

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

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## **SUMMARY**

A *Business Improvement District (BID)* is a geographically defined and mostly inner city area by which property and business owners make a collective contribution to the maintenance, development and marketing/promotion of their commercial district. BIDs typically provide services such as street, sidewalk, park and open space maintenance, enhanced safety and security, marketing, capital improvements, and various development projects. The services provided by BIDs are a supplement to the services already provided by the municipality. The concept of BIDs was started in Toronto, Canada in the 1970s and there are now more than 1.700 BIDs worldwide.

In this paper, the focal point of the considerations consists in pointing out the role and importance of new BID activities in Germany, which has had to operate under increasingly difficult conditions. Firstly, more and more regions, especially in Eastern Germany and the Ruhr Region, are demographically shrinking regions. Only a few cities will grow in the next 20 years, so that Germany will have to deal with greater regional disparities in the near future. Secondly, due to the fact that the budget gap of the communities is getting larger and larger, more than ever BIDs could be a reasonable downtown management strategy to revitalize urban areas. The article exemplifies the trends and expectations to establish BIDs in Germany and Europe by addressing the questions: how BID activities affect the retail economy and whether their strategies promote sustainable urban regeneration in downtowns in the long term.

Furthermore, the article explains the BID concept in the Federal Republic of Germany and outlines the improvements and services a BID is specifically enabled to undertake under German Law. As a pioneer, the city of Hamburg established a “Law of Strengthening Retail Districts” which entered into force as from January 1, 2005. Under the terms of the law a BID is a temporary organization – working for five years. The establishment of the individual BID needs the support of 2/3 of the local businesses and property owners. It is funded by a special tax based on the commercial space (local businesses) or the value of the properties – which is why the Hamburg pilot project will require special legislation. In Hamburg, the BID organises physical and organisational improvements, e.g. management of the neighborhood, waste management, parking, street lighting, coaching of shopkeepers, marketing campaigns and events.

The paper critically evaluates the framework for the adoption of BIDs in Germany.

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## **1. INTRODUCTION**

### **1.1 Defining BIDs**

Since their introduction in 1970 in Canada, there is a continuous international debate about the Business Improvement District (abbr.: BID) as a method for urban revitalization and economic development.

*But what is a Business Improvement District?* There are great differences in the specific names, objectives, and structures of these partnerships for each country. While there is no standard BID definition, I intend to define a BID as a geographically defined and mostly inner city area by which the property and business owners cooperate to improve the business and urban environment. The BID services provided are supplementary to those provided by the municipality and usually include security, maintenance of public spaces, removal of litter and graffiti, economic development, public parking improvements, special events and social services.

But there are other definitions, too. For Lorlene M. Hoyt, assistant professor in the Department of Urban Studies and Planning at the Massachusetts Institute of Technology, a BID is a publicly sanctioned, yet privately directed organization that supplements public services to improve shared, geographically defined, outdoor public spaces. Moreover, such organizations subscribe to a self-help doctrine, whereby a compulsory self-taxing mechanism generates multi-year revenue (Hoyt 2003, p. 4)

The Association of Town Centre Management (ATCM) with its domicile in London describes BIDs (for the United Kingdom) as partnerships between a local authority and the local business community that develop and take forward projects and services that benefit the trading environment and the public realm (ATCM 2005, p. 10).

In addition, there is *no standard naming convention* for BIDs worldwide. The UK, parts of the USA (e.g. New York City) and Germany (e.g. Hamburg) have adopted the ‘BID’ terminology, but in other states, BIDs go by many names, including ‘City Improvement District’ (CID) in South Africa, ‘Business Improvement Areas’ (BIA) or ‘Business Improvement Zone (BIZ)’ in Canada, ‘Public Improvement District’ (PID) in Texas/USA and ‘Special Improvement District’ (SID) in Arizona, New Jersey, Utah/USA.

### **1.2 Where it all began: Historical Context and Worldwide Distribution of BIDs**

The development of Business Improvement Districts traces back to an initiative in Toronto, Canada, in which business and property owners cooperated to invest in the local trading envi-

ronment by the provision of enhanced services. The so-called *Bloor West Village* is the world's oldest Business Improvement Area, established in 1970.

The idea for BID has attracted many municipalities, so that by now they play an important role in the urban development process and downtown revitalization worldwide.

Today, most *American states* and *Canadian provinces* have enabled legislation that allows local governments to form BIDs, it is estimated that more than 1.000 BIDs now exist in North America (Segal 2002). The concept has become popular in every type of city (small, large), economic environment (stable, weak) and level of prosperity (low-income and high-income neighbourhoods, cf. Gross 2005). Accordingly, in North American cities you can find small and large BIDs, which clearly differ from one another in the covered geographic area, budget size, organizational structure and, of course, portfolios of activities. The *Times Square BID* in New York City and the *Center City District* in Philadelphia are two good examples for large BIDs. With regard to the significant number of existing Business Improvement Districts, urban research is on the rise, e.g. surveys of Mitchell (1999), Hoyt (2001, 2003), Segal (2002) and Houstoun (2003).

Since a couple of years, the BID initiatives have been spreading to *Europe, Japan, Australia* and *South Africa*. In the *United Kingdom*, a National Business Improvement Districts Pilot Project spearheaded by the Association of Town Centre Management and supported by an alliance of public and private sector organisations piloted the development of 22 BIDs between 2002 and 2005. The priority objective was to guide locations through a structured process to set up a BID and to obtain the practical experience needed to run a BID (ATCM 2005). Meanwhile, a BID can be developed in any business location. They are now part of the Local Government Act 2003 (Part 4) which is applicable in England and Wales, although each will have its own regulations (cf. ODPM 2003).

Chapter 2 will describe the lively discussion about the formation and implementation of BIDs in *Germany*.

## 2. SURVEY OF EXISTING BIDS IN GERMANY

In the Federal Republic of Germany, BIDs are currently being discussed on two major fields. Firstly there is the controversial debate on the question how far BIDs are an effective instrument for urban revitalization and economic development for (partly shrinking) European cities with regard to increasingly urgent redevelopment needs and the constraints imposed by scarce municipal financial resources. Secondly, on the statutory level, one may ask in which way the method requires special legislation, especially because of the federal system in Europe's most populous country.

The following sections try to answer these questions and explain the German way of BID implementation.

### 2.1 German Cities at the Beginning of the 21st Century: Change and Transformation

The motives for installing a BID are manifold and dependent on the special situation in the respective countries/cities. Müller and Siedentop (2004) located, that *demographic change*

has become a major topic for German municipalities as more and more communities in East and West Germany embark on a "stagnation or decline path" in the coming 20 years.

According to the population projections of the Federal Statistical Office of Germany, the population size will decrease in the long term because of the widening gap between the number of new-borns and deaths. Certainly, immigration reduces the decline in the population, but is not able to completely compensate for it. With a migration balance that is in a state of equilibrium and an unchanged life expectancy in comparison with the present, the German population of 82 million (2003) will shrink to about 54 million in 2050 (Federal Statistical Office 2003). The consequences for the cities are far-reaching and painful:

- Polarization of demographic development between different regions: „growth islands“ (e.g. Hamburg, Munich) adjacent to „shrinking regions“ (e.g. Ruhr Basin, most parts of East Germany).
- Ongoing suburbanization to the detriment of downtown development/population.
- Demographic decline in cities with severe impacts on municipal housing (vacancy, deterioration), real estate market (decrease of property values), technical and social infrastructure (under-utilization) and retail development (lack of consumer traffic, slump in sales).

Even today, numerous municipalities in Germany are located with stagnating or shrinking population, so that the mentioned trends and consequences already pose a major challenge for urban development planning.

But to consider the demographic aspect is not enough. In the fifteen years since German Unification, especially East German cities have been characterized by a *shrinking economic performance*. After years of accelerated growth at the beginning of the nineties, economic stagnation and even decline spread out, amongst others as a result of the growing competition because of the eastern enlargement of the European Union. Concerning the cities and urban agglomerations, they are trapped in a ‘downwards spiral’:

- Decreasing tax revenue,
- Declining investment activities,
- Struggling retail sector,
- High unemployment and
- Growing permanent vacancies (housing, shops, offices).

Due to the fact that the demographic and economic change influence the financial situation of the cities, almost every municipality ascertains a loss of revenues to finance local public transportation and the construction and maintenance of roads, schools, hospitals, cultural and sports facilities.

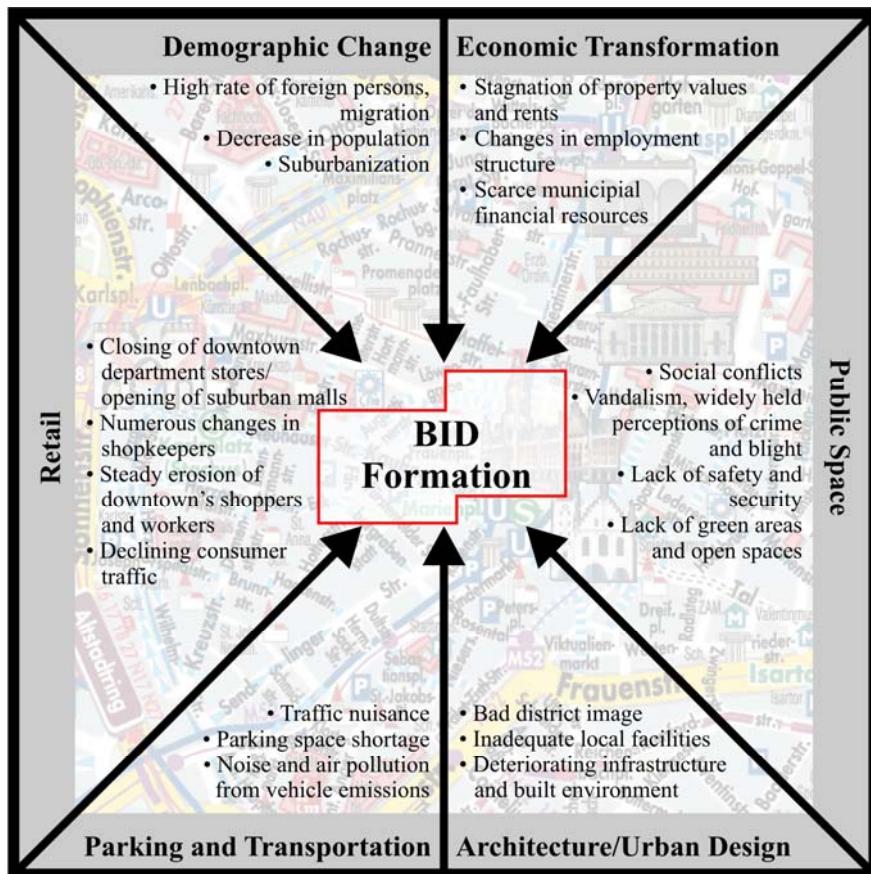
All these mentioned aspects, separate from potentially statutory constraints, can give reasons for the property owners, shopkeepers or municipalities to think about the formation of a Business Improvement District and to counteract the described downtrend (cf. also more possible causes for the implementation in figure 2.1 – next page).

## 2.2 Legal Foundations and Structure of BIDs

In Germany, there are different legislative approaches for the purpose of creating Business Improvement Districts. In some of the 16 Federal States, the authorization for BIDs is provided by Federal State laws, but there exists also another possibility: Municipal BID laws instead of state regulations. Furthermore in a number of Federal States, where you can find no legal foundation (or BID legislation is still under construction), property owner initiatives and BID-like models exist. Moreover, a few Federal States reject BID formation.

In theory, Germany currently distinguishes four different BID ideas, which will be explained in the following passages:

- I. THE LEGISLATIVE MODEL (AT FEDERAL STATE LEVEL)
- II. THE LEGISLATIVE MODEL (AT MUNICIPALITY LEVEL)
- III. PRINCIPLE OF VOLUNTARINESS
- IV. PROPERTY OWNER INITIATIVES



**Figure 2.1:** Selected possible causes for the formation of BIDs

## I. THE LEGISLATIVE MODEL (FEDERAL STATE LEVEL)

Article 74, Par. 1, No. 11 of the Basic Law for the Federal Republic of Germany represents the legal foundation for the formation of a BID under the terms of the legislative model (Federal State or “*Länder*” level). Namely:

### Article 74 (Subjects of concurrent legislation)

(1) *Concurrent legislative powers shall extend to the following subjects:*

*(...) 11. the law relating to economic affairs (mining, industry, energy, crafts, trades, commerce, banking, stock exchanges, and private insurance); (...)*

Concurrent legislation power means, that the Federal States shall have power to legislate so long as and to the extent that the Federation has not exercised its legislative power by enacting a law (Article 72, Par. 1).

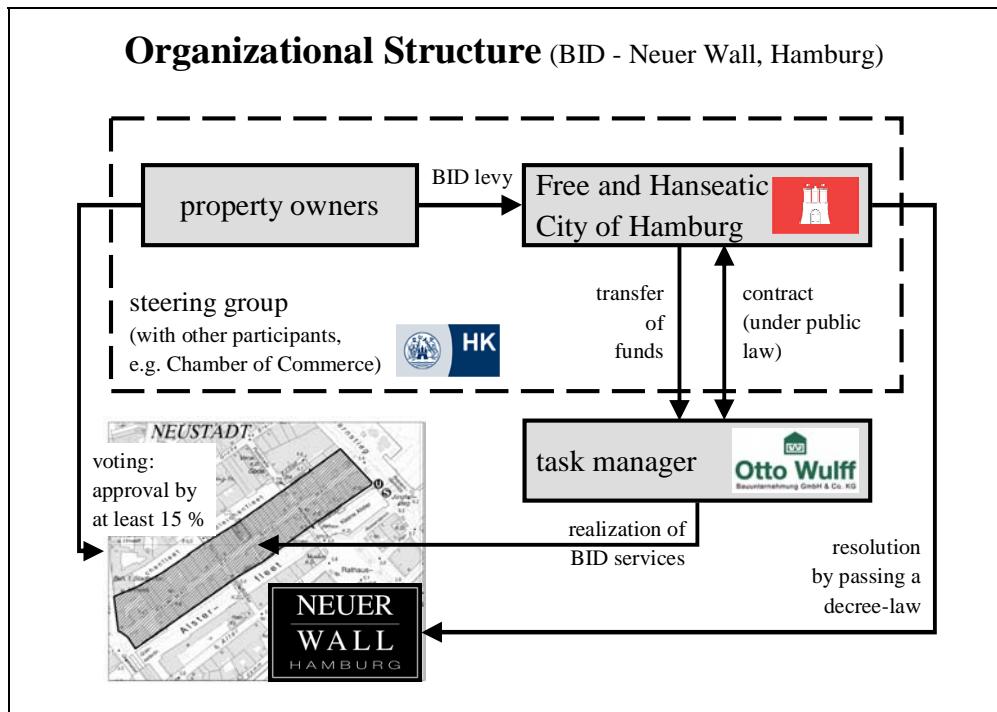
As a pioneer in Germany, the city of *Hamburg* established a “*Law of Strengthening Retail Districts*” which entered into force as from January 1, 2005. Hamburg uses the legislative model, which means that the Federal State – in this case the Free and Hanseatic City of Hamburg – makes a resolution by passing a decree-law to implement a Business Improvement District. Subject to the law, a BID is a temporary organization and lasts a pre-determined period of time - generally five years, after which time the members vote to retain the BID. The establishment of the individual BID needs the support of 15% of property owners (the positive vote of the property owners must represent more than 15% of the number of properties situated in the BID area, at the same time their area must represent at least 15% of the total BID area). There is a great difference to the BIDs in the United Kingdom, for example, where a successful vote must meet two tests: More than 50% of votes cast must be in favor of the BID and the positive vote must represent more than 50% of the rateable value of the votes cast (ATCM 2005). The BID in Hamburg is funded by a special tax based on the commercial space (local businesses) and the value of the properties – which is why the Hamburg pilot project will require special legislation. The tax is a product of the municipal rate fixed by the municipality and the rateable value of the property (under the terms of the German Valuation Law).

After a positive BID vote, a specially founded or even existing task manager (e.g. in form of a limited liability company or registered association) is forced to realize the defined BID services under terms of a contract between himself and the municipality. The BID levy is collected and administrated by the municipality but then turned over in its entirety to the task manager. In Hamburg, the BID task manager mostly organizes physical and organizational improvements, e.g. management of the neighborhood, waste management, parking, street lighting, coaching of shopkeepers, marketing campaigns and events.

It is advisable to establish a steering committee right from the BID planning stage, particularly with regard to participate all stakeholders affected by the budgeted BID activities. Furthermore, the committee could give advice to the task manager during the operational phase and check completion of activities within the timeline or compliance with regulations.

At the moment, two Business Improvement Districts exist in Hamburg (*Innovationsbereich Sachsenstor*, Hamburg-Bergedorf, established August 16, 2005 and *BID – Neuer Wall*, Ham-

burg-Inner City, established October 1<sup>st</sup>, 2005). Figure 2.2 gives a review of the organizational structure of the BID – Neuer Wall.



**Figure 2.2:** Example of the organizational structure for a BID (legislative model)

Meanwhile, a second Federal State, Hesse, enacted a “Law of Strengthening Inner City Business Districts”, comparable to the Hamburg legislation. The coming into force was January 1<sup>st</sup>, 2006. Beyond it, there are other states reflecting on the implementation of the legislative BID model at Federal State level.

## II. THE LEGISLATIVE MODEL (MUNICIPALITY LEVEL)

Alternatively, besides the above explained regulation (Article 74, Par. 1, No. 11), there is another legal foundation for the formation of a BID under the terms of the Basic Law:

### Article 28 (Federal guarantee of Land constitutions and of local self-government)

(...) (2) Municipalities must be guaranteed the right to regulate all local affairs on their own responsibility, within the limits prescribed by the laws. Within the limits of their functions designated by a law, associations of municipalities shall also have the right of self-government according to the laws. The guarantee of self-government shall extend to the bases of financial autonomy; these bases shall include the right of municipalities to a source of tax revenues based upon economic ability and the right to establish the rates at which these sources shall be taxed. (...)

One may call it legislative model at municipal level. This model can come into operation, when the Federal States have not established a law yet, so that the municipalities could decide

on their own to implement a BID under reference to Article 28 (guarantee of local self-government). In form of a special local tax code, they are permitted to charge the BID levy. The model is legally allowed, but it is not realized in any German municipality yet.

### **III. PRINCIPLE OF VOLUNTARINESS (ISG PILOT PROJECTS)**

ISG stands for “*Immobilien- und StandortGemeinschaften*” and is a special German name for BIDs in North Rhine-Westphalia (MSWKS 2004). With the intention to introduce BIDs at Federal State level, the Ministry of Building and Transport started a pioneering initiative with 20 pilot locations in 2003 (cf. figure 3). In this case, the establishment of a BID is a voluntary decision of property/business owners in a defined district without any regulation by law. Based on grass roots experience in a couple of urban renewal programs and city marketing initiatives, the ministry promotes the following measures over a period of two years:

- Stock taking, district analysis,
- Developing an organizational structure/business plan,
- Moderation/mediation,
- Developing local solutions/specific projects to strengthen the district.

In contrast to the other models, the core funding of the ministry is unique. The BID pilot locations can receive a maximum amount of 200.000 Euro for their measures specified above, whereas the municipality and the property owners fund the clearly smaller part (see below-mentioned example).

#### **FUNDING EXAMPLE FOR THE ISG PILOT PROJECT IN THE CITY OF BOCHUM:**

MINISTRY OF BUILDING AND TRANSPORT (NORTH RHINE-WESTPHALIA):	= 60 %
CITY OF BOCHUM:	= 10 %
BUSINESS/PROPERTY OWNERS:	= 30 %

The funding will likely change after a successful completion of the BID pilot projects and the beginning of a growth phase for BIDs (in this case ISGs) as the model spreads beyond the pilot locations. Anyway, the levy from the business and property owners is collected by a specially founded registered association in form of a membership fee. The disadvantage in comparison to the legislative models is obvious: It is almost impossible to commit every property and business owner in the district to pay the fee although they benefit from the BID services (so-called free rider problem).

### **IV. PROPERTY OWNER INITIATIVES**

Property owner initiatives are another example for models arranged on a voluntary basis. Similar to the pilot projects in North Rhine-Westphalia, private stakeholders, property owners and/or retailers get together to identify local problems, to develop tailor-made solutions and to start with a full range of services and programs. The significant difference between this

model and model III is, that in this case the Federal State and municipality funding is missing (or negligible). So the initiative collectively has to invest their BID activities in a proactive way.

Property owner initiatives can be found in some East German Cities, e.g. Chemnitz, Halle, Schwerin and Weimar. In 2005, the BID in Halle (Saxony-Anhalt) founded a registered association with the aim to develop and to deliver added value services that benefit the economic and trading environment. The membership fee in form of an annual subscription is only used for BID activities and is based on a factor of the floor area of the building in combination with the location of the property (three categories of properties, depending on the distance to the central street amidst the district). Different fee structures in other BIDs are also utilized and possible, but they should always depend on the needs of the district and the particular objectives of the BID. Of course, there are again free riders because of the matter of fact that no legislation can enforce the financial participation of all property owners.

In summary, it can be ascertained that model I bear resemblance to model II as well as models III and IV have substantial similarities. Certainly, it is too early to form a final opinion about the pros and cons of the four methods, because they are inadequately (field-)tested as a result of the short operating time. Time will tell how far they will stand the test and come into operation in the future. The models will only be judged as good, if the planned BID services will be successful and improve the district's economic performance.

Apropos services: The next chapter explains the most important BID program areas in Germany.

## 2.3 BID Program Areas

This section looks at the characteristic program areas of a Business Improvement District in Germany. In contrast to the United States or Canada, the funding of the government is very much higher and the municipal responsibilities have higher priority. In the mentioned countries, however, "BIDs often fill gaps in municipal services or compensate for what they do poorly" (Levy 2001). In Germany, municipalities are legally obligated for example

- to clean the streets (including the sidewalks),
- to illuminate the inner city traffic area and
- to regulate public transport and parked cars (HDE 2004).

Consequently, BIDs deliver a range of services only in coordination with municipal services, or in other words, there is not much of a mandate for supplementary BID activities. But fundamental demographic and economic change has aggravated the financial situation in more and more cities, which results in increasing problems concerning funding of these services (see chapter 2.1). This is the reason why BIDs have become popular commercial revitalization tools nowadays.

The basic approach of BIDs is reflected in the fact, that measures and projects are realized in a lot of different areas and often cover more than one area at the same time. As a result of an

in-depth analysis, I classified the (planned and already realized) German BID measures in six sections:

- |                               |   |
|-------------------------------|---|
| 1. TRANSPORTATION AND PARKING | 4. PUBLIC SPACES                        |
| 2. RETAIL                     | 5. DISTRICT MARKETING AND COMMUNICATION |
| 3. URBAN DESIGN/ARCHITECTURE  | 6. SOCIAL SERVICES                      |

The following explanations and examples can give only a general survey of the possible BID services, further reading allows a comprehensive review of the actual state of affairs in Germany (DSSW, HDE, MSWKS, Wiezorek 2004; Dippel/Stauder/Wölfel 2005).

## **1. TRANSPORTATION AND PARKING**

Most of the German BIDs are very involved with managing transportation and parking. The inner city districts have to struggle with parking space shortages, traffic nuisance, noise and air pollution, especially because of the densely populated “European Cities” in contrast to the low-density land use of “American Cities”.

BID task managers (in collaboration with the municipality!) have addressed these problems by

- improving traffic management including traffic calming,
- managing the public parking system,
- expanding and improving signage of the parking supply,
- promoting existing public transport,
- installing bicycle stands and
- ameliorating street lighting including the extension of turn on time.

The above mentioned measures are partly complex and cost-intensive, but they can play an important role in the urban development process.

## **2. RETAIL**

Due to the growing number of suburban shopping centers, especially in the nineties in East Germany, many downtown districts are en route to become less important for the consumers. The declining consumer traffic has serious consequences for the retailers: slump in sales, numerous changes in shopkeepers and finally increase in vacancy and inadequate retail mix.

Therefore, retail measures may include:

- Creation/Conservation of the right retail mix
- Vacancy management: Commercial vacancy reduction
- Decorative measures in case of vacancy
- Installation of sidewalk restaurants and cafés, street furniture
- Uniform retail opening hours in the district
- (Financial) incentives for new and expanding retailers
- Retention programs to prevent existing retailers from relocating

BID-supported improvements in these areas could aim at competing better with the nearby retail and business centers.

### **3. URBAN DESIGN/ARCHITECTURE**

Again, concerning this field of action, BIDs are organized to support and not to replace the municipal services. According to the established BIDs in North Rhine-Westphalia, Hamburg and the new Federal States the focal point lies on activities as follows:

- Mobilization of building land reserves
- Storefront improvement programs, amelioration of entrance areas
- Floor plan modification
- Roofing of courtyards/paths etc.
- Facility management

Primarily in East German downtown areas, town planning and architecture have been neglected in times of the German Democratic Republic (GDR, 1949-1990).

### **4. PUBLIC SPACES**

A successful downtown needs good public space (Houstoun 2003). Unfortunately, one can find deserted and abandoned old squares and marketplaces in city centers and in front of churches, mostly in shrinking cities. BID planning efforts can range from the presence of supplementary security personnel to measures for cleaning and sanitation undertaken to improve the attractiveness particularly for pedestrians. Strategic fields of activity are:

- Park and public space enhancements, e.g. planting trees/shrubbery/flowers
- Supplementary street/sidewalk cleaning including installation of additional refuse containers
- Removal of graffiti from buildings and chewing gum from sidewalks
- Public safety: Deployment of security personnel
- Illumination of individual buildings
- Pedestrian-scale lighting

Especially lighting is an important element of the public environment. The *ISG Graf-Adolf-Strasse* in Duesseldorf has installed a master plan for lighting to illuminate public spaces even at night. In contrast to the United States (or first of all South Africa), security measures have not played a decisive role in German BIDs up to now.

### **5. DISTRICT MARKETING AND COMMUNICATION**

Realization of BID activities demands the establishment of effective coordination and efficient management, e.g. by a special task manager for the defined district (cf. section 2.2). The

overall objective is to boost the district's image, local profile and neighborhood identification. Marketing and communication activities undertaken by BIDs are:

- Development of an holistic marketing and communication concept
- Image enhancement/district public relations
- Policy advocacy: promoting public policies to the community
- Development of a corporate design/ ~ identity for the district
- Communication programs such as websites and e-mail networks
- Festival and special event programming
- Provision of informative literature

Implementation of these activities requires a great deal of experience sharing, knowledge transfer, co-operation and public relation work.

## 6. SOCIAL SERVICES

Last but not least, BIDs can fulfill a variety of social functions including:

- Youth programs, support of children (during shopping),
- Homeless assistance,
- Rental of umbrellas and
- Other public amenities.

Unfortunately, only very few BIDs in Germany are involved with these services.

Naturally, not every BID provides all these services. *Monitoring and evaluation* are important because they allow for understanding the effectiveness of the district measures by evaluating which program area needs attention and by modifying them accordingly. However, a lot of BID activities are not directly measurable as some have tangible advantages. In addition, they are linked to the local, state, national and global trends.

BIDs in the United Kingdom use *Key Performance Indicators (KPIs)*, which are an important method of promoting a BID's success (ATCM 2005). Only if a current BID has produced sustainable benefits (by tracking e.g. hotel-room rates, property values, retail/office vacancy rates, retail sales) there is a possibility to renew it.

In Germany, monitoring and evaluation techniques for Business Improvement Districts are still under construction.

### 2.4 BID SWOT Analysis

*What are the assets and drawbacks of a BID?* In short, BIDs allow the private sector to provide additional and enhanced services that improve the public and business environment in the district. Due to the fact that many Federal States and municipalities in Germany have a very critical opinion of the formation of BIDs and the implementation of special services, I

have enumerated the most important arguments in form of a SWOT matrix in the following table 2.4. SWOT is an acronym for strengths, weaknesses, opportunities, and threats.

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> <li>DEFINING AN HOLISTIC APPROACH FOR A GEOGRAPHICALLY DEFINED AREA</li> <li>PROVIDING ADDITIONAL / ENHANCED SERVICES THAT IMPROVE THE DISTRICT ENVIRONMENT</li> <li>DEVELOPING PARTNERSHIPS BETWEEN THE PUBLIC AND PRIVATE SECTOR</li> <li>PREDICTABLE AND RELIABLE FUNDING SOURCE FOR SUPPLEMENTAL SERVICES AND PROGRAMS</li> </ul>	<ul style="list-style-type: none"> <li>LACK OF PRACTICAL EXPERIENCE WITH BIDS IN GERMANY (E.G. UNCERTAINTIES CONCERNING THE RIGHT FORM OF ORGANIZATION)</li> <li>MANDATORY DISTRICT ASSESSMENT AS AN UNBALANCED IMPACT OBLIGATING SOME MEMBERS OF THE PROPERTY OWNERS GROUP AND IMPOSING NO EXTRA OBLIGATION ON THE OTHER MEMBERS</li> <li>FREE-RIDER PROBLEM</li> </ul>
OPPORTUNITIES	THREATS
<ul style="list-style-type: none"> <li>ENCOURAGING CORPORATE SOCIAL RESPONSIBILITY</li> <li>ATTRACTING INWARD INVESTMENT: HELPING TO DECREASE VACANCY RATES</li> <li>MAKING THE DISTRICT MORE COMPETITIVE WITH SURROUNDING RETAIL CENTERS</li> </ul>	<ul style="list-style-type: none"> <li>EXORBITANT EXPECTATIONS OF THE PROPERTY/BUSINESS OWNERS</li> <li>STEP BY STEP PRIVATIZATION OF PUBLIC TASKS</li> <li>STRENGTHENING “STRONG DISTRICTS” WITH OWNERS THAT ARE ABLE TO PAY THE BID LEVY IN DEBIT OF “WEAK DISTRICTS”</li> </ul>

**Table 2.4:** SWOT Analysis of a BID

Around the world, the benefits are nearly identical, there are numerous strengths and opportunities of a BID for all stakeholders (cf. table). However, some (American) critics suggest that “BIDs privatize city services and divert dollars from needy neighborhoods” (Houstoun 2003) or result in a “disneyfication of downtown with uniformed sweepers and friendly safety ambassadors” (Levy 2001). In Germany, the threatening danger lies in the problem that the private sector could undertake more and more the task of regulating services which have to remain under municipal control, especially in times of scarce financial resources of the municipalities.

Furthermore, some poor districts are/will not be able to establish a BID, because the shoe-string property and business owners have no funds for an additional BID tax (with the consequence that the vote in favor of the BID would fail). They hope for the establishment of a so-called *“urban redevelopment measure”* by the municipality. Urban redevelopment measures are defined in the (German) Federal Building Code as those measures by means of which an area is substantially improved or transformed with the purpose of alleviating urban deficits. The measures in this redevelopment area include the demolition of buildings which cannot be repaired, a reorganization of the property structure (e.g. reallocation and fusion of property

and purchasing of buildings by the agency), but in particular a modernization of the complete social and technical infrastructure (streets, supply and disposal systems, social facilities, etc.). In the beginning, the redevelopment measure is publicly financed, but there is an opportunity for the municipality to siphon off the increase in land value arisen by the renewal measures. In contrast to a BID, all property owners in the area have to pay for this increase *after* completion of the redevelopment procedure and not in advance. In the meantime, there are considerations to combine the both instruments of similar type (Ruther-Mehlis/Weber 2005).

To summarize the short analysis, Business Improvement Districts are not a solution for every municipality. The flexibility of a BID allows each district to develop its own improvement program based on its own needs, but it does not have to be an (economically) reasonable road to success everywhere.

### **3. BIDS AS A TOOL FOR URBAN RENEWAL IN SHRINKING CITIES**

This chapter explains why BIDs can be a reasonable instrument for urban revitalization in shrinking cities. Therefore, one has to notice the special situation in (East) German cities (cf. also chapter 2.1). In contrast to the two established BIDs in Hamburg as a so-called “boom-town” or growing city, most German Business Improvement Districts are located in cities and regions with massive fall in population, economic slowdown and job losses, e.g. in the Ruhr area and in East Germany. The far-reaching processes of the German Unification and the growing competition as a result of the Single European Market and the expansion of the European Union are drastic reasons for this development. The declining population in eight selected BID cities is reported in table 3.1.

CITY	POPULATION		CHANGE
	31.12.1990	31.12.2004	
<b>EAST GERMANY</b>			
CHEMNITZ	296.000	246.000	-17 %
HALLE	311.000	238.000	-23 %
SCHWERIN	128.000	99.456	-22 %
<b>WEST GERMANY</b>			
BOCHUM	396.000	382.000	-3,5 %
DORTMUND	598.000	585.000	-2 %
DUISBURG	535.000	503.000	-6 %

**Table 3.1:** Population Development in selected German Cities between 1990 and 2004 (Sources: The Statistical Yearbooks 1992 and 2005, Federal Statistical Office of Germany and websites of the cities)

The dramatic (demographic and economic) development in the last 15 years led to more than one million empty apartments and houses in East Germany, the deterioration of innumerable industrial sites and the closing of social, leisure and cultural facilities. Thus, there is an urgent

need of revitalizing the abandoned and declining municipalities. The *priority objectives of urban renewal* in these cities can be specified in the following categories:

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

In connection with German Federal Government programs (e.g. “Urban Restructuring in East/West Germany” – *Stadtumbau Ost/West* and “Socially Integrative City” – *Soziale Stadt*), the implementation of BIDs can play an important role in the urban renewal process, because they represent a fundamental basis for economic and social development potential and for the ability to be successful in international competition. Especially in East Germany, where a new phase of urban development has been introduced since the Unification in 1990, they represent a reasonable response to the ongoing suburbanization. Suburban sprawl has numerous negative consequences, and it undermines an important aim of spatial planning in Germany - to support a decentralized, concentrated settlement development, the so-called “*principle of decentral concentration*” (Federal Office for Building and Regional Planning 2001).

BIDs in shrinking cities can offer a variety of solutions for the described complex problems with regard to the sustainable improvement of the inner city economic and social structure, for instance

- long-term cooperation between the municipalities, the property owners and the world of private business,
- district-based development of an holistic approach by utilization of experience on an international level and
- combination of investment and non-investment measures such as social services.

Above all, managing vacancy, elaborating a business development strategy and establishing a concept to improve the mostly bad district image are important activities for strengthening shrinking inner cities. Besides the described measures in section 2.3, financial incentives for new and existing businesses, measures to improve the local job situation or the interim use of empty buildings (see picture 3.2) could be effective activities for the district to remain competitive and attractive.

#### **4. CONCLUSION AND RECOMMENDATIONS: SETTING PRIORITIES FOR FUTURE BIDS**

Global economy is changing radically. Besides, nearly unnoticed, the process of population decline is taking place at the same time (and even more dramatic in the near future).

Naturally, BIDs are not a remedy for all “urban illnesses” and undesirable urban developments. But, due to the far-reaching processes of change, they can play a significant role in the

downtown revitalization process. BIDs represent a fundamental basis for future urban planning policy as a contradiction to ongoing suburbanization and economic crisis.

The article contributes to the international BID discussion by explaining and analyzing the German BID (pilot) projects. Although a concluding evaluation of these projects is not possible yet, one has to notice that the formation and operation seem to be successful. In comparison with Business Improvement Districts in North America or in the United Kingdom some differences exist, for instance in view of the legal foundation (four existing models), the organizational structure and the provision of BID services (particularly with regard to the special demographic and economic development).

Relating to German cities (but not only!), future BIDs should deal more specifically with urban shrinkage and the neglect of the urban environment to improve the attractiveness of the district and the city. The article gives a survey of possible BID services that are being discussed.

In conclusion Business Improvement Districts can take a positive approach to manage the impact of shrinkage in terms of sustainable urban development ("Shrinkage as an opportunity!"").

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