

# THE LOS ANGELES CITYWIDE BUSINESS IMPROVEMENT DISTRICT PROGRAM FREQUENTLY ASKED QUESTIONS (AND ANSWERS)

1. Who created the Business Improvement District (BID) concept?
2. What is a BID?
3. What are area-specific programs?
4. What is the City of Los Angeles' (City) role in providing these improvements?
5. What are the differences between a Merchant Based and Property Based BID?
6. What are some of the formulas used for BID assessments?
7. What if a BID does not live up to its members' expectations?
8. When did the Los Angeles Citywide BID Program begin?
9. Where in the City are the BIDs located?
10. Where can I get more information about the Citywide BID Program?
11. How are the BID improvements decided upon?
12. How does the City benefit from the BID program?
13. How can I get involved in forming a BID in my area?
14. Why should I agree to assess myself?
15. Isn't this just another tax?
16. How do I pay my assessment?

## 1. WHO CREATED THE BUSINESS IMPROVEMENT DISTRICT (BID) CONCEPT?

In a very real sense, Business Improvement Districts (BID) were created by business communities themselves. The concept of special assessment districts dates to the Roman Empire. However, the idea of paying for special benefits as a form of local economic development in California is generally based on a state statute known as "The Parking and Business Improvement Area Law of 1965." This statute expanded on earlier assessment legislation designed to provide for public improvements, such as streetlights, and provided the framework for later models.

Also in 1965, the first version of the contemporary BID emerged in Canada. The Bloor West Village Business Improvement Area in downtown Toronto became a model for economic stimulation and was copied in various forms by hundreds of communities, including many in New York City.

Currently, in California and in the City of Los Angeles, the establishment of business improvement districts is authorized by two state laws: one which allows for the creation of merchant based special assessment districts and one which allows for property based districts. In both cases, a majority of business owners of commercial property owners in a given area decide to acquire special benefits and to pay for those benefits themselves. In this way, individual communities are able to have a direct voice regarding the economic activity in their area and can exercise considerable control.

## 2. WHAT IS A BID?

In the City of Los Angeles, a BID is a geographically defined area in which services, activities, and programs are paid for through a special assessment. The assessment is charged to all members within the district in order to equitably distribute the benefits received and the costs incurred to provide the agreed-upon services, activities and programs. The assessment money is collected by the City, or by the County of Los Angeles (County), through a special contractual arrangement with the City. Because the assessment funds collected in a given district cannot legally be spent outside of that BID, the City creates a trust fund for each BID, with funds periodically released to support operations.

## 3. WHAT ARE AREA-SPECIFIC PROGRAMS?

In a BID, a special assessment pays for programs and services that are tailored to the area defined by the representatives of the BID. A variety of activities and improvements are authorized for BIDs and defined by state law. Collectively, these services, activities, and programs are referred to as improvements. For example, BIDs may collectively decide to fund a concerted marketing or promotional effort to attract, develop, and retain both new and existing businesses, as well as to encourage tourism or increase an established customer base. Such area-specific programs have a variety of issues. For example, a single business or property owner may not possess the capital required to effectively promote the business or commercial property. However, the financial leverage obtained from the collective assessment revenue of dozens, or hundreds, of business or property owners can provide for marketing campaigns capable of producing significant results.

## 4. WHAT IS THE CITY'S ROLE IN PROVIDING THESE IMPROVEMENTS?

The City's primary role is to exercise its municipal authority to levy the assessment on behalf of the BID community. By having the City assess all affected parties, the BID receives funds from everyone benefiting from the improvements. Persons or entities that would otherwise refuse to participate, thus burdening the remaining BID members, do participate. Similarly, the City's BID billing process minimizes the number of members in the district who receive benefits without paying for them. The City requires that a nonprofit corporation be designated as the agent responsible for procuring the BID improvements. The nonprofit corporation (service provider) is then contractually obligated to provide to the City financial reports that disclose financial activity associated with use of the assessment funds. The City is also authorized to audit or otherwise review the financial condition of the BID. In this way, the City assists the BID membership with oversight and review, so that the special assessment is used according to the intentions of the business community.

## 5. WHAT ARE THE DIFFERENCES BETWEEN A MERCHANT BASED AND A PROPERTY BASED BID?

The three main differences are: (1) the type of assessable parties, (2) the forms of required ratification, and (3) the lifespan of the districts.

### (1) ASSESSABLE PARTIES.

Merchant based BIDs allow improvement assessments to be charged to business owners, defined as engaged in any type of business. Property based BIDs allow assessments to be levied upon property owners, defined as any person shown as the owner of the land on the last equalized assessment roll or otherwise known to be the owner of the land by the City.

### (2) RATIFICATION.

Both types of BIDs require a ratification procedure to be completed; however, the procedure to calculate the support level differs between the two BID types.

Merchant based BIDs are established through a process, which involves public hearings before the City Council and the opportunity to protest against district establishment. Experience has demonstrated that greater community involvement with formation of the district results in less opposition to the project. Establishment ratification occurs by tabulating the opposing/protest documents filed with the City. The City Council may establish the district if the protest level does not equal or exceed 50 percent of the assessment value.

Merchant based BIDs must also be ratified or reestablished annually after each funded operating period in order to receive funds to continue operations. The City Council reviews the BID operations as described on the BID Annual Report and receives any suggestions, complaints, public comments or requests for changes to the district's activities. If a majority protest does not occur, the City Council, subject to approval by the Mayor, may then authorize the next year's assessment to be levied, thereby, providing funding for the operation of the district.

Property based BIDs are also established through a process involving public hearings before the City Council, and written protest levels are tabulated as well. However, prior to holding public hearings and tabulating written protests, in order to establish a property based BID, the project's supporters must begin by collecting signed petitions supporting district establishment (a special formula applies) from a majority of the affected property owners in the proposed BID area.

Once supportive petitions from a majority of property owners are collected and verified (pertaining to the special formula used), assessment ballots are mailed to all property owners in the proposed BID. Establishment ratification occurs by tabulating the assessment ballot votes after holding a public hearing in front of City Council.

If a majority protest does not occur through tabulation of the assessment ballot vote, then the City Council, subject to approval by the Mayor, may authorize establishment of the BID and the levy of assessment (which will be placed on the County of Los Angeles Tax Assessors Property Tax Roles). In addition, the California Constitution requires that the City conducts and certifies results of an assessment ballot procedure prior to the establishment or the reestablishment of any property based BID.

Property based districts may be authorized by the City to operate for between one and five years after which time the reestablishment process, which is similar to the original establishment process, must be completed. If reestablished, the district may operate for up to 10 years.

### (3) DISTRICT LIFE.

Merchant based BIDs technically have a one-year lifespan and Property based BIDs operate over an up to ten-year maximum lifespan.

## 6. WHAT ARE SOME OF THE FORMULAS USED FOR BID ASSESSMENTS?

There are several different formulas in use throughout the City. The most popular formulas are those which most clearly show a relationship between the amount paid and the benefits received. This is the nexus concept which forms the basis for BID establishment.

The three most popular categories of *property based BID*-sponsored activities are maintenance, security, and marketing programs. Therefore, the assessment variables normally used are size/area of the property, linear or front footage of the property, and square footage of improvements to the property.

The most popular types of programs employed by *merchant based BIDs* are a combination of marketing and public relations efforts. Therefore, the most frequently used type of assessment is a flat rate, which can be scaled up or down depending on the proximity of the business to the focal point of the marketing efforts. Destination marketing has become an important function of those BIDs, which features restaurants and local attractions as well as a strong retail or consumer business base. Therefore, the scaled flat rate is accepted as an equitable assessment variable. Other formulas, such as number of employees in a business, are being employed in some districts. An easily understandable methodology is best.

## 7. WHAT IF A BID DOES NOT LIVE UP TO ITS MEMBERS' EXPECTATIONS?

The state laws regarding both merchant and property based business improvement districts contain provisions for identifying the components of the BID, including boundaries, improvements, or activities provided, and other elements. In addition, both laws do allow for the disestablishment of the district under certain conditions. BIDs are not permanent institutions.

Disestablishment conditions and procedures differ slightly between each state law; however both require some combined form of BID and City Council action. For BIDs established under the 1989 law, please refer to the disestablishment language in Sections 36550-36551 of the State of California's Streets and Highways Code. For BIDs established under the 1994 law, please refer to Sections 36670-36671 of the State of California's Streets and Highways Code. The Streets and Highways Code can be viewed online. The most recent direct link to California State Laws and Provisions is: [www.leginfo.ca.gov](http://www.leginfo.ca.gov) . However, please consult the State of California ([www.ca.gov](http://www.ca.gov)) for any changes to content of location of state laws.

## 8. WHEN DID THE LOS ANGELES CITYWIDE BID PROGRAM BEGIN?

The Program began in 1994 with the establishment of one merchant based district. By 2018, the Program had expanded to encompass 42 districts located throughout all 15 City Council districts.

Approximately 10 additional districts are in various stages of formation. Business communities are embracing BIDs.

#### 9. WHERE IN THE CITY ARE THE BIDS LOCATED?

Existing BIDs may be found throughout the City. Maps and other pertinent information can be found on City of Los Angeles City Clerk's website at:

<http://clerk.lacity.org/BusinessImprovementDistricts/index.htm>.

#### 10. WHERE CAN I GET MORE INFORMATION ABOUT THE CITYWIDE BID PROGRAM?

A large amount of information regarding BIDs in the City of Los Angeles is available, including reference materials, City Council actions, and BID reports, newsletters and information. The City Council directed the Office of the City Clerk to serve as the primary agency regarding the BID Program. The City Clerk's Neighborhood and Business Improvement District Division manages the Program and provides various types of assistance and information to interested parties.

The Neighborhood and Business Improvement District Division  
of the Los Angeles City Clerk's Office is located at:  
200 N. Spring Street, Room 395, Los Angeles, CA 90012.  
Voice (213) 978-1099, Fax (213) 978 1130

In addition, program and activity information regarding a number of operating BIDs can be obtained by linking from the City's BID site directly to the BID Website. For site locations, go to the City's website BID page (<http://clerk.lacity.org/business-improvement-districts>) and click on the BID you would like to visit. General information about BIDs nationally may be obtained from the International Downtown Association ([www.ida-downtown.org](http://www.ida-downtown.org)), the National League of Cities ([www.nlc.org](http://www.nlc.org)), and the Urban Land Institute ([www.uli.org](http://www.uli.org)); all are headquartered in Washington, D.C.

#### 11. HOW ARE THE BID IMPROVEMENTS DECIDED UPON?

Generally, the programs to be provided by a BID are determined by the community and are selected based on community needs and desires.

The process of determining community needs and desires typically involves the development of questionnaires, which are mailed to all business or property owners in the proposed district. Focus groups and telephone surveys are also frequently used to determine community priorities. Based upon the ranked responses of the community, a picture begins to emerge which illustrates what the collective community desires. Costs associated with delivering the most wanted improvements then form the basis for the eventual BID assessment amount.

The process involves offering options and considering the affordability of program delivery to those who would pay the assessment. Eventually a compromise is reached which, again through surveys, interviews, questionnaires, and community feedback, satisfies the majority of the proposed members.

#### 12. HOW DOES THE CITY BENEFIT FROM THE BID PROGRAM?

The City benefits from the pride and satisfaction which results from demonstrations of willingness by the diverse business communities throughout the City to assume an increased level of authority regarding the improvement of their own business microclimates, as well as the responsibility for managing those improvements. In terms of the City's costs to administer the municipal issues and procedures, which are a necessary part of the BID Program, the charge to the BID is minimal. The City recovers a portion of the salaries and other expenses directly related to the Program. The percentage of assessment revenue, which is recovered by the City usually ranges from one to three percent and is capped at a maximum of five percent. All other City costs are absorbed by the City, and all remaining revenue returns to the district.

### 13. HOW CAN I GET INVOLVED IN FORMING A BID IN MY AREA?

Discuss the idea of self-funded collective improvements with our fellow business or property owners. It may be determined that the BID idea is worth considering, especially if there are common interests. Together, your group of concerned business interests becomes the proponent group which is a vital first step. Next, contact the local office of your City Council member. Working together, your community leaders and your elected officials can help to determine if the BID Program can work for you.

### 14. WHY SHOULD I AGREE TO ASSESS MYSELF?

Reduced budgets and limited funding to support localized improvements in cities throughout California are a reality. If you agree that your business community is capable of attracting more customers, of realizing additional lease revenues and reduced vacancies, or of capitalizing on your local entertainment and attractions, then you may consider exploring the BID program. Because of its flexibility, the BID concept has been of interest to a very wide variety of business interests throughout the City.

### 15. ISN'T THIS JUST ANOTHER TAX?

No. Business Improvement District assessments are not taxes. BID assessments are vehicles, which convey a special benefit upon those who pay. While it is true that all affected parties in a given district must pay the assessment, it is important to remember that the BID was established through the consent of a majority of those involved. The City does not attempt to establish a BID where there is not a substantial amount of support from the community. Because the formation of a BID is primarily a community-driven project, the City serves as a facilitator in the process and is willing to help. The term "public-private partnership" in this case is not a misnomer; rather, it indicates the positive spirit of the program and the attitude of the City.

### 16. HOW DO I PAY MY ASSESSMENT?

State law allows for the assessments of a property based BID to be placed on the County Tax Assessor's Property Tax Roles for collection.

The assessments of a merchant based BID are billed directly by the City Clerk's Office and are paid as outlined below:

In order to avoid delays or improper crediting of your account, payments should be made to the lockbox address listed on the payment ticket located at the bottom of the billing invoice:

City of the Los Angeles Treasurer  
PO BOX 845252  
Los Angeles, CA 90084-5252

A window return envelope is provided for your convenience.

Please write your account number on the memo line of the check and be sure to include the payment ticket with your payment. Do not mail cash.

In person payments by exact cash or check can also be made at:

The Office of the City Clerk  
200 North Spring Street, Room 395  
Los Angeles, CA 90012

Payments by credit or debit card are currently not accepted.