



INDIA, CHINA AND AMERICA INSTITUTE
1549 CLAIRMONT ROAD, SUITE 202 • DECATUR, GA 30033 USA
WWW.ICAINSTITUTE.ORG

Public-Private Partnerships in Atlanta and Houston Metropolitan Areas of the United States

Andrew I.E. Ewoh

Journal of Emerging Knowledge on Emerging Markets
Volume 3
November 2011

Public-Private Partnerships in Atlanta and Houston Metropolitan Areas of the United States

Andrew I.E. Ewoh
Kennesaw State University

Journal of Emerging Knowledge on Emerging Markets
Volume 3
November 2011

Public-private partnerships (PPPs) are usually authorized by the legislature as an innovative method of public service delivery, and funds to support their operations come from taxation on business premises or special property assessment fees levied on property owners for different types of improvement activities and services within a geographic boundary. Under these partnerships government may bring private sector businesses including nonprofit organizations into the reinvention and management of projects, while safeguarding the public interest and ensuring efficient delivery of public services. The major goal of PPPs is to encourage employment, commerce, economic development, and public welfare in certain areas.

During situations of fiscal crises, urban economic development scholars have argued that PPPs offer governments an opportunity to partner with private organizations in achieving public objectives (Ewoh, 2007; Koven & Lyons, 2003; Mitchell, 2001; Morgan, England & Pelissero, 2007). In view of this argument, the purpose of this analysis is to examine the PPPs' processes, financing, and promotion strategies in various projects as well as their impacts on sustainable economic development in Atlanta and Houston metropolitan areas of the United States. An undergirding question to be answered in this analysis is why should any government entity engage in public-private partnerships? To answer this question, the



paper starts with an overview of PPPs as an economic development tool. This is followed by an exploration of their governing structures, intergovernmental relations, and accountability issues as these relate to metropolitan governance. In addition, the paper concludes with recommendations on successful implementation mechanisms.

An Overview of Public-Private Partnerships and Its Theoretical Framework

In the United States, governments at the national, state, and local levels have partnered with private corporations and nonprofit organizations to plan, mobilize for public support, and pay for important social programs, and construction of mutually beneficial infrastructures. Why should any government entity engage in public-private collaborations? To answer this question, a historical brief analysis of PPPs is in order here. The PPPs predates the American Revolutionary war. In 1652, the Boston Water Works Company was the first private entity to supply drinking water to the United States citizens. In fact, before the United States independence, there has been a broad range of PPPs established to secure the nation from foreign invasion as private corporations developed different management mechanisms that were later used and further developed by the United States Department of Defense (Ewoh & Dillard, 2003).

The literature has chronicled the proliferation of PPPs through business improvement districts (BIDs) in the United States and other nations within the last four decades. BIDs operate under different legal arrangements and are called different names in the United States, such as community improvement districts (CIDs), municipal management districts (MMDs), downtown improvement districts, self-help business improvement districts, special purpose districts, economic improvement districts, to name but a few. In Canada, they are referred to as business improvement areas, and are known as city improvement districts in South Africa, and generally called business improvement districts in the United Kingdom (Morcol & Zimmermann, 2008; Fraser, 2007).

Conceptually, the formation of BIDs—also known as CIDs or MMDs—parallels the rational choice model, according to Morcol and his colleagues (2008, 4-5):

Rational choice theories (public choice, institutional rational choice, polycentrism, and others) make the fundamental assumption that individuals are actors in economic and social life who make rational (utility maximizing) decisions, which in the end benefit all those who are involved. In the theoretical framework of rational choice, individual preferences are universal and predetermined. The general normative preference of rational choice theorists is for less external (governmental) intervention in the decisions of individual, and therefore smaller governmental units that are ‘closer’ to decisions makers. BIDs fit this definition of smaller and closer units.

Despite the rational choice theorists’ perspective on government intervention, the opponents of small governments or shadow governments (e.g., Garreau, 1991, Heckathorn & Maser,

1987; McConnell, 1966; Sandel, 1996) argue that these units are not only undemocratic, in terms of governance, but they are potential causes of inter-district inequity because property owners in low-income neighborhoods may be excluded from receiving supplemental services due to their inability to pay extra taxes or fees required for the creation of a nested government.

The proponents of small governments maintain that these types of governance have been found to be in consonance with the classic polycentric model of local government (see Baer & Marando, 2001; Parks & Oakerson, 1989; Ostrom, Tiebout & Warren, 1961; Polanyi, 1951). A polycentric urban area refers to an area with multiple centers, instead of a single center of monocentric city (McDonald & McMillen, 2011). Normatively, however, polycentricity is a public policy alternative that encourages balanced and multi-spatial types of urban networks that are beneficial from socioeconomic perspectives, both for the core areas and peripheries. As a theory, polycentricity is based on the principle of spatial organization of cities imbued with a functional division of labor, economic and institutional integration as well as political cooperation instead of oppression. Baer and Feiock (2005) contend that polycentric model of governance may be more beneficial in meeting service preferences than large diverse units of governments. As a result, their formation may formalize service-level disparities among residents and businesses within cities, and these disparities might allow services to be geared toward meeting the optimum need of citizens within the special districts in question (Baer & Feiock, 2005; Briffault, 1999).

Without getting into the debate between the critics and supporters of the analytical polycentric concept, there are two important questions to be explored in this analysis. First, what motivates governments to create or encourage business improvement districts? Second, why are the governing structures or financing mechanisms under business improvement districts considered to be innovative? The answers to these questions will avail themselves below with special emphasis on CIDs in Atlanta metropolitan area of Georgia and MMDs in the Houston metro area of Texas, since these districts share the same characteristics with business improvement districts (BIDs).

In terms of BIDs' historic origin, the Bloor West Village BID was created in Toronto, Canada in 1970, as the first business improvement district. It was the idea of a Canadian jeweler, Alex Ling, who convinced government officials of the City of Toronto that local businesses should be empowered to take some control of their local area by improving it and paying for the improvements themselves to solve the problems of graffiti, litter and vandalism in the area. Since the city government could not help due to its budgetary constraints, local businesses levied themselves and contributed money based on the size of their business to provide extra street lighting, smart street furniture and extra litter collection.

Consequently, trade and profits increased significantly beyond the money initially spent. The concept accelerated rapidly across Canada, and in 1974, the first assessment-financed BID in the United States, known as the Downtown Development District in New Orleans,



was authorized by the Louisiana State Legislature. Since the 1970s, there has been a proliferation of BIDs, and the acceleration increased in the 1980s and 1990s. It is estimated that there are over 1,000 BIDs operating in the North America today, with budgets ranging from \$3,000 to \$15 million. In the United States, BIDs are located in 43 states and are most popular in the nation's largest cities, including Chicago, Denver, Houston, Los Angeles, New York City, Philadelphia, San Francisco, San Diego, Seattle, Tampa, and Washington, D.C. Moreover, BIDs are now available in some cities in other countries such as Jamaica, New Zealand, South Africa, the United Kingdom, and a few European countries (Steel & Symes, 2005; Mitchell 2001; Hernandez & Jones, 2008).

The growth of BIDs in the United States as alternative types of innovative organizations is usually associated with severe economic changes that have been mirrored in Western Europe. For example, the decline of traditional industries such as steel and car manufacturing left cities such as Detroit and Pittsburgh in serious economic condition, thus leading to a decline in the local economic base, high levels of unemployment, a labor force without the knowledge, skills and abilities, coupled with a substantial number of blighted neighborhoods and inner city decay (Mitchell, 2001).

Another motivation for the growth of BIDs is that it is backed by public choice arguments that some public services could be delivered more efficiently and effectively by private firms, and that public ownership was not necessary in some areas of service delivery in the United States and other nations. As a result, the shortfall in city governments' revenue from the federal government compelled municipalities to embrace BIDs to generate additional funds for services (Morcol & Zimmermann, 2008; Briffault, 1999; Mallett, 1993). Services usually provided by BIDs include supplementary security, extra street cleaning or garbage collection, and the promotion or marketing of special events within the district boundaries. The job of local government is to legally establish a BID organization, with an enabling legislation from the state legislature, to use as it sees fit in enhancing overall service delivery. BIDs are, as Houston (1997, 38) puts it, "a powerful combination of ingredients—business self-interest and vision, together with public financing unencumbered by urban politics."

There are other explanations for the proliferation of BIDs, at least in the United States, which are imbued in the American cultural and political factors that influenced the "enlightened self-interest" of business owners. For example, Monti's (1999, 245) observation that "American towns and cities were founded as commercial enterprises" is key to understanding the history of business influence on municipal government in the United States. In a country committed to self-help and interest group formation, it is not surprising that citizens are likely to organize themselves when faced with common problems. This is essentially obvious when economic interests are involved, as in the case of homeowners and their associations (McKenzie, 1994; Nelson, 2005), and other economically motivated situations involving commercial land and business owners. Similar to homeowners who are interested in preserving and enhancing their property values, place-based businesses have a mutually equal interest not only in promoting their commercial

interests, but in enhancing the profitability of their business locations (Logan & Molotch, 1987). BIDs formation must be conceptually explored in this context in the United States (Ewoh & Zimmermann, 2010).

According to Ewoh and Zimmermann (2010), United States started as a unique confluence of capitalism and democracy, imbued in the concept of private property. BIDs in general, and particularly community improvement districts (CIDs) in Atlanta, Georgia, as well as municipal management districts (MMDs) in Houston, Texas, are examples of the long-standing American tradition of self-help and the close affiliation between political rights and property ownership.

The CIDs of Georgia and MMDs of Texas reflect many of the general characteristics of BIDs (i.e., public-private partnerships); however they are also different due to the political culture, the changing economic conditions, and demographics of the states where they are located. For example, whereas Georgia's CIDs are constitutionally established local governments, Texas' MMDs (and BIDs in many other states such California and New York) serve as a component of urban governance and administration. In Georgia and Texas, residents are not allowed to join these types of public-private partnerships; whether they could form their own has not been examined at this stage. CIDs depend on the counties/cities to collect taxes since they are already in the business of doing this; it will not be efficient to do otherwise. Conversely, MMDs taxes are collected through the tax increment reinvestment zone—a form of tax increment financing. In the United States, government has always been driven by economic interest groups and business to influence public policy in their favor through interest group activism. Consequently, business entities have used the power of persuasion to influence their state legislatures in Georgia and Texas to authorize them to create their own hidden governments through CIDs and MMDs, respectively. Since the formation of public-private partnership tends to vary in terms of processes in Georgia and Texas, this analysis now turns to the discussion of CIDs and MMDs formation processes, financing and promotion strategies in Atlanta and Houston metropolitan areas.

CIDs Formation Process, Governance, and Financing in Georgia

There are thirteen community improvement districts (CIDs) in Georgia. These districts include urban—downtown and in-town—CIDs in metropolitan Atlanta such as Downtown, Midtown, and Buckhead. Initially, Georgia CIDs were created in the suburbs to manage the explosive growth and the resulting traffic congestion in and around suburban shopping malls and business centers. In view of this, suburban CIDs have different priorities and operate somewhat differently from their urban counterparts.

The Cumberland CID was the first district created in 1988 as a public-private self-taxing entity in Atlanta's northwest market known as Cumberland. It is located at the junction of interstates 75 and 285 in Cobb County. The CID includes the Cumberland Mall—Galleria



area, also called the “Platinum Triangle,” originally founded in 1973 and labeled “a classic of the Edge City genre” (Garreau, 1991, 172). Since its creation, the district has leveraged \$100 million in local assessment into projects worth billions of dollars that are either completed or under construction (Cumberland CID, 2010, 2).

In terms of formation process, a few common legal procedures are required in the United States for the creation of business improvement districts (BIDs). An enabling legislation is enacted by the state legislature. This is followed by a petition from a certain, state-specified proportion of property owners in the proposed district to the local government. The local government formally approves a resolution creating the district and appoints members of the board, which in some cases may be elected in adherence to statutory procedures established by the state legislature. Both the local government and the new district draw up a cooperation agreement which delineates services to be provided by the BID.

In Georgia, the process follows these general legal procedures although, instead of a single state-wide enabling law for BIDs as done in Texas or elsewhere, an individual enabling legislation is enacted for each local jurisdiction (county or city) in which the BID will be located, however there are minor variations between these laws. The only important difference is that some of the jurisdictions have sunset provisions while others may not because of their enabling law.

The Georgia constitution in Article 9, section 7, defines counties and municipal corporations, and provides a clause on CIDs. It outlines two conditions for the creation of a CID such as a city/county resolution and the consent of a simple majority of the commercial property owners who must also represent at least 75 percent by value of all real property within the proposed district. Once these conditions are satisfied, the district is ready for operation through a memorandum of agreement between the governing body of the local jurisdiction and the leaders of the proposed CID. The local government’s governing authority adopts a resolution creating the district and a copy of the resolution is filed with the secretary of state and the Department of Community Affairs. As soon as the board officials are elected, the state constitution mandates that a representative from the local government must be on the board, which must enter into a cooperation agreement with the county or city.

The state constitution authorizes local governments (city or county) to approve or reject the creation of CIDs. It is important to note here that only one CID has been rejected due to some local political disagreement. Although Georgia’s political culture makes it unlikely for a local government to reject the petition of 51 percent of property owners with 75 percent of the property valuation in an apparently significant area of the local jurisdiction, it can happen. The way this usually succeeds, however, is not difficult. In order to meet the requirement of 75 percent of the property valuation in the planned district, the organizers of the proposed CID will first persuade the other largest property owners in the area. With this large amount of property tax already committed in principle, it is not difficult to persuade the remaining number of property owners required to obtain the simple majority because of

the potential reduction in their tax liability for the prospective improvements in the district. For example, in the Cumberland CID, it only took seven property owners to cover the required 75 percent property valuation; and of the total of 160 property owners, they only had to persuade another 74 to achieve the needed majority of 81.

Furthermore, there are property owners who may be unwilling to partake in the formation process. These are usually absentee owners, remote real estate trusts such as pension funds, and big-box stores such as Wal-Mart. In some cases, business leaders seeking to organize the district may resort to some creative gerrymandering, because the properties must be contiguous. For instance, during the Town Center CID formation process, there existed a small hole in the middle of the site of a Wal-Mart store but all the properties surrounding it are, of course, contiguous. CID organizers also tend to limit their districts to the confines of a single jurisdiction, one county or city. This is why, for example, the large Perimeter Center has two independent CIDs, one in Fulton County and the other in DeKalb County with the same Executive Director and staff members for both (collectively known as the Perimeter CIDs) to save money.

The majority of Atlanta metropolitan CIDs are in mixed areas. Residents are ineligible to join CIDs because they are not assessed. Nonetheless, the potential problem that this may create as it pertains to the district's land-use planning authority forces some districts to invite residents to any planning sessions and seek their feedback as done by Cumberland and Evermore CIDs. The wide array of functions that these districts have been constitutionally granted makes them virtually fully general-purpose governments. The general purpose government nature of Georgia's CIDs can be seen through the range of activities the state constitution allows them to implement such as follows:

1. Street and road construction and maintenance, including curbs, sidewalks, street lights, and devices to control the flow of traffic on streets and roads;
2. Parks and recreational areas and facilities;
3. Storm water and sewage collection and disposal systems;
4. Development, storage, treatment, purification, and distribution of water;
5. Public transportation;
6. Terminal and dock facilities and parking facilities; and
7. Such other services and facilities as may be provided for by general law.

(Georgia Constitution, Article 9, Section 7, paragraph 2).

In terms of governance, each CID is governed by seven or nine member boards, six or eight of whom are elected by the CID constituents, with the chair appointed by the county. For example, in the City of Atlanta, there is one appointee each for the mayor, the president of the city council, and the chair of the city's finance committee. In Cobb County, the



appointed chairs must be selected from the CIDs' property owners and the elected board members must be property owners. It is pertinent to note here that the election system is not exactly democratic, and is based on property ownership. Of the six, three are elected by electors, noncontiguous owners of property within the CID, and three by equity electors, property owners who cast votes equal to each \$1,000.00 value of all owned real property within the CID. That is, each property owner votes once as an elector (one person—one vote) and as many times as permitted by the property value (one vote for each \$1,000.00 value of said property). This process helps to allow those with the largest investment to have the largest influence (Ewoh & Zimmermann, 2010).

Regarding financing mechanisms, the major source of revenue for BIDs is self-assessment among commercial property owners; which is the reason for their existence. While Georgia CIDs use self-assessments as a main source of revenue, what significantly distinguishes them is their ability, as governmental entities, to leverage large amounts of public monies from the federal, state and local governments to fund projects in their districts in the form of grants. Other sources of funds include special assessment bonds for public use infrastructure and voluntary tax exempt donations from businesses. In the famously business-friendly political culture of the state, governments are more than willing to partner with CIDs in essentially funding their desired projects. In view of this, the case of Georgia's CIDs surely reflects the blurring of the line between public and private sectors in the public policy process.

Georgia CIDs leverage a substantial amount of funds from governments through direct investments and grants. For illustrative purpose, the Perimeter CID "has leveraged \$18 million in self-imposed business property taxes into \$500 million in transportation improvements" (Lightsey, 2008, 47). Now celebrating its 22-year history, the Cumberland CID has collected more than \$100 million from business owners to leverage billions of dollars from government projects that are either completed or under construction (Cumberland CID, 2010, 2). While there is no standard method of calculating leverage ratios (Morcol & Zimmermann, 2008), CIDs leverage their funds with federal and state monies at ratios up to 10 to 1, enabling the community leaders to pursue a project they value for the economic development of their districts.

The issue of accountability as it relates to business improvement districts' operations is always controversial. In fact, the controversy depends solely on the autonomy given to these districts, which tends to vary from one jurisdiction to another. Some scholars (Morcol & Zimmermann, 2008; Briffault, 1999; Garodnick, 2000) maintain that since these districts are more autonomous in their operations beyond their enabling law, state and local governments may not easily hold them accountable in most situations. The reduction of the state and local governments' authority over public-private partnerships such as these has a serious public policy implication. According to Daniel Garodnick (2000, 1756), the oversight issue "is a double-edged sword for BID advocates. On the one hand, to serve a 'limited purpose,' BIDs are forced to argue that they are directly accountable both to their constituencies and to public officials. On the other, BIDs are successful because of their

inherent flexibility and their ability to sidestep the city bureaucracy to accomplish goals.” The majority of CIDs in Atlanta metropolis are dominated by business leaders or their representatives, and they may act without democratic accountability. As discussed earlier, residents are not taxed or eligible to serve on the CID board.

MMDs Formation Process, Governance, and Financing in Texas

The process of business improvement district formation in Texas, known as municipal management district, is closely similar to what is obtainable in other jurisdictions nationally as earlier discussed. Each district is established by an act of the Texas State Legislature under the terms and provisions of Article III, Section 52 and Article XVI, Section 59 of the Texas Constitution, and is governed by Chapter 375, Local Government Code, and a special state enabling legislation. The primary purpose is to promote employment, commerce, economic development, and public welfare in the commercial areas of municipalities. In Houston, Texas, community based organizations can apply to create municipal management districts (MMDs) in their neighborhoods. In order to qualify, the neighborhood must be devoted to commercial development and business activity. MMDs can be created in two ways: a) through formal application to the Texas Commission on Environmental Quality (TCEQ), and b) through a special state bill with the help of local state legislator.

All the Houston 12 MMDs were established by a special legislation in the Texas Legislature which exempted them from meeting the TCEQ’s requirements, such as a petition (signed by 50 property owners), a statement of purpose, a legal description (boundaries of proposed district), and a public hearing—for petitioner to provide notice to all property owners for 30 days (City of Houston, 2009).

On governance, an MMD is administered by an elected board of directors and a strong board is required for it to be effective. The MMD board of directors usually consists of property and business owners, and elected as well as appointed government officials. The board is responsible for setting policies and overseeing operations under the management of a company. Board membership varies in size, typically from 7 to 30 directors, and meets either monthly or quarterly.

Regarding funding, property taxation and bonds are two major approaches of funding municipal management districts in Texas. Every district operates under five-year service plans financed by assessments for both services and major capital improvements. Services and improvements funded through tax assessments, ad valorem taxes, or impact fees are subject to the following procedures:



1. A district may levy assessments upon petition of the owners of property consisting of 50 percent or more of the assessed value, or 50 percent or more of the surface area of the property in the district requesting a service plan, which may be imposed on single-family residential property.
2. A public hearing must be held before a district's assessment is levied.
3. A commercial property in a district may be taxed if it is approved by the district's voters in an election.

Moreover, the payment of all or a portion of all costs incurred in an improvement project or services, in some cases, is accomplished through the second method of funding, that is, through the issuance of bonds. These bonds must be payable from or secured by ad valorem taxes, assessments, impact fees, revenues, grants, gifts, contracts, leases, or any combination of these funding mechanisms. State law requires the bonds to be approved by the Texas Attorney General as well as the affected municipality. Although future levies must be approved by all the stakeholders, they must not be too high to keep total collection cost as low as possible within the constraints of satisfactory equity and economic impact. As long as there is an in-built process transparency, modern information management systems such as geographic information systems can be deployed to make good quality annual updates possible and equitable (Mikesell, 2007).

In terms of accountability, unlike community improvement districts in Georgia, Texas' municipal management districts are required to file annual reports with the Comptroller of Public Accounts. The Comptroller's office already coordinates the development activities of the local governments, as a result, has the legal mandate to monitor MMDs' spending to ensure not only the proper accountability of public funds, but that MMDs' projects and services are designed to improve the welfare of the people in concert with the primary purpose of their creation. Local government authorities (both Harris County and the City of Houston) can hold MMDs within their jurisdictions accountable through their oversight function and by their presence on the MMDs' boards.

The issue of accountability as earlier discussed applies to MMDs' operations as well. Just like Georgia, the majority of Houston MMDs are dominated by business owners or their representatives, and in some instances, citizens within these districts worry about the privileged position of businesses in urban governance and administration (for a discussion on the position of business in policy making, see Lindblom & Woodhouse, 1993). Nonetheless, it is expected that the introduction of citizen participation in the board membership would remedy some of these problems. Cordial collaborations between local governments and districts within their jurisdictions will allow both to understand their operations and institutional capacities so that they can achieve more through a win-win public policy situation due to their transparent partnerships.

PPPs' Initiatives, Intergovernmental Relations, and Promotion Strategies

This section takes a closer look at urban economic development and their promotion strategies through public-private partnerships in Atlanta and Houston metropolitan areas. While the community improvement districts (CIDs) in Georgia do not have to collaborate with one another, they usually compete for federal and state funds, and this competition has compelled them to engage in healthy partnerships. In fact, district officials have come to appreciate the importance of large economies; that is, their alliance with other districts can show strength in numbers and offer them more clout with the state assembly. This type of alliance yields much dividend when they take on projects that will benefit the entire metropolitan area, at no cost to the legislature because the districts attract their own revenues. The utility of partnerships has been shown either through some completed or ongoing transportation projects as well as infrastructure improvements explored below.

In Atlanta metropolitan area, for examples, the Perimeter Community Improvement Districts (PCIDs) in partnership with DeKalb County have completed a streetscape project along Perimeter Center Parkway. Part of this project includes bike lanes, wide sidewalks with brick pavers, shade trees, decorative crosswalks, pedestrian signals, street lights, decorative mast arms and pedestrian enhanced lighting throughout the corridor. It is important to note here that this project connects with the newly completed \$34.9 million Perimeter Center Parkway Flyover Bridge creating a north/south bike connection within the PCIDs. The streetscape construction was done by Baldwin Paving Company at a winning bid of \$7.2 million, and was collaboratively funded by the Atlanta Regional Commission's Livable Centers Initiative Grant Program, Governor Sonny Perdue's Fast Forward Georgia Regional Transportation Authority Bond Program, DeKalb County Government and the PCIDs' self-tax for infrastructure improvements (Jackson, 2008).

An ongoing road project awarded to Mathews Contracting Company on February 4, 2009 is designed to put a half-diamond interchange at Georgia 400 and Hammond Drive so that drivers can go northbound from Hammond onto Georgia 400 and southbound from GA 400 onto Hammond. Part of the project includes replacing the bridge—making it higher and longer—so that Georgia Department of Transportation (GDOT) may, on the basis of a feasibility study, add more lanes to the highway underneath in the future. GA 400 is a toll road built by the state government a few years ago to accommodate the exceedingly rapid growth in the most desirable center of metro Atlanta's "favored" (north Fulton County, Roswell, Alpharetta, etc.), which bisects the quarter that is delimited by I-75 on the Westside and I-85 on the Eastside. The major goal of the project is to relieve some of the congestion at GA 400 and I-285, one of the most congested chokepoints in Georgia. The project will cost \$18 million, and PCIDs had committed \$5 million, a crucial factor in its approval by the GDOT (Hart, 2009).

The Cumberland CID was created in 1988 to reduce traffic congestion by addressing the need for access ramps at Akers Mill Road and Interstate 75. That goal was later broadened to include better mobility and easy access to all four quadrants of the Cumberland Galleria



area, divided by Interstates 75 and 285. Cumberland CID developed a master road plan consisting of a five-mile Cumberland Boulevard loop road to enhance connectivity. Construction commenced on the first phase of the project in 1991, and five years later, work started on the \$85 million Kennedy Interchange, a key component that provides direct access from Cumberland Galleria office parks to Interstate 75. The Cumberland Boulevard loop road was completed in 2003, 15 years later at a cost of \$300 million. In 2009, drivers now have access to all parts of Galleria without using interstates or U.S. Highway 41 (Cumberland CID, 2008, 6-7).

Furthermore, Cumberland CID is completing its road and transit initiatives by advancing \$41 million in streetscape and trail improvement (started in 2010) through a \$17 million investment to improve pedestrian connections and the area's aesthetics. This projects include decorative pavers at intersections, landscaping, widening sidewalks and street furniture such park benches—with help from federal and state revenues, area residents are beginning to discover a more sustainable transit-oriented development and livable community initiatives (Cumberland CID, 2010, 10). The Commuter Club initiated by the Cumberland CID leaders in 1996 continues to provide various cost-effective transportations for commuters in the area that improve area traffic, and reduce harmful pollutants. In 2010, it is estimated that about 1.5 million vehicle miles were removed from the roadway, 785 tons of pollutants were eliminated and moore than 41,000 total clean commute logs were submitted (Cumberland CID, 2010, 7)

In the Houston metropolitan area of Texas, for examples, the Uptown District, also known as the Harris County Municipal District No. 1, is located around Post Oak Boulevard and the Galleria, the largest and most prestigious shopping mall in the City of Houston. It operates with an annual budget of over \$3 billion, under the supervision of a 12-member board of directors. Due to its role as a high-end fashion and hotel district, it is the Houston equivalent of San Francisco's Union Square and Los Angeles' Beverly Hills. Uptown District boundaries are well defined. It is bounded by Woodway Drive to the north, the I-610 (West Loop) to the east, U.S. Highway 59 to the south, and Chimney Rock Road to the west. Uptown is also known for its skyline, and is the Houston's second largest business district, and the nation's 17th largest—about the size of Denver and Seattle downtowns (Uptown, 2011a).

The highest achievement of Uptown is the construction of the 899-foot-tall Philip Johnson designed landmark, the Williams Tower (known as the Transco Tower until 1999). At the time, it was believed to be the world's tallest skyscraper outside of a central business district. It is also home to approximately 2,000 companies, ranging from small- to large-sized commercial businesses, consisting of a variety of diverse industries. The area hosts approximately 200,000 office workers and shoppers daily and more than 22 million visitors from all over the world each year (Uptown Houston, 2011a).

Another important achievement of the district is its traffic management program. In 2006, the district added a police officer to patrol the area during high-volume traffic hours seven

days a week. The officer is responsible for observing the traffic flow within the area and taking action (with a public safety vehicle equipped with extra gasoline and tools to assist commuters) when an incident impedes area mobility and accessibility. In fact, the completion of IH 610-West Loop reconstruction, from US 59-Southwest Freeway to IH 10-Katy Freeway is a big plus to the area's traffic management. A \$235 million Uptown Local Street Improvement Program is being implemented to improve local accessibility (Uptown Houston, 2011b).

Since ensuring continued economic success is one of the district's goals, the Uptown District is leading a strategic effort to identify and secure opportunities to grow the area's commercial base by building and maintaining partnerships with real estate brokers, developers, property managers as well as corporate tenants. These stakeholders are now using Uptown's website as a resource and tool to market the area and, of course, to facilitate leasing, development as well as investment (Uptown Houston, 2011c).

Also, the Houston Downtown Management District (HDMD)—known as Downtown District—boundaries are represented largely by the freeway ring around the City of Houston's central business core that covers approximately 1,173 acres of downtown. It has access to tax-exempt financing, immunity from torts, as well as other benefits. HDMD is governed by a 30 member board of directors, as initially indicated in an earlier section, representing property owners, managers and tenants in downtown. Several city department heads serve in an ex-officio, non-voting capacity on the board. HDMD is staffed under contract with Central Houston, Inc., a professional management company, and began its revitalization efforts in the mid-1990s. As a result, HDMD was instrumental in facilitating various public and private projects that helped to transform downtown Houston for more than ten years now. The Downtown District started by setting important goals with improving the quality of life as an underlying theme. Significant projects completed by HDMD include: Texas Avenue Streetscape Improvements; area enhancements associated with Metro's Downtown Transit Streets Improvements Project; and the City of Houston's Cotswold 2000 Project (Central Houston Inc., 2011).

A seven and half mile light rail line completed in January 2004 that connects the University of Houston Downtown, downtown, Midtown, the Museum District, Hermann Park, the Texas Medical Center and Reliant Park was opened. The HDMD partnered with the Main Street Market Square Redevelopment Authority to provide necessary enhancements of the rail line, which included sidewalks and pull outs, brick pavers, special streetlights, drinking fountains, additional landscaping, and street clock at the cost of \$10 million. The cost of the entire Metropolitan Transit Authority rail project was \$324 million (Downtown District, 2011).

Also in 2004, the southeast section of downtown, generally bounded by Main Street to the west, Rusk to the north, US-59 to the east, and IH-45 to the south, pedestrian walkways were upgraded through the Southeast Quadrant Streetscapes Improvements Project, a joint effort between the City of Houston and HDMD. Improvements completed in this area



include new street pavements, improved drainage, sidewalks, trees and landscaping, removal of overhead utilities, and traffic signal upgrades at a total cost of \$8 million (the list of other projects either completed or ongoing are available online, see Downtown District, 2011). Today, downtown Houston is booming as a result of a substantial number of public-private investment that allowed developers to spend over \$4 billion in the mid-1990s to transform downtown into a commercial city center. Beginning in 2007, over \$3 billion development activities are under implementation with over 30 projects including civic buildings, commercial office towers, residential and infrastructure (Central Houston Inc., 2008). While the downtown Houston has benefited from the renewed wave of investment in the area, the lesson learned here is that public and private partnership has helped to create a common set of principles and goals to ensure that development in the district is pedestrian-oriented and transit-supportive; thus creating a win-win situation that helps in attracting more interests in urban design and economic development practices that can be emulated by other districts.

All the districts explored in this analysis have their own websites and real estate professionals make use of these outlets in reporting current information pertaining to the office activity in their geographic areas. The inventory of available office spaces are usually reviewed online by corporations planning on relocating either to Atlanta or Houston. Both CIDs and MMDs work collaboratively with other levels of government, and nonprofit organizations in their jurisdictions in accomplishing their missions.

Conclusions

Public-private partnerships through community improvement districts (CIDs) or municipal management districts (MMDs) are self-taxing and legally sanctioned self-help public-private corporations created by the legislature to provide services to enhance the local business environment. As business improvement districts, CIDs and MMDs fulfill a variety of developmental functions: 1) They function as sustainers of existing development, 2) they take a promotional role by engaging in marketing efforts to consumers, and 3) they fulfill a development role by promoting economic growth and attracting new businesses within their jurisdictions. These functions provide answers to the undergirding question raised earlier in this analysis. That is, why should any government entity engage in public-private partnerships? Although some of the metropolitan Atlanta CIDs and Houston metro MMDs reviewed in this analysis have tried to fulfill these three functions, most do target a narrower set of activities as dictated by both the organizational features of either the CIDs or MMDs themselves, and the environmental context of their respective geographic areas.

By creating a partnership among property owners, business, the community, and local government, both CIDs and MMDs represent a tool through which to enhance the visibility of a certain geographic area to conduct business. Whereas the vision of what CIDs and MMDs can do in Atlanta and the Houston area is promising, their capacity to function efficiently and effectively, as sustainers, promoters, or developers of an area must be

understood within the context of their organizational structures, stakeholders, and their respective political and socioeconomic conditions. For CIDs and MMDs to succeed as important development tools in urban or suburban areas, development officials must have a proper understanding of the stakeholders to ensure their adequate representation in terms of citizen participation. In fact, adequate citizen participation will help to counteract both the inter-district inequity and democratic concerns raised by opponents of the polycentric model of governance as discussed earlier.

Additionally, local government officials must be able to work with community improvement districts or municipal management districts in their jurisdictions in identifying and analyzing the needs of all stakeholders according to local context, so that CIDs' or MMDs' board members can target resources to accomplish identified needs in a way consistent with efficiency and effectiveness in urban governance and administration. Although CIDs and MMDs are usually successful due to their flexibility, municipal governments must furnish an oversight mechanism to monitor their operations in order to assure proper accountability.

References

- Baer, S. E., & Feiock, R. C. (2005). Private government in urban areas: Political contracting and collective action. *American Review of Public Administration*, 35 (1), 42-56.
- Baer, S. E., & Marrando, V. L. (2001). The sub-districting of cities: Applying the polycentric model. *Urban Affairs Review*, 36 (5), 721-733.
- Briffault, R. (1999). A government for our time? Business improvement districts and urban governance. *Columbia Law Review*, 99 (2), 365-477.
- Central Houston Inc. (2008). State of downtown district. Retrieved on July 8, 2008 <http://www.centralhouston.com/>
- Central Houston Inc. (2011). Downtown district. Retrieved on May 1, 2011 <http://www.centralhouston.com/Home/AboutCentralHouston/>
- City of Houston. (2009). Municipal management districts. Retrieved on April 4, 2009 from http://www.houstontx.gov/planning/economic_dev/tools.htm
- Cumberland Community Improvement District. (2008). Annual report 2008.
- Cumberland Community Improvement District. (2010). Annual report 2010.
- Ewoh, A.I.E. (2007). Public-private partnership in a Texas municipality: The case of the City of Houston tax increment reinvestment zones. *Public Works Management & Policy*, 12(1), 359-369.



- Ewoh, A.I.E., & Zimmermann, U. (2010). Public-private collaborations: The case of Atlanta Metro community improvement district alliance. *Public Performance & Management Review*, 33 (3), 395-412.
- Ewoh, A.I.E., & Dillard, T. T. (2003). Public-private partnerships in Houston and Seattle Urban Municipalities. *Journal of Public Management & Social Policy*, 9, 31-41.
- Hart, A. (2009). C.W. Mathews Contracting Co., Inc. receives notice to proceed on Hammond half-diamond interchange. *The Atlanta Journal-Constitution*. Retrieved on September 20, 2009 from <http://www.perimeterid.org/>
- Downtown District. (2011). Development: Project list. Retrieved on May 1, 2011 from <http://www.downtowndistrict.org/Home/Development/ProjectList/>
- Fraser, N. (2011). A focus on BIDs/CIDs. Retrieved on May 1, 2011 from <http://eprop.co.za/news/article.aspx?idArticle=1260>
- Garreau, J. (1991). *Edge city: Life on the new frontier*. New York: Doubleday.
- Garodnick, D.R. (2000). What's the BID deal? Can the Grand Central Business Improvement District serve a special limited purpose? *University of Pennsylvania Law Review*, 148, 1733-1770.
- Heckathorn, D. D., & Maser, S. M. (1987). Bargaining and the sources of transaction costs: The case of government regulation. *Journal of Law Economics and Organization*, 3, 69-98.
- Hernandez, T., & Jones, K. (2008). The strategic evolution of the BID model in Canada. In G. Morcol, L. Hoyt, J. Meek, & U. Zimmermann (Eds.), *Business improvement districts: Research, theories, and controversies* (pp. 401-421). Boca Raton, FL: Taylor & Francis Group.
- Houstoun, L. O., Jr. (1997). *BIDs: Business improvement districts*. Washington, DC: Urban Land Institute.
- Jackson, D. (2008, June). Perimeter Community Improvement Districts announces completion of its first joint LCI and GRTA bond project. *Transportation Spotlight*, Transportation news from the Atlanta Regional Commission, Monday, June 30, 2008, 1-5.
- Koven, S. G., & Lyons, T. S. (2003). *Economic development: Strategies for state and local practices*. Washington, DC: ICMA.
- Lightsey, E. (2008). Cutting the red tape. *Georgia Trend* (November): 44-51.
- Lindblom, C. E., & Woodhouse, E. J. (1993). *The policy-making process*. Englewood Cliffs, NJ: Prentice-Hall.
- Logan, J. R., & Molotoch, H. L. (1987). *Urban fortunes: The political economy of place*. Berkeley, University of California Press.
- Mallett, W. J. (1993). Private government formation in the DC metropolitan area. *Growth and Change*, 24 (3), 385-416.

- McKenzie, E. (1994). *Privatopia: Homeowner associations and the rise of residential private government*. New Haven, CT: Yale University Press.
- Mitchell, J. (2001). Business improvement districts and the “new” revitalization of downtown. *Economic Development Quarterly*, 15 (2), 115-123.
- McDonald, J. F., & McMillen D. P. (2011). *Urban economics and real estate: Theory and Policy*. Malden, MA: Blackwell Publishing.
- McConnell, G. (1966). *Private power and American democracy*. New York: Knopf.
- Monti, D. J. (1999). *The American city: A social and cultural history*. Malden, MA: Blackwell.
- Morcol, G., Hoyt, L., Meek, J. W., & Zimmermann, U. (Eds.) (2008). *Business improvement districts: Research, theories, and controversies*. Boca Raton, FL: Taylor & Francis Group.
- Morcol, G., & Zimmermann, U. (2008). Metropolitan governance and business improvement districts. In G. Morcol, L. Hoyt, J. Meek, & U. Zimmermann (Eds.), *Business improvement districts: Research, theories, and controversies* (pp. 27-50). Boca Raton, FL: Taylor & Francis Group.
- Morgan, A. R., England, R. E., & Pelissero, J. P. (2007). *Managing urban America*. Washington, DC: Congressional Quarterly Press.
- Nelson, R. H. (2005). *Private neighborhoods and transformation of local government*. Washington, DC: Urban Institute Press.
- Ostrom, V., Tiebout, C.M., & Warren, R. (1961). The organization of government in metropolitan areas: A theoretical inquiry. *American Political Science Review*, 55 (4), 831-842.
- Parks, R. B., & Oakerson, R. J. (1989). Metropolitan organization and governance: A local public economy approach. *Urban Affairs Quarterly*, 25, 18-29.
- Polanyi, M. (1951). *The logic of liberty: Reflections and rejoinders*. Chicago: University of Chicago Press.
- Sandel, M. J. (1996). *Democracy's disconnect: America in search of public philosophy*. Cambridge, MA: Belknap.
- Steel, M., & Symes, M. (2005). The privatization of public space? The American experience of business improvement districts and their relations to local governance. *Local Government Studies*, 31 (3), 321-334.
- Uptown Houston. (2011a). Uptown fast facts. Retrieved on May 1, 2011 from <http://www.uptown-houston.com/about/facts.html>



**PUBLIC-PRIVATE PARTNERSHIPS IN ATLANTA AND
HOUSTON METROPOLITAN AREAS OF THE UNITED STATES**

Uptown Houston. (2011b). More lanes, more challenges. Retrieved on May 1, 2011 from <http://www.uptown-houston.com/road/index.html>

Uptown Houston. (2011c). Economic development. Retrieved on May 1, 2011 from <http://www.uptown-houston.com/economic/index.html>