

ESTIMATING THE ECONOMIC BENEFITS A BUSINESS IMPROVEMENT DISTRICT WOULD PROVIDE FOR A DOWNTOWN CENTRAL BUSINESS DISTRICT

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ABSTRACT

Business Improvement Districts (BIDs), as public-private partnerships have proliferated in the U.S. and globally as a means of revitalizing downtown central business. This study examined the potential of a BID enhancing a downtown central business district, in western North Carolina. The article reports on the process town officials activated to determine if a BID was right for their town and the outcomes of the process. The process included gathering information about downtown businesses via a survey to provide feedback to the town officials in charge of the proposed BID to maximize input for the plan and estimating the economic benefits the proposed BID would provide to both residential and commercial property owners and tenants. The business owner survey results aligned very closely with programs most BIDs provide to local businesses and property owners. Findings from the economic analysis revealed that a BID would be of value in enhancing retail sales growth and increasing property values. Based on the results of the study, town officials voted to approve the BID.

INTRODUCTION

Business Improvement Districts (BIDs), as public-private partnerships have proliferated in the U.S. and globally as a means of revitalizing downtown central business districts (CBDs) (Billings & Leland, 2009; Ewoh & Zimmermann, 2010; Grossman, 2008; Hoyt, 2006; Mitchell, 2001, Ruffin, 2010). “Described by The Economist as potentially ‘the best hope of getting parts of America’s cash-strapped cities working again,’ business improvement districts (BIDs) are generating a great deal of excitement among city governments and urban policymakers around the world” (Ellen, et al., 2011, 1). The BID concept aims to promote and harmonize best practice in both urban management and tourism destination management. “Many of the characteristics that make a district a great place to visit – a variety of restaurants, cinemas, nightclubs, bars, cultural facilities, a walkable environment, attractive public places, and a feeling of safety – also make it a great place to live...as the visitor and residential markets tend to complement each other” (Ratcliffe & Flanagan, 2004, 394).

According to the International Downtown Association (IDA) 2010 BID census report, all but two U.S. states have at least one BID, with an average of 20 BIDs per state. The median population size for U.S. cities with a BID is 102,804 people. BIDs exist across four continents and in 16 countries. The IDA report states that the total number of BIDs is 1,002 and that North Carolina has 51 BIDs, ranking 6th in the U.S. (Becker et al., 2011). The IDA currently functions as a central repository for information about BIDs for policy entrepreneurs around the globe (Hoyt,

2005). In performing the 2010 census and survey for the International Development Association (IDA), researchers needed to create a set of criteria for defining a BID. The criteria in the IDA survey and census included that the district be authorized by local and state government with a mandatory fee structure, be a public-private partnership where the government collects the tax but a non-profit management entity controls how much is collected and how the money is spent, and the district must perform traditional BID services such as cleaning, security and marketing (Becker et al., 2011).

PURPOSE OF THE STUDY

The study was initiated by the City of Asheville, North Carolina, the Asheville Downtown Association. To preserve this city and all the efforts that have gone into the period of revitalization since the 1990s, the Downtown Asheville Master Plan proposed a Business Improvement District (BID), similar to special districts that exist in many cities around the world. The desired goals for downtown Asheville focused on the continued healthy growth and evolution of the central business district, in order to continue increasing the strength of the regional economy. To reach the maximum potential of economic benefits, the BID should determine the exact needs of business and property owners and follow through on providing these requested services. Therefore, the purpose of this study was two-fold: (1) to gather information about downtown businesses to provide feedback to the town officials in charge of the proposed BID to maximize input for the plan and (2) to estimate the economic benefits the proposed Asheville BID would provide to both residential and commercial property owners and tenants.

LITERATURE REVIEW

There is not a universal definition for a business improvement district (Becker et al., 2011). This is because the very nature of a BID is to be flexible in order to serve each district as needed and desired by participants (Hoyt, 2005). “At their simplest BIDs are organizations entitled to levy an additional property tax within a specified area for providing a defined range of services or carrying out specific works” (Ashworth, 2003). BIDs are partnerships between business communities and local authorities to fund and develop projects that will deliver added value to the business environment (Grossman, 2012; Ewoh & Zimmerman, 2010). The property owners involved have a good deal of control over the amount of money collected and the services their money provides to them (Symes & Steele, 2003). In general, a BID consists of two or more business or property owners combining funds and creating programs designed to minimize obstacles to success and improve their profit, property value, and business or area improvement opportunities (Houstoun, 2004).

BIDs are usually governed by the city, but managed by a private, non-profit organization that is subject to a board made up of stakeholders, primarily business people and landowners, with some seats reserved for public officials, residents, community board members, and non-profit representatives. The municipal government typically collects the revenue and remits to the BID for services and projects supported by the property owners themselves (Briffault, 1999). There is no single approach to a BID and some may go far beyond the basic services. BIDs operate based

on the needs and desires of local conditions, community and stakeholders. Unlike taxes collected by the county, revenues collected from within the BID go directly back into the district for services and projects supported by the property owners themselves. The money collected from the BID property serves to provide supplemental services on top of that of local municipalities.

Having a reliable and predictable income year after year is an important success factor for business improvement districts. In most cases, revenue comes from charges on commercial property or directly to businesses only. Sometimes charges are levied on residential or other noncommercial properties as well. In North Carolina BIDs are called Municipal Service Districts (MSD). The frequency of North Carolina MSD tax rates, range between \$0.0 and \$0.6680 per \$100 of assessed valuation for property within the district boundaries. The average tax rate is \$0.1546 per \$100. In North Carolina as of August 2010, the average rate was 0.1546, and the median charge was 0.14 per \$100 valuation (North Carolina Department of Revenue, 2011).

“Property and business owners in urban contexts around the globe are using state authority to create a new form of government to protect their interests. With power to impose taxes and provide collective services, BIDs supplement publicly funded efforts to attract visitors and investors, enhance the pedestrian experience, and improve the city’s ability to compete with regional office parks, shopping malls, and suburban living” (Hoyt, 2006, p. 221). BIDs provide services and improvements to boost business and property value; include a management entity to run the BID; and collect revenues through assessment-based annual mandatory tax on the properties within the BID boundary. BIDs focus primarily on creating clean, safe and attractive urban centers with downtown specific priorities that local governments often are remiss in providing due to financial restrictions. BID funding allows for the development and enhancement of streets, parks and buildings. There is little doubt that BIDs can give a strong competitive edge to towns and cities in the tourism market. As cited by Ratcliffe & Flanagan (2004), “a successful BID can increase an area’s prosperity, attract inward investment and give a regional competitive advantage in terms of tourist destination management and visitor generation and spending.”

In essence, a BID is a self-imposed way for downtown businesses and property owners to fund enhanced services or improvement projects within the district, using revenues generated by an assessment on real and personal property valuations in the district. Revenues created by the BID would be used for services and improvements over and above the level of municipal services already in existence. NC law requires that BID revenues be used only for services provided in the district, therefore, a BID would provide incremental services over and above the existing city services within the Asheville proposed district.

The NC MSD Act allows local governments, such as city council, to define a municipal service district for the purpose of levying an additional property tax amount on those properties within the MSD boundary. According to NC MSD Act, a city council may define any number of service districts in order to finance, provide, or maintain for the districts one or more of the following: beach erosion control, flood and hurricane protection works, downtown or urban area revitalization projects, transit projects, drainage projects, sewage projects, parking facilities, or watershed improvement projects (North Carolina General Assembly, G.S. 160A-536, 2011).

Across the world, a business improvement district is likely to devote itself to the advancement of the BID area’s economy; provide services and improvements to boost business and property value; include a management entity to run the BID; and collect revenues through

assessment-based, annual mandatory tax on the properties within the BID boundary (Houstoun, Jr., 2005). BIDs seek to bring business into the downtown area instead of suburban shopping malls or retail centers (Symes & Steel, 2003). BIDs focus primarily on creating clean, safe and attractive urban centers with downtown-specific priorities that local governments often are remiss in providing due to financial restrictions. BID funding allows for the development and enhancement of streets, parks and buildings (Briffault, 1999). While street cleaning and maintenance as well as additional security are the principle goals of all BIDs, there is no single approach to a BID and some may go far beyond these basic services. BIDs operate based on the needs and desires of local conditions, community and stakeholders (Symes & Steele, 2003).

Unlike taxes collected by the county, revenues collected from within the BID go directly back into the district for services and projects supported by the property owners themselves (Briffault, 1999). The money collected from the BID property serves to provide supplemental services on top of that of local municipalities. Trash collection, for example, should continue as typically done by the local government. Services provided by the BID go above and beyond to produce greater results faster than those provided by local government through general taxation (Houstoun, Jr., 2005).

FACTORS FOR COMPARISON OF SIMILAR BIDs

When a city is considering a BID, studying other cities with BIDs with similar characteristics has value in being able to demonstrate what the BID did to support the area they serve. So for purposes of this study, five U.S. cities were selected with similar characteristics to Asheville that also had BIDs to determine the value of what these BIDs has accomplished for their town. Although a small city in terms of population, Asheville boasts a number of characteristics in common among larger cities: namely commitment to the arts and culture, historical preservation, a focus on livability for residents, the high number of retirees, active outdoor lifestyles and tourism draws, and the scenic mountain region. After selecting the cities with these similar characteristics, those with a BID service focus on supporting the arts and local culture, historical preservation and smart growth practices, clean, green and safety oriented programs, and business services were prioritized for comparison. The five cities selected for the final comparison case studies were Bozeman, Montana; Madison, Wisconsin; Portland, Oregon; Ann Arbor, Michigan; and Boulder, Colorado. Their BIDs were then also reviewed regarding their funding sources and their management structure, in addition to the services provided.

FUNDING

True to form, funding procedures are not the same for every business improvement district. However, in general, BID revenue comes from an assessment on property values within the district boundary, in addition to the property taxes paid to local government (Briffault, 1999).

In the International Downtown Association's 2010 census and survey (published in 2011), 95.9% of respondents stated that they obtained at least a portion of their revenue through property assessments. Other revenue sources were member dues (36.1%), contracts (41.2%), sponsorships (48.5%), development fees (21.6%), and funding from city general revenues (38.1%). Over half

(56.2%) responded that they had “other” methods of producing revenue, which include event revenue and vendor fees, alcohol sales at events, trust funds, sponsorships, charitable contributions, business license fees, grants, earned interest, participation fees, rental income, parking fees, transportation fees, and more. About half (55.9%) of respondents calculated their assessments based on value of real estate as calculated for tax purposes, 1.8% based assessments on sales tax, 12.2% on square footage, 4.5% on linear front footage, and 25.7% on “other” bases (Becker, et al., 2011).

In most circumstances, the charges levied to BID property owners are treated like taxes in that failure to pay results in legal action such as a fine, a lien against the property, or a delinquency sale. These legal implications indicate the role government plays in controlling BID financing. For this reason, BIDs almost always count on local government tax collection services to bill the property owner and collect the BID’s revenue (Briffault, 1999). Although most revenue comes from these levied fees, BIDs are not limited to this sole source of income.

Some BIDs do receive other financial support in addition to the revenue from assessments on property value. Tax-exempt property owners including government, non-profit and religious organizations operating within the district may provide voluntary funding to the BID. BIDs are eligible for economic development grants from federal and state agencies. They are also able to collect interest income and proceeds from bonds backed by revenue from the district. Revenue may come from fees or charges for use of district facilities, or managing publicly owned facilities (Briffault, 1999).

In most cases, revenue comes from charges on commercial property or directly to businesses only. Sometimes charges are levied on residential or other noncommercial properties as well. The charges to these entities may be lower than the charges to commercial entities and property (Briffault, 1999). In the United States tend to be much lower than in other countries. Common charges here may be 15 percent of property tax, coming out to as little as 50 cents per day, or 10-15 cents per square foot (Houstoun, Jr., 2005). Other studies show assessments in the United States are often below 10 percent of property tax. A 1995 Pittsburgh Downtown Partnership study of twenty-three BIDs showed charges ran from six to eight cents per square foot and a more recent study showed charges to be 10 to 12 cents per square foot (Briffault, 1999). This also rings true in North Carolina where, as of August 2010, the most common rate was 0.10, the average rate was 0.146, and the median charge was 0.14 per \$100 valuation (North Carolina Department of Revenue, 2011).

Having a reliable and predictable income year after year is an important success factor for business improvement districts. This is the advantage of the compulsory tax model. BIDs in the United States who raised their revenue primarily through voluntary contributions spent up to half of their management time fundraising instead of using that time to provide services and programs for long term success (Lloyd et al., 2003). Funding models where the BID relied most heavily, if not only, on voluntary funding models have been shown to fail. Typically, only a small number of businesses or individuals will contribute. With only a few carrying the cost for all, the non-contributors have no incentive to participate and those who do contribute eventually become fatigued of supporting the entire district (Houstoun, Jr., 2005).

Compulsory assessment provides long range, stable, and secure funding for the BID to maintain its services and programs (Briffault, 1999). This background research strongly indicates

that BIDs are most successful when operating with a for-profit, non-voluntary payment attitude and structure. This enables BID management to produce positive results, ultimately resulting in the approval of local property owners and tenants.

SERVICES

The services most commonly provided by BIDs throughout the world include capital improvements (such as street lighting and greenery, sidewalks and curbs, bus shelters, trash bins, wayfinding signage), consumer marketing (including events), economic development (incentives or loans to bring in and help expand business), maintenance (such as street and sidewalk cleaning, landscaping, graffiti removal), policy advocacy (including lobbying government for district commercial interests), security, social services (including job training, homeless services and youth activities) and transportation (including parking) (Hoyt, 2005, Mitchel, 1999). Most, if not all, BID services could likely be put into one of these categories.

By surveying business owners, residents, and visitors (both locals and tourists alike), BIDs are better able to provide the services and programs that will lead to the most positive outcome for stakeholders. For the purpose of this report, we use fewer and broader service categories, dividing the background research into physical improvements, business services, and supplemental municipal services. For the purpose of this report, fewer and broader service categories were used, dividing the background research into physical improvements, business services, and supplemental municipal services.

PHYSICAL IMPROVEMENTS

Physical improvements to the BID, also considered capital improvement projects, include long term projects and any major improvement project varying from street repair or paving, sidewalk or curb repair or creation, landscaping including new trees, flowers and plants, and street furniture such as benches, shelters, kiosks, lamps and hydrants (Briffault, 1999). In some states, BIDs are able to finance capital improvements by floating bonds, using their own income to help leverage state and local funds (Houstoun, Jr., 2005). These items are typically big projects that the city government may not be able to afford on their own but the district can help pay for and benefit from.

SUPPLEMENTAL SERVICES

Most BIDs seek to primarily boost and go beyond the municipal services provided by the government. This includes sanitation, security and maintenance (Briffault, 1999). Speaking to the fear that a BID may replace or reduce government provided services, it is important to point out that BIDs do not provide the same services as the municipality. Marketing is one example (Houstoun Jr., 2005). Additional sanitation or security services even serve a marketing and promotion purpose when BID workers dressed in uniforms to highlight and promote the efforts of the BID (Briffault, 1999).

SOCIAL SERVICES

While not very common among business improvement districts, social services are highlighted here due to the demographic profile of downtown Asheville and the Asheville community's involvement and commitment to providing such services. When a BID does provide social services, they are often a small portion of their programs and typically involve the homeless. These include shelter, food, employment and training opportunities, or referral services. In most cases, these programs come from a desire to maintain public order and the appearances of the district (Briffault, 1999).

BUSINESS SERVICES

The services provided and programs implemented by a business improvement district are all intended to boost the business within the district. BIDs may assist with finding renters for unoccupied space or buyers for buildings for sale, financing for a new business, recruiting new businesses or helping balance the business mix within the district. Some may provide grants or loans to help businesses improve the façade of their building. Those services specifically targeted to business include promoting and marketing products and services provided by businesses within the district, recruiting and retention of businesses in the district, and attracting visitors, consumers and tourists to the district. (Briffault, 1999).

In addition, recruiting businesses into the BID may be an essential part of the BID's services, depending on the priorities determined by the stakeholders in the area. A great way for BIDs to strengthen current business and recruit new business is by partnering with economic development agencies – including those focused on broader areas such as the city, county, region or state (Houstoun, Jr., 2004). This is another example of the public-private partnership so essential to business improvement districts.

SMART GROWTH

Numerous BIDs across the United States have adopted a Smart Growth plan, with mixed use development and pedestrian friendly goals in mind that promote recreation and culture, as well as unify the vision for the city. Boulder, Colorado was the first city in the nation to proactively advocate fundraising for the purchase of green space in areas surrounding the city, and began addressing traffic concerns many years ago (Benfield, et al. , 2001). Historic preservation is essential to maintaining the unique sense of place that is found within all vivacious downtown communities. Both, Boone, NC and Charlotte, NC BIDs have historic preservation committees, with emphasis placed in various areas.

MANAGEMENT STRUCTURE

The management structure for a business improvement district is an example of the public-private nature of BIDs. Business improvement districts are usually governed by the city but managed by a private, non-profit organization that is subject to an advisory board or board of

directors made up of stakeholders. The governance structure usually specifies specific formal roles for the city and the property owners. It is this advisory board and administrative body that is referred to as “The BID”, since the board and administrative organization make recommendations and carry out the services and programs performed (Briffault, 1999). One study found that residents and government agencies contributed to the formation of a BID but that once established, programs and services efforts were typically led by commercial property and business owners (Hoyt, 2005).

Just like with initial formation of the BID, approval by municipal government (the ultimate governing body for the BID) is required for a change in boundary, assessment fees, or bonded debt for capital projects. However, in general, the BID management association and the board typically see little interference or control exerted from the municipality (Briffault, 1999). The municipal government typically collects the revenue and remits to the BID. Even though the association serves as a management entity and not the governing authority (this, again, is the city), it is still the management association that is usually considered responsible for policy and fiduciary day-to-day functions. The management association is then likely to contract out the services the BID chooses to undertake, such as administrative, security, sanitation and landscaping or maintenance services. This is especially true for BIDs with smaller budgets and smaller management associations. Often, the contracted service provider was a proponent of the BID before formation (Briffault, 1999).

Briffault (1999) also found that advisory and administrative boards were primarily made up of businesspeople and landowners, with some seats reserved for public officials, residents, community board members, and non-profit representatives. Boards are either appointed by the government or elected by the district stakeholders – but appointment is much more common

DATA AND METHODOLOGY

This study uses data from the U.S. Census and ESRI to create a portrait of the demographic background of the central business district in Asheville. Census data at the census tract level provides information on residents inside the central business district. It is important to note that the census tract is 35% smaller in area than the central business district. Therefore, ESRI was used to create a custom polygon of the central business district to show the differences between the census tract and the CBD. ESRI reports also provide projected demographic information for 2010 and 2015, based on the 2000 Census, including quarterly information on population and households from January 2009 to October 2010, a market profile, and expenditures information from 2000 and projected to 2015.

In order to gather information about downtown businesses and provide the City of Asheville, Asheville Downtown Association, and the Downtown Master Plan Commission with feedback from business owners and tenants, the Asheville Downtown Business survey was created and disseminated via email. A total of 100 surveys were completed.

To estimate the economic impact of a new BID in Asheville, an input-output model was constructed. The researchers utilized the IMPLAN (IMpact Analysis for PLANing, Minnesota IMPLAN Group, 2007) software input-output model and database to construct a basic input-output

model. The input-output model is useful for estimating the economic impact and understanding how the impacts ripple throughout an economy.

Direct dollars spent for goods and services identified within the IMPLAN model as items that are available from within the regional or local economy are traced by an input-output analysis as secondary impact dollar spending. Secondary impact dollars accumulate as a result of both indirect and induced effects. Indirect effects are secondary impacts that result from businesses that make expenditures in order to replenish goods and improve services that have been purchased by direct (initial) impact expenditures. Induced effects are secondary impacts resulting from an increase in household spending by employees who are hired, or current employees paid to work longer hours, to provide goods and services being purchased.

Estimates of secondary impacts are based on a multiplier effect, an economics principle widely used to calculate spending that takes place as a result of the “ripple effect.” The concept is that every dollar received by business owners and employees is re-spent, multiplying the initial sales and generating revenues in other sectors of the local economy. IMPLAN estimates the magnitude of both primary and secondary impacts for each industry, which is so-called “multipliers.”

It should be noted that a portion of direct and secondary dollar spending goes for goods and services that are not purchased in the local community as well as to pay taxes. Money used to purchase items that are not available in the local community and money used to pay state and federal taxes leaves the local economy, and so do not continue to circulate within the local economy.

RESULTS

DOWNTOWN BUSINESS SURVEY

Survey results indicated that businesses currently located in downtown Asheville are committed to operating in a downtown location, 67% had been in operation in their current downtown location for 5 to 20+ years, 30% had been in operation in their current location for over 15 years. Almost all respondents (93%) were satisfied with their current location, and the vast majority (90.9%) had no plans to relocate. Of those who did plan to relocate, all except one, planned to relocate in the downtown Asheville.

Most business owners rent their spaces, demonstrating that those operating businesses downtown are not the ones owning and pay taxes on the property. This causes some concern for both owners and renters when discussing an increase in taxes to fund a BID. Most likely, the owners would transfer the cost onto the renter as part of the terms of their lease, given that the renter will receive the most direct benefit from services provided on a daily basis by the BID – although the owner will ultimately benefit from the expected increase in property value.

Respondents were asked to respond to statements as to what were to most competitive traits downtown Asheville had to offer over other area destination shopping districts. The most competitive traits from the business respondents’ perspective were character/sense of place, location, the trend to ‘shop local’ and the promotion of that trend, quality of products/services, and customer service. When respondents were asked to what degree they were experiencing any of

the challenges provided in a list in their downtown business, the biggest challenge was seen as insufficient parking, followed by street people or panhandlers, cost of rent, expense of employee wages and benefits, and street closure for events.

To determine the general attitude of local businesses the respondents were asked to respond to a list of statements about their perception of downtown Asheville. The results showed respondents felt downtown Asheville was an excellent place to have a business. The results also showed that local business respondents sought ways to be cooperative rather than competitive with one another, including directing consumers to other downtown businesses, seek ways to cooperate with complimentary downtown businesses, try to buy products /services downtown, and felt the existing business mix was helpful to their own business. These comments suggest that downtown business owners feel positive about operating a business in downtown Asheville, and feel positive about other downtown businesses.

However, the results also showed that respondents were largely unhappy with local municipal services as they are currently provided. Respondents disagreed with all statement involving maintenance, police protection and safety, and municipal service; such as sidewalk and street maintenance is outstanding, local services are worth the level of taxation, locale waste management service is outstanding, feeling safe downtown, and that local police protection is outstanding. Revealing respondents were largely unsatisfied with these local municipal services as they are currently provided. While the city may not like to hear these results, it does provide a snapshot of what the BID could offer in addition to local services in order to better please downtown businesses and in attraction visitors to the city.

Respondents were also asked to respond to statements designed to determine what they considered their most valued services and improvements. The most important services or improvements selected by the majority of the respondents were: sidewalk and street cleaning, clearing sidewalks when it snows, additional parking, marketing, business and economic development, and additional security or police. These responses align very closely with the programs most business improvement districts provide to local businesses and property owners. This should help support the effort to implement the Asheville BID, and it is important that these responses be taken into consideration when planning the BID.

Respondents were asked their total sales for the year 2010. Almost half (45%) of respondents had total sales between \$250,000 and \$1,000,000 during the 2010 year. When asked what percent their total sales increased or decreased in 2010 compared to 2009 total sales, 49.5% had an average rate increase of 16.1%; whereas 24.7% had an average rate decrease of 20.6%, and 25.8% stated their total sales stayed the same. When asked what percent they expected their total business sales to increase or decrease in 2011 compared to 2010, 63.5% expected an average rate increase of 14.4%, whereas 10.4% expected an average rate decrease of 11.3%, and 26.0% expected their total business sales to stay the same.

ECONOMIC BENEFITS ANALYSIS

It is expected that implementation of a BID in downtown Asheville would have a positive economic impact on property values and retail sales within the district lines.

It should be noted that there are very few empirical studies focusing on the impact of a business improvement district on property values and retail sales. Most studies and reports on BIDs reiterate this lack of findings and tend to focus on the attitudes of business and property owners and the completed projects as the BID's accomplishments. It is difficult to estimate the economic benefits of a BID before implementation, in part because the magnitude of these benefits depends on the success of the BID and its programs.

In the central business district, which is currently the area of downtown Asheville being considered for the BID, there were a total of 1,392 property tax parcels in 2010-11. Of these, 1,257 properties (90.3%) are non-exempt properties. The total appraised values of real properties from 2010-11 is \$1,135,425,387. The total value of tax-exempt property values, however, is \$468,865,900. This leaves \$666,559,487 (58.7% of all property tax value) in value from non-tax exempt property. If the BID tax rate is \$.10 per \$100, then estimated tax revenue for the BID is \$637,411.69. If personal properties are included, the estimated tax revenue for the BID is \$795,438.05. If \$.10 is levied and spent in the district, then it is estimated that 16.1 jobs are created and maintained annually.

Given available data and estimates, such as both commercial and residential property values using parcel data in the Asheville CBD and the surrounding 28801 zip code, census tract data, statistical analysis results based on the property values, and statistical estimates from the existing literature, we can expect at least two percentage points positive in property values annually for the next several years with the implementation of the BID.

The Asheville Business Survey indicates that local businesses expect an increase in total sales by 14.4% this year. Trends in retail sales, gathered from NC Department of Commerce, indicates Buncombe County experienced a 7.5% increase in total sales last year. The population in the Asheville's CBD grows about 1.0% annually estimated from the ESRI data, and visitor spending has increased by 1.6% annually for the previous six years according to the Asheville Area Tourism Research published by Buncombe County Tourism Development Authority.

With the implementation of the Asheville BID in the central business district, the estimated average annual growth in retail sales is 5.3% annually in addition to normal growth rates without a BID. As previously stated, property values will increase at least 2% annually on top of growth without a BID.

The expectation for positive impact is due to the uniform nature of municipal services provided by local government, when some areas may demand more than the local municipal services can supply. The positive economic impact, therefore, comes from the additional services the BID provides to meet the excess demand. To reach the maximum potential of economic benefits, the BID should determine the exact needs of business and property owners and follow through on providing these requested services.

CONCLUSIONS AND RECOMMENDATIONS

Based on the results of this study, it was recommended that Asheville form a business improvement district as proposed in the Asheville Downtown Master Plan. This recommendation was based on the extensive examination of business improvement districts, Asheville's characteristics, specific case studies similar to Asheville, a survey of Asheville central business

district property and business owners, and an economic benefits analysis on impacts, property values, and retail sales.

Secondary research indicates that business improvement districts are typically successful, even though the measures of that success are not often empirical. Primary research in the form of an economic benefits analysis shows that a BID would provide an additional flow of income that, if used effectively, could improve the impressions and perceptions of business and property owners in the central business district of downtown Asheville. This analysis shows that in addition to positive perceptions, the BID would also likely provide a boost to property values and retail sales although this might be difficult to prove after the implementation of the BID due to uncontrolled factors.

As previous BID studies have found, there are a variety of management and funding structures used internationally. Based on previous successes and failures of other BID structures, it is recommended that the Asheville BID consider a compulsory tax as their primary BID income source. Voluntary donations, grants and fundraising as a primary funding structure tend to take too much time away from the programs and services a BID needs to focus on in order to be the most successful.

The city typically collects the revenue and sets it aside for the purpose of the BID. Cities will often provide a liaison to the BID, often through their chamber of commerce or economic development office. Many BIDs then choose to contract with a management organization that will run the operations of the BID. They will often contract out for services such as garbage collection, cleaning, and beautification. BIDs may also choose to hire their own staff to manage operations and execute programs and services, or they may do a combination of direct hiring and contracting. In some cases, if a downtown association is already established, this is an easy transition into providing BID programs and services effectively, rather than starting from scratch. Although aware of concerns about the Asheville Downtown Association becoming the management organization for an Asheville BID, the researchers believe it would be a smooth and effective transition if ADA were to take on management of - or at least partnership with - the new BID. For example, if ADA did not take on the management role, the BID could partner with ADA to continue to provide the many annual events that promote downtown.

BIDs also commonly have a Board of Directors made up of stakeholders in the district. Typically there are seats available to represent both large and small property owners, business owners who rent their space, large non-profit organizations, and residents in the area. BID managers usually look for as much diversity as possible in their board. It is recommended that Asheville follow this trend should the BID be implemented. This may be an especially helpful component when trying to constructively engage and work with dissenters or those who are unsure how they can benefit from the BID.

As previously discussed, it is extremely important to the success of a BID that the services most valuable to the stakeholders are provided by the BID. Otherwise, participants will be unsatisfied and may repeal the BID. It is recommended that the Asheville BID, perhaps even prior to implementation, do extensive surveying of all businesses and residents as well as property owners, to determine what services they feel are highest priority and worth the cost. With those results, the BID can ensure the programs and services delivered to the district result in stakeholders believing they are receiving value from the small increase in taxation. It is also important for these

services to be implemented as soon as possible at the highest quality possible, in order to cement positive perceptions of the BID.

The services provided by the BID should also be supplemental to the services provided by the city. Often, a BID covers service needs above and beyond what the municipality can provide. This is where BID revenues and services can provide a positive impact. If the Asheville BID needs additional trash and recycling pick-up or street cleaning that goes beyond the needs of other service areas, the municipality is not likely to be able to provide this extra service. Therefore the BID can administer, or contract with an agency to administer, supplemental services that accommodate the needs of the Asheville BID area specifically. These services do not take the place of the municipal services already provided, and it is recommended that the BID take care to ensure the municipality does not slacken its efforts due to knowing the BID provides these supplemental services.

When the formation of a BID seems to effectively lessen problems such as crime within the district area, sometimes those problems are simply being shifted from within the BID boundary to outside of it. The benefit of the BID becomes the detriment of the surrounding area, which ultimately is not good for the BID either. Property values can sometimes go up in a BID but only in relation to the property values going down in the surrounding area. It is recommended the Asheville BID, therefore, hold onto awareness of this possibility and attempt to help eradicate these issues rather than simply push out crime and other problems to outside the boundary lines.

Assessing performance is varied among BIDs. Since it is difficult to demonstrate that positive changes within a BID are directly caused by the BID itself, most do not provide specific data assessments on a regular basis. Some BIDs do provide a list of accomplishments for the area, including increase in tourism, increase in sales, garbage collected, projects completed, and decrease in crime rates. This may be on an annual basis or may not occur at all. It is recommended that the Asheville BID, if implemented, perform a regular survey of business and property owners, residents and also visitors to the BID area. If possible, this survey should be done annually or bi-annually. It is also recommended that the Asheville BID consider keeping a close record of the monies raised and spent within the BID for accountability purposes with stakeholders.

The researchers believe time is of the essence in forming an Asheville BID. It is rarely easy to convince property owners to pay additional taxes. It may be even more challenging given the current economy. Yet the additional income to the central business district may be all the more important due to the current local, state, and national economic conditions. If the advocates for a BID can frame their promotion of a BID in a way that makes sense and is compelling to property owners they will be more likely to agree. It will be very important in this process to promote feasible plans for the improvements and services which are most important to property and business owners. On October 9, 2012 the Asheville City Council approved the Asheville BID that was initially proposed in the 2009 Asheville Downtown Master Plan.

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