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Business Improvement Districts and Urban Governance: Prospects and Implementation Opportunities in Enugu, Nigeria

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Abstract

Business improvement districts (BIDs) are usually established by the legislature as an innovative approach to deliver public services, and funds to support their operations come from taxation on business premises or special property assessment fees levied on property owners for various improvement activities and services within the geographic area. The major goal of BIDs is to promote employment, commerce, economic development, and public welfare in certain neighborhoods. Generally, BIDs represent a unique form of public-private partnerships. Under these partnerships government can bring private sector businesses including community-based organizations into the management of projects, while safeguarding the accountability of funds and ensuring efficient service delivery. The analysis begins with a brief review of BIDs as an economic development tool. This is followed by a discussion of governing structures, intergovernmental relations, and effectiveness issues as these relate to urban governance. Furthermore, the paper concludes with recommendations on how to implement successful BIDs in the twenty-first century.

Keywords: Business improvement districts, economic development, public-private partnerships

Introduction

Business improvement districts (BIDs) are usually established by the legislature as an innovative approach to deliver public services, and funds to support their operations come from taxation on business premises or special property assessment fees levied on property owners for various improvement activities and services within the geographic area. Homeowners within each business district may be excluded from property assessments. The major goal of BIDs is to promote employment, commerce, economic development, and public welfare in certain neighborhoods. Generally, BIDs represent a unique form of public-private partnerships. Under these partnerships government can bring private sector businesses including community-based

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organizations into the management of projects, while safeguarding the accountability of funds and ensuring efficient service delivery.

During situations of budget constraints, urban economic development scholars have argued that BIDs offer municipalities an opportunity to partner with private organizations in achieving public objectives (Ewoh, 2007; Koven & Lyons, 2003; Morgan, England & Pelissero, 2007). In view of this argument, this article delineates the BIDs' governance structures, financing mechanisms, and their potential impacts on sustainable economic development of urban areas in Enugu State of Nigeria. In Enugu, community-based organizations can be formed and encouraged by the state government to create BIDs in their neighborhoods, but the area must be devoted to commercial development and business activities. The analysis begins with a brief review of BIDs as an economic development tool. This is followed by a discussion of governing structures, intergovernmental relations, and effectiveness issues as these relate to urban governance. In addition, the analysis concludes with recommendations on how to implement successful BIDs in the twenty-first century.

Business Improvement Districts in a Brief Historical Synopsis

The past four decades has witnessed the proliferation of business improvement districts (BIDs) in the United States and other nations. BIDs operate under different legal arrangements and are called different names in the United States, such as community improvement districts, public improvement districts, municipal management districts, downtown improvement districts, self-help business improvement districts, special business districts, economic improvement districts, among others. 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, 2006; Fraser, 2007). What motivates governments to create or encourage BIDs? Alternatively, why are the governing structures or financing mechanisms under BIDs considered to be innovative? The answers to these questions are examined in this section and with special emphasis on Enugu State of Nigeria.

The Bloor West Village BID was created in Toronto, Canada in 1971, as the first business improvement district. It was the idea of a Canadian jeweler, Alex Ling, who convinced the 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

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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).

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 Pittsburg in serious economic condition, thus leading to a decline in 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; Clarke 1997). 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 by private organizations, and that public ownership was not necessary in various areas of service delivery in the United States and other countries. Consequently, the shortfall in city governments' revenue from the federal government forced them to embrace BIDs to generate additional funds for services (Morcol & Zimmermann, 2006; Briffault, 1999; Mallett, 1993).

Examples of services to be 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 Houstoun (1997, 38) puts it, "a powerful combination of ingredients—business self-interest and vision, together with public financing unencumbered by urban politics." Outlined below are five major examples that briefly show the different styles of BIDs and the motivation for their creation:

1. Grand Central Partnership (GCP), New York, USA
Established in 1988, the focus was on the rejuvenation of the Grand Central Station and subsequent enhancement of the public realm surrounding the Station. One main activity in the early years of the BID was providing a solution to the homeless population in the area. The BID acted as the catalyst for the creation of a specific homeless center, which

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was passed on to another organization, to enable the GCP to deal with ongoing management issues. The GCP BID is now engaged in a variety of activities with an annual budget of \$11m.

www.grandcentralpartnership.org

2. Center City District (CCD), Philadelphia, USA
Created under the Commonwealth of Pennsylvania's Municipal Authorities Act of 1990, the focus initially was purely on "clean and safe" environment on the basis that the city had experienced a mass exodus of businesses to the suburbs over the previous 2 decades, and was no longer considered an acceptable or desirable location to visit or do business. After spending the first 5 years cleaning up the city the BID evolved its activities into marketing, promotion, economic development and inward investment to arrest further migration to the suburbs. The CCD BID now has an annual operating budget of \$12m and is a major strategic force within the city.
www.centercityphila.org
3. Cape Town City Improvement District (CTCID), South Africa
Founded in 1999 with an initial focus on security in an effort to regain the streets in the light of the growth in its World City status and standing as an international tourism destination. About half of the CTCID's annual budget of R14m (approximately 1.2m British pounds) is spent on uniformed security personnel who patrol the streets, and in the first 3 years of its operation there has already been a substantial decrease in crime.
www.capetownpartnership.co.za
4. 125th Street BID, Harlem, New York, USA
Formed in 1993, the focus for 125th Street BID was on the basics of "clean, safe and order" following a major capital street enhancing scheme. Predominantly a small business area, 125th Street has managed to engage businesses at a very local level to contribute to basic management and upkeep of the area. Operating on an annual budget of only \$275,000 for its first term, it provided its value to local businesses and has recently increased the annual budget to \$525,000 following approval from its district.
www.125thstreetbid.com
5. Houston Downtown Management District (Downtown District), Houston, Texas, USA
Created by an act of the Texas Legislature in 1995 and has been in operation since 1996. The focus is to accelerate the renewal of the city's urban core through an underlying theme: "building a lasting constituency for downtown, recruiting investors, retailers and tenants while retaining those already in downtown area, and making downtown clean, safe and attractive." Today, downtown Houston is booming as a result of \$4 billion construction of public-private projects. The Downtown District is operated under the direction of a 30-member board of directors whose primary focus is to leverage public

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funds with private resources to improve facilities and services, as well as accelerate area improvements with widespread benefit above and beyond the level presently provided by local government or voluntary effort.

www.downtowndistrict.org

Business Improvement Districts: Their Potential for Enugu State

Although the five major BIDs delineated above may have some fundamental differences to the way in which BIDs will operate in Enugu State, the circumstances surrounding their creation are the same. Enugu state has three important urban centers: Enugu, Nsukka, and Oji River. Enugu, the state capital, covers an area of 85 square kilometers, with a population of about 0.5 million (Nigeria, 2007). As a modern city, Enugu has industrial estates in Emene and Uwani, and other medium size industries are scattered in different parts of the city. Nonetheless, the general economic recession in the 1990s has adversely affected the institutional capacity of most of the industries some of which are being rehabilitated by the new civilian government. Most of the State's institutions of higher education are located in Enugu. Nsukka, the second largest urban town with a population of about 90,000, has an area of 30 square kilometers, and is the home of the main campus of the University of Nigeria. Oji River, the third largest urban area in the state, has a population of 85,000 and consists of about 3 kilometers in radius (Nigeria, 2007). While a thermal electric power station is located at Oji River, the town is noted for the concentration of government presence in social infrastructure.

In Nigeria, the exclusive functions of local government, as outlined in the Fourth Schedule of the 1999 Constitution, are few and minimal in importance with notable exceptions of the construction of local roads, sewage facilities, markets, and motor parks. Also, local governments share several responsibilities with the states including the provision of primary, adult and vocational education, the development of agriculture and provision of health services. The provision of these services is carried out under the state supervision, and consists primarily of the construction and rehabilitation of schools and health clinics. Funding for these capital projects come from Local Government Authority capital budgets. Local governments are expected to participate in the process of economic planning of their state through membership in State Economic Planning Boards which is not available in most states (Barkan & Gboyega, 2001). Other than the 20 percent Federation Account share, local government authorities usually raise their own revenues from a long schedule of fees and licenses (ranging from property rates, market fees to hair-dressing and bicycle licenses). The revenues internally generated from these sources are seldom enough to provide for basic services to the citizens. To overcome the problem of budgetary constrains in the public service delivery, the Government

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of Enugu State should introduce a legislative framework that will enable local governments (associated with three urban cities such as Enugu, Nsukka, and Oji River) to set up BIDs to improve their central business and retail districts as done in many cities in the United States and elsewhere.

How to Form BIDs: Governing Structures and Administration

A BID is usually formed when owners representing 51 percent of the properties (either on the basis of property value or number of properties) file a positive petition with a local or city government depending on the enabling legislation. Since BID is a partnership between local businesses and the local authority, the business community is required to identify projects that will improve the trading environment and define the geographic boundary for the BID and develop a business plan. The plan will include the mission (to improve the area commercially by making it cleaner, safer, and attractive), and the length of the BID—the period for which the BID will operate before renewal ballot is required—usually five years.

A BID is administered by an elected board of directors and a strong board is required for it to be effective. The BID board of directors may consist of property and business owners, and will be responsible for setting policies and overseeing operations under the management of a BID company. Typically a BID can consist between 7 to 30 directors, and meets either monthly or quarterly. The structure and membership of the board in the Enugu BID model should be decided with the input from businesses, but its chair must be a well-known and trusted member of the business community. Public sector agencies such as local government authority, the police department, and residents and voluntary contributors (e.g., property owners) may also be involved with the board.

How to Finance BIDs: Funding Mechanisms and Financial Transparency

The two proposed methods of funding BID projects in Enugu State are: property tax set-aside and business premises tax set-aside. The first method requires the state government to allow local governments to set-aside about 5 percent of the property tax revenue generated in a designated BID area to address local issues that directly affect the performance of business. The money must be used to deliver additional services or capital improvements that the business community has identified and voted for in the business plan, and approved by the local government authority (LGA).

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The second funding mechanism is going to be a levy or an assessed fee on business premises. This method requires the LGA to provide a complete list of business premises in the area. Once that is done, a self-imposed monthly levy of 150 naira (about 1 U.S. dollar) on each registered business premise in the area will be collected by the LGA and remitted to the BID treasury account—exemptions can be applied to small business vendors. 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, each BID will be required to file an annual report with the Enugu State Economic Planning Commission. This Commission already coordinates the development activities of the local government authorities (LGAs), as a result, has the legal mandate to monitor BIDs' spending to ensure not only the proper accountability of public funds, but that BIDs' projects and services are designed to better the lives of people at the grassroots in concert with Governor Sullivan Chime's (2007) *4-point Agenda*.

BIDs Services Provision: Intergovernmental Relations & Institutional Effectiveness

A BID's mission is usually to improve the area commercially by making it cleaner, safer, and attractive. In view of this, each BID will be responsible for providing services and facilities that are additional to, and interact with existing local government authority's services. Generally, the location and boundary of a BID are the determinants of the amount of revenue that can be generated as well as the type of services to be provided. A BID in any of the three major urban centers in Enugu State, such as the City of Enugu, Nsukka, and Oji River can be expected to have a strong retail focus. Examples of services that a BID could provide retailers in urban areas may include an emphasis on cleanliness and safety (a crucial factor to the vitality of any retail area). BIDs could explore the possibility of improving street cleaning or introducing highly visible police officers (or in some circumstances, trained private security officials) onto the main street to deter crime, and ensure shoppers or citizens of their safety. Other services to be provided by BIDs could include capital expenditure projects to improve the appearance of the streetscape and accessibility of the area. These prescribed services and projects will help in solving urban environmental problems and economic planning issues chronicled by Nigerian scholars (e.g., Agunwamba, 1998; Ogu, 2000; Onokerhoraye, 1976).

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As earlier discussed, BIDs are enabled by state legislation and created by local governments. Therefore any decision to continue or terminate ought to be approved by the property or business owners and local government authorities (LGAs) that created them. When it comes to tax or levy administration, there is generally a separation of function in accomplishing this task. For instance, the property assessor determines the taxable value of land or property in the area, the LGAs determine the amount to be raised for their budget from property tax, an auditor calculates the required legal tax rate for each jurisdiction, and the treasurer collects the tax owned on each land or property and distributes the revenue to appropriate government units (Mikesell, 2007).

LGAs can hold BIDs accountable through their oversight function and by their presence on the BID boards. The partnership between LGAs and BIDs will allow both to understand each others' operation so that they can achieve more by working together in a win-win public policy situation. One measure of BIDs' effectiveness will be the degree to which they are accomplishing whatever is outlined in their business plan such as revitalizing the areas landscape, among others (see Hoyt, 2005; 2004; Levy, 2001). Another measure of effectiveness could be through public opinion of citizens and stakeholders in the area on how the presence of BID is making a difference in either the external environment of the LGA or the people's quality of life.

Implementation: Location and Setup

The Enugu BID model will start as a pilot program in each of the three urban centers located in Enugu East, Enugu North, and Enugu West—the three senatorial zones of the state. With an enabling state law, local government authorities (LGAs) in Enugu, Nsukka, and Oji River urban areas will encourage businesses, property owners, and even community-based or neighborhood associations to form BIDs as a sustainable economic development tool.

Alternatively, each LGA in an urban area could be allowed to initiate at least one BID in its jurisdiction. Doing this will enable the old Enugu urban area, for example, to have at least four BIDs (one in each four geographic corners of the Coal City). It is expected that the success of BID in the Coal City may result in its extension or expansion to 21 geographic areas such as: Abapka Nike, Trans Ekulu, Emene, the Government Reserve Area, Iva valley, Ogui, Coal Camp, Uwani, Awkunanaw, Independent Layout, Timber Shed, Ogui New Layout, Obiagu, Artisan, New Haven, City Layout, Achara Layout, Golf Estate, Ebeano Estate, Loma Linda Estate, and Ugwu Aaron (Wikipedia, 2007). It is instructive to note here that the Enugu State Government adhered to some the ideas expressed in this analysis, when the manuscript was presented at the 9th Annual Convention of EnuguUSA Association in Enugu, Nigeria, on

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December 20-23, 2007, by creating the Enugu Capital Territory Development Authority (ECTDA) in 2009. The ECTDA is responsible not only for urban renewal projects to transform Enugu into a modern city, but in making sure that the Coal City traffic congestion is under control. In his recent news briefing, John Egbo, Commissioner for Special Duties in charge of ECTDA, informed journalists at the Uwani training camp of traffic controllers for the 2009 Under-17 World Cup in Enugu that the major goal of the training is to ensure that the city is rid of road traffic hiccups (Sobechi, 2009).

Conclusion

BIDs are legally sanctioned, self-taxing public-private organizations created to provide services to enhance the local business environment. BIDs can fulfill a variety of developmental functions: 1) They can function as sustainers of existing development, 2) they can take promotional role by engaging in marketing efforts to consumers, and 3) they may fulfill a development role by promoting economic growth and attracting new business to the area. Although some BIDs can fulfill these three functions, most will target a narrower set of activities as dictated by both the organizational features of the BIDs themselves and the environmental context of their respective neighborhoods.

By creating a partnership among property owners, business, the community, and local government; the BID, in fact, represents a tool through which to enhance the visibility of a geographic area to conduct business. While the vision of what BIDs can do in Enugu State is promising, their capacity to function efficiently and effectively, as sustainers, promoters, or developers of an area must be understood within the context of its organizational structure, its stakeholders, and its political and socioeconomic conditions. For BIDs to succeed as important development tools in poor and wealthy areas (whether urban or rural), this author recommends that development officials in Enugu State must have a proper understanding of the stakeholders to ensure their adequate representation in terms of citizen participation. Local government officials must be able to work with BIDs in their jurisdictions in identifying and analyzing the needs of all stakeholders according to local context, and so that BIDs' officials can target resources to accomplish identified needs in a way consistent with efficient public service delivery in the twenty-first century.

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