most of the recent investments have taken place in the same vicinity, in mills clustered together in the islands surrounding the Merrimack River (see **Figure 8** below). But as a forgotten city in Massachusetts, what is the best approach in implementing the BID model, based on the case studies outlined in this research?

Figure 8: Aerial Parcel Image: Recent/ Pipeline Developments, Lawrence Mill District



Key:

-  270 Canal Street (Washington Mills #1)
-  60 Island Street (KGR, Chet and Gary Sidell)
-  50 Island—Southwick (LCW owns, Union Crossing)
-  216 Canal Street—Pemberton Mill (AHF)
-  9 Mill Street—Morehouse Bakery (AHF)
-  240 Canal Street—Forest City
-  250 Merrimack Street—Monarch on the Merrimack
-  5 Union Street—Ayer Mill (New Balance)
-  354 Merrimack Street—Sal’s Riverwalk (Sal Lupoli)
-  25 Marston Street—(Plymouth Mill, Yopez Brothers)
-  4 Union Street/—Duck Mill (phase III Union Crossing)
-  220 Canal Street—(phase III Union Crossing)
-  56 Island Street—Chet and Gary Sidell (Essex Art Center)

Chapter VI: Conclusions and Next Steps

With the amount of development both occurring and in the pipeline in the Lawrence mill district, Maggie Super Church, Community Development Consultant to Lawrence Community Works (LCW) and the Union Crossing Project Director, saw an opportunity to coordinate the Union Crossing team's investment with others in the district, to create a more cohesive community. A Business Improvement District (BID) seemed like an appropriate tool because, as she wrote:

A BID seems to provide the greatest flexibility, autonomy and level of control in relation to the City [so] we can move forward somewhat irrespective of City capacity [and] commitments. A BID also provides a formal management structure for financing and strategic planning (versus a more ad-hoc group). Finally, BIDs are non-profit entities that can hold and manage public funds as well as their own fees, which positions us to seek additional support from state and federal funding sources.¹¹⁹

Maggie Super Church and LCW epitomize the four criteria, outlined by Houston in **Chapter I**, necessary for a primary sponsor organization for the mill district BID. With their long track record of community organizing, interfacing with property and business owners and city hall, and providing direct benefits through initiatives such as affordable housing, collective economies, and education, LCW is a very appropriate sponsor because they already have community trust and respect. Maggie Super Church has assembled a team of consultants to assist her in the feasibility study and planning of a BID in the mill district. Fred Faust, President of the Edge Group, a real estate consulting firm serving the Merrimack Valley, and Kathy McCabe, a private economic development consultant in Massachusetts, will serve as the primary BID consultants and assist Ms. Super Church in the BID planning stages. This thesis has been formulated with these clients, "the BID team," in mind to provide recommendations on how to engage stakeholders interested in establishing BIDs in Massachusetts as well as forgotten cities in other states.

In the case of Lawrence, a combination of fear and opportunity has lead stakeholders to consider a BID. As mentioned in the previous chapter, Lawrence has experienced similar economic and social trends that have influenced BID formation in a number of North American

¹¹⁹ Email from Maggie Super Church to Laura Rothrock, 3 December 2007.

cities including the offshoring of manufacturing jobs, urban renewal, and the upsurge of suburban housing, office and retail development. This combination of factors has left the city's once thriving mill district with high vacancies, dilapidated infrastructure, and quiet streets. Even though new investment is pouring into the mill district rapidly, property owners and investors are still taking a risk, and fear they will not see the expected returns on their investments. On the other hand, these stakeholders also see the mill district as an opportunity with untapped potential, or else they would not choose to invest the large amounts of time, energy, and money that they have in the mill district.

Individual investors may see potential in their historic and symbolic mill properties along the canal, but unless improvements are made beyond their lot lines, their properties may not become part of a larger walkable and thriving community. Capital improvements, district promotion, and the attention of state and local policy makers are just some of the much-needed services a BID could leverage and provide. With these services in place, property owners will not only see a greater return on their individual investments, but also the larger community's investment. The district's potential, combined with limited city capacity, creates the perfect storm to utilize a BID as tool for revitalization in Lawrence.

But BID stakeholders in Lawrence face a dilemma. BID formation is difficult for stakeholders in Lawrence on two levels: 1) Massachusetts legislation, which allows property owners to opt-out after district formation; and 2) "forgotten city" status, or small, poor and post-industrial characteristics that create a power struggle between a city government with limited resources and property owners who have the most capacity to provide public benefits for their district.

Massachusetts Legislation

The widely accepted view from BID proponents in literature and practice is that BID services are strictly supplemental to city services and do not provide services that government should provide; that an urban district can become more competitive in the regional marketplace by using an accepted practice from their suburban competitors: a common area maintenance (CAM) fee. These pro-BID arguments are used to dissuade the common misconception of the model: that it is an additional tax on property owners. Property owners are less likely to maintain this misconception if they see how the tool has revitalized other downtowns. Instead,

the tool spreads like wild fire when districts want to compete with their neighbors, as in cities such as Philadelphia, with 14 BIDs; San Diego with 18 BIDs; Los Angeles with 37 BIDs; and New York with 59 BIDs. In Los Angeles alone, there are currently 19 BIDs in the proposal stages—evidence that there is a demand from property owners to import the tool to compete in the marketplace because they have seen the model transform neighboring districts.¹²⁰

Yet with only three examples of BIDs in the Commonwealth of Massachusetts, the model is not spreading quite like wild fire because the opt-out legislation makes tool transfer difficult. This is because cautious BID proponents don't want to spend the time and money to plan a BID if property owners can then legally opt-out of it. As the Massachusetts case studies outlined in **Chapter IV** illustrate, BID organizers are stuck in a catch-22: they are hesitant to conduct outreach about the tool in fear that stakeholders will opt-out, but the opt-out clause has also caused fewer property owners to have an understanding of what the tool can do and therefore requires more outreach to them. Ironically, legislation intended to ensure property owners that BID fees are voluntary and not a tax has caused BID planners to have to advocate even more for the model and illustrate that the BID is not a tax, but an innovative revitalization tool. Therefore, additional education to stakeholders is even more necessary in transferring the tool in Massachusetts for two reasons. First, to educate property owners about what the BID model is and second, to convince them that the tool is in both in their own and the district's best interest.

Even though the three Massachusetts BIDs have been able to successfully manage and provide services to their districts, the executive directors admit that their districts are not equitable when by law, BID boundaries must be contiguous but individuals can opt-out. Therefore, when property owners choose to opt-out, they still are able to reap the benefits that their neighbors are financing. BID organizers in Massachusetts are not armed with pro-BID arguments used in other states, for example, that the tool solves the free rider problem of continuous economic development measures from the same few property owners or civic organizations. The Massachusetts BID legislation has created additional problems such as resentment and confusion. In Springfield, property owners were confused about the opt-out clause and thought they were free to opt-out or in as they pleased. This lack of understanding later created some resentment and distrust in the tool. In Westfield, a small town where property

¹²⁰ Los Angeles Office of the City Clerk website, cityclerk.lacity.org/bids/bidgeol_pro.pdf.

owners know each other well, the tool has caused resentment amongst those who have opted in against those who are not paying for the improvements.

Forgotten Cities

Even if BID organizers are able to educate property owners that the model is in their own and the district's best interest and that the tool does not replace city services, in cities with limited government capacity, the latter may not be entirely true. In these cities, investment is lacking and there is a struggle to control what investment exists. As the Springfield example illustrates, when the city pulls back resources, the BID gets stronger and when the BID gets stronger, the city pulls back resources. Mike Zaleski of Hartford explained that the public-private partnership is a balance of power where the city has the ultimate control. He is right that BIDs need the city government, however, particularly in forgotten cities, the city also needs the BID. If a city pulls back resources, the BID may need to get stronger but if a BID pulls back resources, the city may get weaker with more crime, vandalism and less business activity and street traffic.

Property owners should then use their organizational capacity to leverage bargaining power with the city. They should not allow the city to dictate BID activity as in the case of York, Pennsylvania's BID. One way to solve this problem is by producing a protection mechanism for property owners, such as the Conditional Agreement in the Hartford case (**Chapter III, Figure 3**), that describes what services the city will maintain (in addition to baseline, if possible), any financial support the city might provide, and the specific relationship and roles of both parties. From the BID member perspective, city engagement and commitment to baseline services will defeat the notion that the city will relinquish responsibility to the private property owners. From the city perspective, transparency and a written understanding will allow city agencies to not only be informed about BID goals and activities but also support the BID as part of a larger economic development agenda. However, it is equally important that this document be a legal contract so that the city's baseline services do not retreat from the BID specifically upon municipal financial hardship. These agreements should also be a component of the BID's structure, as submitted to City Council for authorization and reauthorization, so the contract does have to be rewritten when administrations change.

Even though the Commonwealth's legislation does not require city representatives to sit on the board of directors, if a member of City Council insists on sitting in on board meetings of the BID (a reasonable request if the city provides technical or financial assistance), the BID should not be used to drive the city's agenda and the BID director or board members should be allowed to sit in on meetings in City Hall. Ithaca Downtown Partnership's relationship with the city government serves as a perfect example of how best to maintain this transparency. In the end, both the city and property owners are striving for the same goals—to improve the position of the commercial district—whether by increasing property values, attracting street traffic, improving cleanliness or decreasing crime. Where this goal gets sidetracked is in the struggle for power, and both parties need each other and therefore need to balance that power.

Some BID proponents might argue that under no circumstances should city government sit in on BID meetings or have any say in BID activity; that a BID is purely property owners' relinquishing control over economic development activity with their own money in ways that a city can't and never should; that BID services are purely supplemental to city services in the way that CAM fees are placed on tenants in a mall. As noted in the Massachusetts examples, many BID organizers need to make these promises to property owners during the outreach phase in order to assure property owners that a BID is not a tax. But this type of outreach and education is equally pertinent in forgotten cities. Limited city governments may already impose high taxes to make up for budget deficits and property owners in these districts may feel they would take their business elsewhere before they would succumb to additional taxes. In order to ensure their buy-in, BID proponents many times guarantee that property owners will have complete control over BID activity and that the city will not change their services in the area—but this is misleading in forgotten cities. Unless, of course, the city and the BID have an understanding of what the city's role will be in the district early on in the planning stages.

While many BID proponents interviewed for this thesis stressed that the idea for a BID should not come from the public sector because the tool will look like a guise for another tax, the public sector should be involved in the planning process from the beginning to define this partnership. If the city commits, at minimum, a Memorandum of Understanding to provide baseline services in the district, property owners will have more trust in the investment partnership. Although the CAM analogy resonates with business-like property owners, a city district is not a mall, but public space, and the best way to manage public space using the BID

model is through a clearly defined public-private partnership. In this way, the two entities can work together towards the same goals (as in the case of Ithaca) rather than against each other (as in York, Pennsylvania).

Implications for Lawrence

Considering these barriers, what is the best solution for utilizing the tool in forgotten cities in Massachusetts such as Lawrence? Because a city like Lawrence has limited municipal capacity to revitalize the downtown mill district, Maggie Super Church and LCW are justified in thinking a BID will be an appropriate tool for revitalization that is “somewhat irrespective of the city.” During the planning stages of BID formation, it is important, of course, to determine if a BID is feasible by drawing boundary lines and adding up assessment data. However, the case study BIDs in forgotten cities and Massachusetts demonstrate that outlining an understanding of the public-private partnership and conducting outreach to property owners about the BID model with this understanding in place, is just as important.

Non-profit organizations in Lawrence have historically had a complicated relationship with the city government. Civic organizations such as LCW have made immense impacts on the city with respect to affordable housing, community development, infrastructure improvements, and lobbying local and state officials, but they have always had to remain mindful of the balance of power. They do not want to undermine City Hall by completely going around the public entity to make improvements in the city, but at the same time they realize that the city does not have capacity to implement plans like the private and not-profit side does. David Tibbetts, General Counsel for the Merrimack Valley Economic Development Council, explains that the relationship between the city and LCW and other non-profits is a complicated web of resentment and respect. The city is aware that LCW has both a large constituency and more capacity in implementing planning and development initiatives. He says there is always a fear of the organization’s capacity from the city side. While LCW has steered clear of involving themselves in political campaigns, Tibbetts says the fear balances the power relationship between the two groups.¹²¹ In other words, the city government may have executive control over non-profit planning initiatives, but also knows LCW holds a powerful rapport with community members.

¹²¹ Phone interview with David Tibbetts, General Counsel, Merrimack Valley Economic Development Council. 5 March 2008.

LCW is the perfect sponsor for a BID organization because they are the glue that pieces together the “disconnect between the needs of the young immigrant population and the political leadership,” as explained by David Holtzman. But, as Holtzman says, “the old guard still holds sway” and Ms. Super Church understands that a BID in the downtown mill district needs public support. Yet she also is remaining mindful of the complicated political networks and tug of war for control in Lawrence.

For example, the city has commissioned MassDevelopment, the state’s quasi-private economic development agency to produce a downtown master plan. Unfortunately, LCW, other area civic organizations and property owners have not been informed of or involved in the plan that will affect their investments.¹²² A BID in the mill district has the potential to leverage additional investment and serve as an anchor to MassDevelopment’s master plan. Yet if the two parties are unwilling to share information and a strategic vision and goals, efforts may be duplicated and control over planning and development will be a point of contention.

Ms. Super Church does point to the Reviviendo Gateway Initiative (RGI), the community planning process focusing on revitalizing the Canal District, as a successful public-private initiative. Several city agencies partnered with LCW and Groundworks Lawrence, another city community organization, to engage the community in a process that ended with the adoption of a zoning overlay for the mill district, which allows residential uses in the mills. Ms. Super Church hopes that a BID can follow a similar trend to RGI in a successful public-private partnership. In order for this initiative to do so, the BID proponents must get the city on board with the district plans and potential. They must be willing to show what a BID can do for the city, but also ask what the city will do for the BID. Both parties must be willing to share service and investment responsibilities, economic development goals, and participate in knowledge and information sharing.

One current initiative that the city has been transparent about is the redevelopment of downtown Essex Street. Essex Street, which is adjacent to the mill district, used to be the ‘Main Street’ equivalent in the city, as it saw tremendous day and evening footfall when people came to this destination for services, shopping, dining and entertainment. Although Essex Street is still lined with a mixture of local shops, like the mill district, the corridor has experienced a significant decline in businesses and traffic in the last three decades. However, the mayor and

¹²² Phone conversation with Maggie Super Church, 7 March 2008.

city officials have leveraged \$1.2 million, mostly in federal grants, to revitalize Essex Street. Banners now line the area proclaiming the street the city's "Historic Downtown District," and a new traffic calming initiative will turn the busy one-way street into a two-way, more shopper-friendly district.¹²³ The city is also spearheading business attraction, capital improvement and façade improvement initiatives. The redevelopment plan on Essex Street may be the perfect opportunity for stakeholders to gain city buy-in for a BID in the mill district. Improvements in the neighboring downtown districts could tie into each other to make for an overall downtown revitalization strategy. Additionally, because the city has limited financial resources, municipal capacity can be concentrated on Essex Street, while property owners leverage investment in the mill district through the BID tool.

Once the BID team has brought the city on board and has the city's responsibilities in writing, they will have more ease in bringing the property owners on board also. This isn't to say that sponsors should not engage any property owners before negotiating with the city. As the Hartford, Springfield, and Westfield cases demonstrate, many times select property owners are immediately engaged and can be used as leverage and secure support from their neighbors. In the case of Lawrence, the BID team has already begun outreach to a core group of property owners who they knew would be amenable to the idea. This includes LCW's partners in the Union Crossing deal—Chet and Gary Sidell, and Lou and Juan Yopez—as well as the Washington Mills partners—the Architectural Heritage Foundation and Bank of America, whom they already have a positive relationship with. These stakeholders have agreed to financially participate in the BID feasibility study, a positive sign that they see the potential that the tool can have on the mill district.

As has been done in BID formation across the country, the BID team in Lawrence must educate additional property owners about the tool by showing them success stories of how BIDs have transformed downtowns throughout the country. However, outreach is especially important in Lawrence, where most property owners are unfamiliar with the tool's potential. As a community in Massachusetts, the BID team must also make property owners aware of the opt-out clause but encourage them not to take advantage of the allowance. BID advocates must be weary of using the clause to their advantage only to gain signatures. Telling property owners they can "sign now and opt-out later," as the Springfield case illustrates, can cause resentment

¹²³ Contreras, Russell. "Downtown Byway Gets a New Look." *The Boston Globe*. 3 April 2008.

when property owners don't understand that they can't just opt-in and out of the levy. If property owners believe they were misled with the opt-out clause, they are more likely to resent the fee, even if they do see a return on their investment.

One main challenge for a BID in Lawrence may be property owner resentment, but not only due to a lack of understanding of the opt-out clause, but also because of the free rider issue that is more troublesome in small cities. David Tibbetts thinks the BID model will not work in Lawrence for this reason. He says there are several property owners who have put large amounts of investment into the district, such as the Sidells and Sal Lupoli, while others have resisted. He says that because of small town politics, it is difficult to get two property owners in Lawrence to agree on a single plan, let alone an entire district plan, and the opt-out will only encourage this discord. He sites an example from several years ago when MassDevelopment and his own organization were proposing a parking management program behind the Everett Mill, an initiative similar to the BID concept. The idea was that a parking lot in this location could benefit the surrounding mills and those property owners would pay for parking management and be entitled to a certain number of spaces in return. When Bert Pailey, who owned the Everett Mill and was the largest property owner in the deal, walked away from the deal, others also walked away.¹²⁴ Tibbetts explains that some property owners feel they have put in enough investment into the district and the time has come for others to do their share.

Another example of some property owners not pulling their weight involves an ongoing dispute over a bridge in the mill district. Iron Mountain, the global data storage company that owned the Pemberton Mill (now acquired by AHF), has been under court order for some time to rebuild a dilapidated bridge over the North Canal. Chet Sidell brought them to court because he could not gain legal access to his property at 220 Canal Street by way of Iron Mountain's decaying bridge. Sidell was quoted in the local paper as saying, "they wouldn't fix it, so I had to force them to go on record they would do that," and adds, "to date, they've been people of their word."¹²⁵ The city was also pushing for the bridge project and Iron Mountain property manager Doug Barry said he thought he had the problem solved after "more than a year of negotiations

¹²⁴ Phone interview with David Tibbetts.

¹²⁵ Kirk, Bill. "Building Bridges to the Future; With the City's Help and Private Investment, Lawrence Mill Island Ripe for Development." *The Eagle-Tribune*. 19 June 2007.

with city officials and adjacent property owners.”¹²⁶ However, after Iron Mountain spent \$500,000 on a new bridge, both the city and Chet Sidell remain unsatisfied that they decided on a single lane structure.¹²⁷

The two examples of infrastructure cost responsibilities illustrate how particularly in small cities with limited investment and development activity, the city and property owners are more likely to struggle over who should be obligated to pay for improvements. While the BID model has been a successful tool in these situations to ensure that district investment and benefits are equally distributed, Lawrence and other cities in Massachusetts do not have this benefit. Even if property owners sign the petition, they may be weary that neighbors will opt-out after 30 days, which will cause more hostility.

A BID in Lawrence is still feasible, but as a forgotten city in Massachusetts, proponents will have to work twice as hard to overcome barriers to tool transfer. These two characteristics will not allow the model to sell itself to property owners as a common ground between, as described by Caruso and Weber, a chamber of commerce laden with free riders and an unpopular tax increase. Instead, to property owners in Massachusetts’ forgotten cities, the tool can become some combination of these two extremes.

In BID formations across the country and world, planners conduct outreach with BID stakeholders by illustrating how the model has leveraged investment and services in other districts or cities, and import the model by way of tool transfer. Because different communities have different goals in forming a BID and BID legislation typically allows members to conduct a wide variety of services, it is important for BID advocates to illustrate the model to property owners with examples of how the model has achieved 1) similar benchmarks as those that are appropriate for the community in question and 2) success in communities with similar demographics and characteristics. For example in Lawrence, illustrating how BIDs have transformed large downtowns such as Times Square is not as effective as showing how the model has achieved success in smaller cities with similar post-industrial characteristics, such as those outlined in this thesis. Secondly, once the core property owners in Lawrence determine specific services and goals of the BID, such as capital improvements, cleanliness, or increased

¹²⁶ Kirk, Bill. “Dispute Arises Over New Bridge Near Pemberton Mill.” *The Eagle-Tribune*. 3 February 2008.

¹²⁷ *Ibid.*

foot traffic, the BID team will want to conduct outreach by illustrating how similar goals were achieved in other BIDs. Qualitative achievements are important, but quantitative measurements resonate further with business-minded property owners. The ability of the Ithaca BID to leverage \$100 million and the Hyannis BID to leverage \$2.5 million in investments for their districts is a quantitative measurement of success that illustrates how property owners can achieve a return on their investment in the BID. In order to gain property owner buy-in, BID planners must educate property owners that the model will be not only in the community's but also the property owner's best interest.

The Lawrence community will have to take this outreach a step further and really turn education into advocacy for the model because of the challenges they face as a forgotten city in Massachusetts. The best solution for the Lawrence BID team is to advocate not only for the BID model, but also the city's partnership and understanding and the reasons why this tool will be successful if property owners do not opt-out. Instead of telling property owners that they can sign now and always opt out later they must make them aware that the legislation is faulty and they should opt-in. At the same time, BID proponents will not want to use "excessive caution" and scare property owners away from the tool when pointing to all the flaws in the opt-out clause. This hesitance is one reason why BID consultants say there are so few BIDs in Massachusetts. To achieve this balance between advocating against the opt-out and scaring people away from the model, BID planners should explain that Massachusetts is atypical for allowing property owners to opt-out of an individual and community investment; that other states' enabling legislation is written to favor BIDs and has allowed the model to spread rapidly; and that the legislation in Massachusetts was originally intended to protect property owners but has ironically had the opposite effect. If Massachusetts property owners are educated about the legislation's shortcomings but also understand that a BID can succeed despite them, they will be more likely to trust the model will give them that return on their individual and communal investment. In essence, proponents in Massachusetts will have to not just educate but also advocate for *both* the BID model and not opting out of it.

Conclusions

In summary, both of the obstacles to tool transfer in Lawrence—state enabling legislation and forgotten city status—can be overcome through one methodology: property owner and municipal outreach, education, and buy-in of the BID model. As Paul Levy wrote, a BID, in

concept alone, is unusual as “normally tax-averse business people—corporate property owners and managers, and small retailers—are choosing to be assessed an extra mandatory charge.” The concept is no longer so unusual in part because the tool has been transferred around the world and the model is now seen in the economic development community as a reliable revitalization tool. Yet for stakeholders in Massachusetts, BID education and outreach are particularly important because the concept is still unusual. Property owners generally still lack an understanding of the model and are weary that the tool is simply a guise for another tax. BID advocates, on the one hand have to rely on faulty legislation to lay the groundwork to explain the model, but on the other, have few in-state examples to rely on. Therefore, stakeholder outreach is even more necessary to prevent property owner resentment and confusion. Although a BID is feasible despite the opt-out clause, the legislation is faulty because it prohibits the formation of districts in Massachusetts and causes confusion and resentment in operational BIDs. State officials should take action to remove the opt-out clause from the enabling legislation in order to fully leverage the potential of this economic development tool for the Commonwealth.

In forgotten cities, where local governments have limited resources, a balance of power in the public-private partnership through transparency, collaboration, and a written agreement of BID and city responsibilities is essential. This balance of power will grant BID members some autonomy from city control but will also allow the two interests to work together towards similar goals. Outreach to city officials to secure their buy-in to both support the BID and commit to baseline services and funding is influential (and may be conditional) for property owner buy-in of the model in forgotten cities.

Typically, BID planning consists of feasibility studies, to determine boundaries and assessments that will determine the BID’s budget and services. While property owner buy-in is important during any BID’s formation, in Massachusetts’ forgotten cities buy-in is even more important than formulating boundaries and assessments because city and property owner support is likely to *determine* feasibility. The BID planning steps outlined in the manual from the Massachusetts Department of Housing and Community Development (in **Figure 1, Chapter II**) are typical of BID planners throughout the country and abroad. However, in Massachusetts and forgotten cities, additional steps are necessary. The flow chart below (**Figure 9B**) is meant to be a supplement to **Figure 1** for such cities as it illustrates how BID advocates can think about

conducting vital outreach to property owners and the city in order to both transfer knowledge and gain support for the tool.

Figure 9: Difference in BID Planning Stages for Massachusetts' Forgotten Cities

A. Typical BID Formation Steps

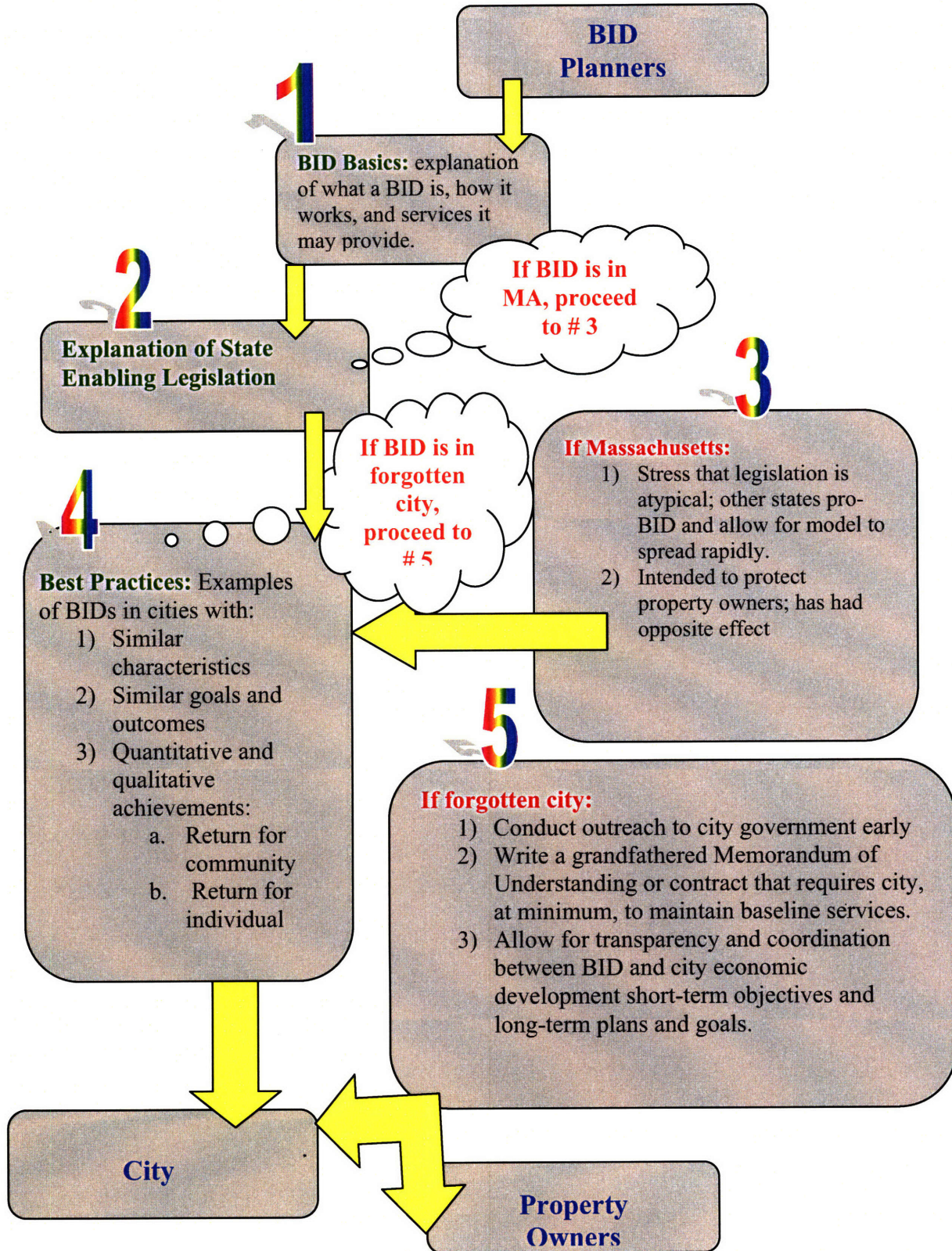
A. Planning Stage: Conceptual

- Form a sponsoring organization with a board of directors of membership that is representative of the property owners and tenants in the district.
- Develop list of services that the BID could provide.
- Describe possible boundaries of the district.
- Make estimates of the revenues that could be generated at different levels of assessment.
- Evaluate the impacts of different levels of assessment on individual property owners.
- Determine what level of services can be funded at various revenue levels.
- Prepare conceptual service plan.

B. Planning Stage: Advanced

- Prepare a preliminary plan and budget that includes a description of services and costs and the proposed district boundaries.
- **Test-market the plan and budget in a meeting and in door-to-door discussions with the property owners and merchants in the proposed district. (See Supplement below, Figure 9B, for how this step differs in Massachusetts and forgotten cities).**
- Finalize a multiyear plan and budget that includes an estimate of the costs for each property owner.
- Prepare a feasibility study that documents why the recommended services are needed and summarizes the planning process to date.

B. The Massachusetts and Forgotten City BID Planner Outreach Supplement



In summary, are BIDs an effective revitalization tool for Massachusetts forgotten cities? Yes, BIDs in the case study cities have been able to leverage investment in the form of capital improvements, beautification, maintenance and security services, and business and customer attraction. Springfield is an especially pertinent example to Massachusetts' forgotten cities since the city's qualification as 'forgotten' is a technicality of about 2,000 additional residents. Stakeholders in Springfield have been able to import and utilize the tool, which, albeit with some difficulty, has been able to withstand a fiscal crisis in the municipal government.

However, the tool clearly cannot be effective if it does not form or dissolves due to a lack of understanding of what the model is and how it can be used most successfully. If stakeholders are hesitant to initiate the feasibility process because of the opt-out clause, or, once formed, property owners wish to dissolve because they feel they are manipulated by a city agenda, the model will not reach its full potential. In order for a BID to reach its full potential and be most effective in the revitalization of Massachusetts' forgotten cities, two factors are essential: 1) a public-private balance of power via a legal contract signed by members of the city government and BID in forgotten cities and 2) stakeholder education of the faulty enabling legislation, successful BID models in districts with similar characteristics and goals, and advocacy to not opt-out of the district in Massachusetts.

One limitation to this research is a comparative performance evaluation of each case study BID. Future research on BIDs' effectiveness in revitalizing Massachusetts' forgotten cities might conduct a comprehensive evaluation of case studies that determines if there is a clear relationship between 1) stakeholder outreach and public/private agreements during the BID planning stages and 2) performance evaluation (such as amount of investment leveraged) during the operational stages. Such future research might determine if and how the opt-out clause hinders formation in the communities in Massachusetts—such as Northampton, Chicopee, Amherst, Taunton, Newton, and Hingham—that are in the planning and formation stages now. Additional research in Massachusetts BID planning could also aid the case for the removal of the opt-out clause from the state enabling legislation.

If the BID team in Lawrence is able to overcome the barriers to tool transfer as a forgotten city in Massachusetts through stakeholder outreach, the public, private and non-profit partners should also not forget the lessons learned from case studies outlined in this thesis. If BID and city services are clearly outlined to supplement each other, then economic development

goals and actions of these two parties must supplement each other as well. Let the hindsight of BID Directors in forgotten cities and in Massachusetts become examples of how to best transfer the model as a tool for public-private economic revitalization, despite the obstacles against them.

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