BIDS AS PLANNERS? CHALLENGES OF MANAGING PHILADELPHIA’S OLD CITY DISTRICT

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ABSTRACT: This paper investigates the emerging planning role of business improvement districts (BIDs). BIDs are prolific in urban areas throughout the United States. In the face of declining public resources for urban public services, BIDs have stepped in and today assume a primary role in public service provision and revitalization efforts. As they have matured, BIDs have moved beyond basic service provision and have added more activities and programs to support economic development. In some locations BIDs have assumed a primary responsibility for physical development planning, including improvements to streetscapes and other public spaces. With these new initiatives, BIDs have assumed more public planning responsibility. Based on a case study of the Old City District (OCD), a BID operating in Old City Philadelphia, this paper documents the increased physical planning role and the related organizational demands and external linkages associated with the new activities and initiatives. The OCD had to adapt internally and externally to carry out their new planning initiatives. The paper also discusses the broader implications of BIDs as planners. The lack of a system of public accountability and an inadequate mechanism to permit broad public participation and input potentially compromise the planning outcomes.

Keywords: Business improvements districts, urban revitalization, planning, economic development

INTRODUCTION

One of the most important recent trends in urban areas has been the formation of business improvement districts (BIDs). The first BIDs in the United States were established in the late 1970s. Today, it is estimated that there are approximately 900 BIDs operating across the United States in urban and increasingly suburban locations. BIDs serve an important public role by providing needed public services to urbanized communities. In the face of decreasing funding for local governments operations and urban decline, BIDs are a proven alternative to public service provision. As BIDs have matured they have moved beyond basic public service provision and have taken on new projects and initiatives that are longer-term and more capital-intensive in nature. Some BIDs have assumed responsibility for the improvement of streetscapes and other public spaces in the communities they serve. While these activities are a natural extension of the original BID activities, they impact a broader public and require more planning. This paper presents a case study of the Old City Special Services District (OCD), a BID operating in Old City, Philadelphia. The history and development of the OCD provides an example of the emerging planning role of a BID. As the OCD assumed more responsibility for the planning and improvement of the streetscape and other public spaces in the district, it had to adapt both internally with organizational changes and externally through the nature of its relationships with other community-based organizations and public planning bodies. The study reveals the myriad of concerns that arise as a quasi-governmental organization assumes responsibilities that traditionally have been those of local governments.

This paper is organized as follows: the next section provides some background on BIDs and presents the broader debates about BIDs in the academic literature as they have grown in number and responsibility. The history of the formation of the Old City District and a profile of the Old City neighborhood are then provided. The next section investigates the key shift in the development of the Old City District when they began to assume physical planning responsibility and discusses the organizational changes that came about to support the shift. The concluding section discusses the broader implications of these changes.

AN OVERVIEW OF BIDs

Authorized by state statutes, a BID is a special district where property owners in a geographically-defined, and typically urban area, voluntarily impose a tax levy on themselves to fund an improvement association. Most BIDs are authorized to represent business interests and promote their districts for increased retail activity. The associations are responsible for providing extra services such as supplemental cleaning, supplemental protection and
security, some minor upkeep such as sidewalk repair, and marketing and promotion of the business community in the district. The first BID was formed in Toronto in 1970; the first BID in the United States was formed in 1974 in New Orleans (Nelson, et. al. 2008). BIDs spread quickly and became a popular and proven model for urban revitalization. Today it is estimated that there are about 1,700 BIDs worldwide. Most large cities in the United States have a multitude of BIDs. New York City alone has over 40 BID organizations and Philadelphia currently has 18.

When BIDs first started out, they covered small areas, assessed minimal taxes, and provided only simple services, but as they have evolved, they have grown to cover larger areas, assess higher taxes and take on more ambitious improvement projects. They grew to assume more responsibility for the physical environment. Comparing the activities of BIDs to those of urban designers, Davies (1997) discusses the place-making function of BIDs. BIDs encourage pedestrian activity and movement and help to restore a sense of place to an area. They encourage landscaping, streetscape improvements and other mechanisms to improve the local aesthetic. By improving public areas in the urban districts served, they reaffirm the social identity of a place. Today BIDs are assuming much of the local planning responsibility that at one time was the purview of local governments (Levy, 2009).

As they have become more prolific and taken a greater scope of responsibilities, they have sparked controversy. An abundance of positive testimonials suggest the effectiveness of BIDs, yet to date there is comparatively little empirical evidence to affirm these findings (Briffault, 1999). A nationwide survey of BIDs in 1999 found that BIDs had become an integral part of the public service delivery system of most urban areas (Mitchell, 1999). A small number of recent empirical studies investigate the success of BIDs in reducing crime. Crime rates have been found to be lower in districts served by BIDS (Brooks, 2006; Hoyt, 2005). While many credit BIDs with the successful revival of urban districts (Levy, 2001; Houston, 2003), others argue that BIDs exacerbate local inequity in the delivery of services and are a threat to democratic accountability (Sandel, 1996; Briffault, 1999; Loukaitou-Sideris et al., 2004).

A great deal of the academic literature on BIDs has been based on case studies (Levy, 2001; Mitchell, 2001; Houston, 2003). Case studies highlight the organizational structures and particular conditions and challenges of specific urban districts. Researchers have recognized the growing planning responsibilities of BIDs (Levy, 2009), but to date there has not been an exploration of the organizational and institutional implications of this new role. This research adds to the case study literature by focusing on one BID in Philadelphia and investigating its increasing planning role and the attendant internal and external organizational changes that have accompanied the new responsibilities.

The case study presented here was developed with a variety of primary and secondary sources. Primary sources included interviews with key individuals involved in operation the OCD and a review of plans, reports and other materials produced by the Old City District. Secondary sources included census data and a review of media accounts of activities completed by the OCD.

THE FORMATION OF THE OLD CITY DISTRICT

Old City is the historic core of Philadelphia, containing some of the city’s most important historic resources. Independence National Historic Park, home to the Liberty Bell, Independence Hall and the Constitution Center are located in the district. Smaller historic attractions in the district include Christ Church, the Betsy Ross House, and Elfreth’s Alley. Old City emerged as an important tourist and entertainment destination for Philadelphia, offering a mix of restaurants, bars, art galleries, and shops along with the historic attractions, while drawing nearly seven million visitors each year (OCD Director Interview).

In the face of a rapid influx of new residents, businesses, restaurants and a growing arts community, the Old City Special Services District (OCD) was created in 1997 at the grassroots level by neighborhood business and community leaders. An existing community-based organization called Historic East Market Street (HEMS) took the lead in initiating the formation of the OCD. HEMS had been formed as a non-profit economic development organization charged with maintaining elements of the streetscape along a five-block length of Market Street from Fifth Street to Front Street, a prominent commercial corridor in Old City. They had the support of two established neighborhood-based organizations, the Old City Civic Association, a local civic association representing the interests of the residents, and the Old City Arts Association, an organization supporting and representing the local artist community. The OCD was conceived to be the springboard to expand the efforts of HEMS to a wider area and to address the needs of the larger business community in Old City.

The Old City District (OCD) was formally created by City Council on May 8, 1997 (OCD Ordinance, 1997), and signed by the Mayor on May 17, 1997. A 19-member Board of Directors was established to serve as the
governing body for the BID. The Board was tasked with providing oversight of the authority’s programs and services and was designated with the responsibility for appointing an Executive Director who would oversee daily operations and coordinate the development and administration of programs and services. The municipal authority started operating when a second bill, authorizing the approval of the plan, budget, district boundaries, and property levy to fund the district, was signed on June 23, 1998 (OCD Ordinance, 1998). As depicted on Figure 1, the district encompasses an approximately 22-block area in Old City, Philadelphia, extending from the east side of Sixth Street to Front Street (east to west), and from Vine Street to Florist Street (north to south).

![Figure 1. Location of the Old City District in Philadelphia.](image)

In Pennsylvania, BIDs are authorized under the Commonwealth of Pennsylvania’s Municipality Authorities Act of 1945 (1945 PA Laws 382). While in most states BIDs are operated as non-profit corporations, in Pennsylvania, a municipal authority is the authorized management entity. The Act permits authorities to provide a range of business and administrative services in commercial areas. The Code, however, is very unclear in defining the structure of BIDs and prescribing their responsibilities. Unlike legislation in other states, there is no one section that clearly delineates their powers or outlines procedures for their creation. As government entities, BIDs formed under the Act are required to conduct their own planning and feasibility studies, and organize their own public hearings. There is no even a requirement under Commonwealth law for public officials to serve on BID boards.

Modeled after the Center City District, an adjacent BID that operates in center city Philadelphia, the OCD would levy a tax on commercial property owners to be used for cleaning, securing, and marketing the area. Supporters would frequently point to the success of the Center City District in justifying the creation of the OCD. Aside from a handful of individual opponents who attended public hearings during the formation of the district, there was no broad-based opposition to the creation of the Old City District. The primary supporters reasoned that the success of other business improvement districts, including those in Center City, Germantown, South Street, and City Avenue, helped in generating broad-based support and mitigating opposition to the plan (McNally, 1998).
The OCD was initially established with the broad mission to improve the Old City neighborhood by supplementing municipal services with additional cleaning and maintenance, public safety, marketing and promotional programs, functions that are typical of most BIDS. The district engaged in an on-going cleaning and intensive graffiti removal effort by contracting with the Center City District for cleaning services. Supplemental security services were provided at first by contracting with the Center City District for uniformed community service representatives, and later by contracting with the Philadelphia Police Department. The district developed a place marketing campaign to promote the district. They produced promotional brochures, initiated a banner program, and launched a website. Efforts were designed to support the business community by attracting tourists, shoppers and new businesses.

Profile of a Destination Neighborhood

Old City quickly grew to become a popular destination for tourists, creative workers, and visitors who were drawn to its creative environment, trendy stores, historic sites, galleries, and restaurants. Community efforts in the district were effective in preserving its historic character while encouraging new, contemporary development. The OCD trademarked the term ”Hipstoric” to describe their unique destination location that reflected a careful blending of old and new.

Old City’s apartments and condominiums attracted a residential base that supports the economy of the district and lends to its vibrancy. Indeed, Old City has been one of the fastest growing residential districts in Philadelphia in recent years. In 2000, the total population of Old City was 2,650 (U.S. Census); new residential development since then has increased the population to an estimated 5,000 today (OCD Director Interview). Socioeconomic indicators from the 2000 U.S. Census paint a picture of a young, professional, wealthy, and predominantly white resident population. Table 1 provides a comparison of socioeconomic indicators for the OCD and the City as a whole.

Table 1. Comparative Socio-Economic Indicators

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Old City</th>
<th>City of Philadelphia</th>
</tr>
</thead>
<tbody>
<tr>
<td>% African American</td>
<td>13.0%</td>
<td>43.2%</td>
</tr>
<tr>
<td>% White</td>
<td>80.0%</td>
<td>45.0%</td>
</tr>
<tr>
<td>Average Household Income</td>
<td>$48,886</td>
<td>$30,746</td>
</tr>
<tr>
<td>% Below Poverty Level</td>
<td>9.3%</td>
<td>22.9%</td>
</tr>
<tr>
<td>% Post High School Degree</td>
<td>72.0%</td>
<td>22.5%</td>
</tr>
<tr>
<td>% Graduate Degree</td>
<td>36.0%</td>
<td>7.5%</td>
</tr>
<tr>
<td>% Renters</td>
<td>77.0%</td>
<td>40.8%</td>
</tr>
<tr>
<td>% Vacant Houses</td>
<td>8.0%</td>
<td>10.9%</td>
</tr>
<tr>
<td>Median House Value</td>
<td>$189,700</td>
<td>$59,700</td>
</tr>
<tr>
<td>Median Rent</td>
<td>$959</td>
<td>$569</td>
</tr>
</tbody>
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Source: U.S. Census, 2000

The average household income is 59% higher than that of the City. The 9.3% of Old City residents that live below the poverty level is considerably lower than the 22.9% of those below the poverty level throughout the city. The Old City population is highly educated. In 2000, 72% of residents over 25 had some type of post-high school degree, compared with 22.5% citywide; and nearly 36% had a graduate or professional degree, substantially higher than the 7.52% citywide. Property tenure data indicate a more transient population: whereas 40.75% of the residents citywide were renters in 2000, nearly 77% of Old City residents rent.

Housing indicators further affirm that Old City is wealthier and less blighted than Philadelphia as a whole. Of the 1,700 housing units in the district in 2000, 8% were vacant, lower than the citywide vacancy of 10.86%. The median value of an owner-occupied housing unit and median rent was $189,700 and $959 respectively. These values are substantially higher than those citywide, where the median value of an owner-occupied housing unit was $59,700 and the median monthly rent was $569.
SHIFT TO PLANNING

Once established, the leaders of the Old City District realized that the services that they were providing, while effective, were not enough to further their mission in the wake of declining support from the City government. They soon saw the need to increase their program offerings and assume a greater responsibility for the physical conditions of the district to better promote economic development. A pivotal shift for the Old City District came in 2002 with the initiation of the Old City Vision and Action Plan, a comprehensive program of streetscape and other physical improvements. The purpose of the plan was twofold: first, it was designed to enhance the vitality of Old City, and, second, the aesthetic improvements would act as a catalyst to further promote and leverage private investment in the district (OCD Director Interview). The tremendous amount of foot traffic in Old City placed considerable stress on the pedestrian infrastructure. Lighting improvements were particularly important in helping to support a vibrant nighttime environment. These types of improvements are often paid for with public funding from local governments, but despite their requests, the OCD was not successful in accessing funding from the City of Philadelphia. They therefore felt compelled to initiate a physical improvement program on their own. The Director of the OCD identified the development of the plan as the single most ambitious goal of the organization (OCD Director Interview). This undertaking marked a fundamental shift in focus and responsibility from a role of providing supplemental services to implementing a program of capital improvements.

The Old City Vision and Action Plan is a plan for the physical improvement of the district. Using images and narrative description, the plan provides an inventory of areas in the district that are in need of improvement due to deteriorated sidewalks, vacant buildings and lack of vegetation. Recommendations include the installation of light fixtures on small streets, new and repaired sidewalks, new street trees, improving existing pocket parks and other public spaces, and screening parking lots (OCD, 2002). The plan also proposed a banner program and the installation of flower boxes. The plan limits its scope to physical improvements. Unlike a comprehensive plan, it does not address housing, transportation, land use and other interconnected elements of an urban community.

The formulation of the Old City Vision and Action Plan came about through the efforts of the OCD staff and Board of Directors. The Executive Director, Board President, and individual board members took the lead in managing the plan-making process. They hired a consultant and solicited the input of business owners and community groups such as the Old City Civic Association and the Old City Arts Association in its development. There was broad support for the plan from the OCD Board and staff, and from commercial property owners in the district. In contrast to most physical improvement plans developed by public entities, the plan did not include broad representation from the public and, aside from soliciting feedback from representatives of the Old City Civic Association, the neighborhood organization representing residents, there was no effort to solicit broad public participation in the development of the plan.

Implementing the plan posed another set of challenges. Managing a “clean and safe” program of services requires staff and resources to oversee the provision of services, respond to business owners and maintain relationships with City staff. Implementing the Old City Vision and Action Plan would require new skills and activities and a general restructuring of their organizational resources to manage plan-related activities. The shift had implications for both the internal organization of the BID and its external relationships.

Expanding Internal Capacities

Physical improvements are demanding of organizational resources. They are long-term projects that require planning, effective project management, and time. The district was initially authorized for a five-year period. At the end of each term, Philadelphia City Council would hold one or more public hearings to consider another five-year authorization. The five-year cap limited the time horizon of projects undertaken by the authority. A first significant milestone came in December 2002 when City Council approved an amendment to the OCD’s Articles of Incorporation to extend the term of the authority until December 2022 (OCD Director Interview). The 20-year authorization would enable them to take on projects with longer time horizons.

A second important organizational change came with the hiring of an additional staff person in 2003. For five years, the Executive Director worked alone managing and operating the authority. The demands of managing a business improvement district are extensive and budgets generally do not support large staff resources. The operating budget for the OCD steadily increased since the district’s inception, but is still modest. In 1998, the budget was $447,000; in 2010 it was approximately $650,000. Property tax assessments account for 98% of revenue and the balance comes from grants. The property assessment levy is capped at 5% and therefore, any increase in the budget has to come from alternative sources. The second staff person took over many of the day-to-day administrative tasks and released the Executive Director to work on new initiatives. Both milestones – the 20-
year extension and the additional staff – resulted in increased resources enabling the OCD to operate more efficiently and expand its functions.

The biggest challenge to implementing the Plan continues to be funding. With an initial estimated price tag of $6 million, they would have to raise a significant amount of capital. So far, OCD has not garnered the required funding they need to complete the project. They have had success in raising some funding from private sources but have failed to access public funding from local and state coffers. The lighting improvements were expected to be funded with City neighborhood development funds, but to date their applications have been denied. Their biggest challenge has been convincing the local government that they should qualify for discretionary local funds. In the competition for city resources, Old City is not a priority neighborhood for investment in the eyes of the city because it is perceived as a relatively stable, economically vibrant neighborhood. Priority recipients of scarce local resources have been areas that are blighted or in a state of neighborhood decline.

Expanding External Linkages

Physical improvement projects have broad impacts on a community and therefore require more interaction and coordination with other community-based organizations. Over long implementation periods, plans have to adapt to changes in the political, economic, financial, and regulatory environment. In their role as service provider, the OCD had established formal and informal connections with other government agencies and community-based organizations. The OCD had to expand their interconnections with these organizations as their physical improvement initiatives became more ambitious. They devoted more time to developing strategic partnerships with other community groups to garner support for the plan. They frequently interacted with the Old City Civic Association and the Old City Arts Association. To formalize the inter-organizational relationships, a representative from OCD began to attend the monthly meetings of both the Old City Civic Association and the Old City Arts Association. While the OCD is generally pro-business, they have partnered with the local organizations in certain efforts such as resisting nuisance uses, including bars, from opening when there was strong opposition from residents. The OCD’s widening role led to the creation of a new community based organization that would exclusively address the needs of businesses. The Old City Business Collective, a consortium of business owners was established in 2007 with support of the OCD.

The OCD maintains a good working relationship with the City of Philadelphia, despite the lack of capital funding they receive. They have regular contact with the Police Department through a contract for extra police patrols on weekends. They also have regular contact with the Streets Department and Licenses & Inspection Department with whom they have worked to establish personal relationships to facilitate effective response for inspections and code violations. They get very little funding for developmental investments in the district and have limited interaction with the Commerce Department, City Council, and the Mayor’s Office (OCD Director Interview).

They have to operate within the existing regulatory structure. Zoning and land development powers in the City reside with the City of Philadelphia. Any proposed changes to use, density, lot placement, massing and other aspects of property development have to be approved by City Council, based on a recommendation of the Philadelphia City Planning Commission. The OCD can initiate zoning proposals and testify in support or opposition to a zoning change, but they do not have regulatory authority over development. To the extent that any plan would require changes in use, density, or other features that would require a zoning change, then the change would have to go through the larger city-wide review process.

The OCD coordinates in their planning efforts with the Philadelphia City Planning Commission (PCPC). The PCPC has been generally supportive of the local planning efforts of the OCD because as the city-wide planning body, the PCPC does not have the resources to plan at the local scale in all the urban neighborhoods (OCD Director Interview). PCPC maintains responsibility for planning elements that have influence over a larger area. For instance, PCPC has been active in planning for historic preservation and transportation. They were instrumental in getting Old City designated as a historic in 2005 and thereby subject to the regulatory oversight of the Philadelphia Historic Commission. Certain improvements that were part of the Old City Vision and Action Plan, such as flower boxes and exterior attached lighting to historic facades, had to be eliminated because they would not be permitted under the historic regulations. PCPC also maintains primary responsibility for transportation planning. The OCD has worked with the PCPC in developing signaling mechanisms to coordinate the flow of pedestrians and automobiles. They have also jointly addressed parking conditions and the effective design of parking garages to preserve neighborhood character and balance the flow of cars and pedestrians. The PCPC has also been active in planning for the development of the Delaware River waterfront which is adjacent to Old City.

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DISCUSSION AND CONCLUSION

The Old District emerged in the face of urban decline in Philadelphia as a mechanism to provide urban services and promote investment in Old City. The OCD assumed a planning role as they initiated and assumed responsibility for larger capital projects in the neighborhood. Their initial mission of making the district clean and safe evolved to one of greater physical planning responsibilities. The adoption of the Old City Vision and Action Plan marked an important development in the history of the OCD, signaling a transition from service provider to capital projects manager. The streetscape improvement plan in Old City was a major undertaking and raised a number of practical concerns. The project is still in its implementation phase and as yet it is too early to assess whether and to what extent it was an effective and efficient use of resources. However, the organizational changes that came about are instructive in understanding the impacts of BIDs and their evolving role as physical improvement planners. Today the OCD continues with its core functions of providing a range of supplemental cleaning and protection services to the district and they are continuing with efforts to implement the Old City Vision and Action Plan. Despite the challenges to implementation, the changes brought about by the plan are broadly considered positive by individuals involved in the OCD. In the wake of declining support from the City, their efforts are even more important to the physical improvement of the district.

Managing the implementation of the plan imposed new organizational demands on the OCD. Implementation of large capital improvement plans happens over an extended period of time, involves multiple stakeholders, and requires funding commitments from public and private sources. There were a number of practical challenges and it is still uncertain as to whether the OCD will be able to implement the Old City Vision and Action Plan. Moreover, there is debate over whether small private governments such as BIDs are effective at providing capital intensive public goods. Production-side efficiency theory suggests that small private governments provide labor-intensive public service exhibiting diseconomies of scale such as safety, sanitation, and some neighborhood revitalization services most efficiently. In contrast, capital intensive public goods are most efficiently provided by larger production units with economies of scale supply (Feiock, 2004). The size of the OCD might ultimately prove to be too small to successfully implement the Old City Vision and Action Plan.

The evolution of the OCD is reflective of broader trends: BIDs across the country are finding that they are assuming more responsibilities that are typically the domain of local governments (Levy, 2009). Local governments face a number of challenges as Federal and State governments have been transferring to them an ever larger number of tasks. In return, local governments are passing an increasing number of tasks to the private sector, effectively fragmenting planning responsibility and power. For a long time Old City has been a low priority neighborhood for support from the City of Philadelphia. While the district is an important generator of tourism and economic growth, it has a neighborhood profile that does not justify public spending beyond basic service provision. In the local competition for resources, the Old City neighborhood is often at a disadvantage due to its perceived wealth and stability. In order to continue to generate the resources to reinvest in the district, the OCD will have to assume even greater responsibility in planning an economic development and access the public and private funding necessary to implement new programs.

Understanding the role of the BID is relevant to planning because it has grown to be such a popular model for urban revitalization (Hoyt, 2005). The challenge is to make sure that public interests survive as certain planning functions move to BIDs and other representatives of the private sector. One of the biggest concerns of the increasing planning role of BIDs is representation. Most BIDs are established to serve the specialized needs of commercial property owners. The organizational composition and membership of a BID causes concerns over accountability and legitimacy (Houston, 2003). Good planning outcomes spring from a planning process that incorporates a broader range of interests including businesses and residents. There was limited attention to the needs and concerns of residents in the development of the Old City Vision and Action Plan. Indeed, residents were largely excluded from the planning process. Any planning outcome is suspect in light of the lack of public participation. For BIDs to serve effectively as planners, they need to devise mechanisms to ensure wider public representation.

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BIDs and Philadelphia’s Old City District


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