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TO: BOARD OF DIRECTORS

THROUGH: ARTHUR T. LEAHY *by RET*
CHIEF EXECUTIVE OFFICER

FROM: MARTHA WELBORNE *MW*
CHIEF PLANNING OFFICER

SUBJECT: FORMATION PROCESS FOR BUSINESS IMPROVEMENT DISTRICTS

ISSUE

Board staff has requested information regarding the formation of Business Improvement Districts (BIDs).

DISCUSSION

As requested by Board Staff, the following provides information regarding Business Improvement Districts (BIDs) and their formation processes.

Definition of a BID

According to the City of Los Angeles Clerk, a BID is a geographically defined area in which "services, activities, and programs are paid for through a special assessment which is charged to all members within the district." Examples of BID services include private security patrols, sidewalk cleaning, maintenance of streetscaping, graffiti removal, special events, and marketing for the area.

The City of Los Angeles has 38 BIDs currently in operation. Several more are in operation Countywide. BIDs are for commercial areas only, but may include mixed-use areas.

BID services are funded through assessments. The assessments are paid either by the business owners in the district or the property owners in the district, depending on the BID. Assessments on business owners are paid through the Office of the City Clerk, while assessments on property owners are paid through annual property tax bills via the County Assessor's Office. Assessment values must be equivalent to services provided and can only be spent within the area of the assessment.

Following State of California Law, enacted in the Property and Business Improvement District Law of 1994, BIDs are limited to a maximum of five years of assessments.

Formation of a BID

By law, it is a multiple step process. Both Business-based and Property-based BIDs are formed through City Council by adoption of an Ordinance. Both BID formations require a public hearing and all stakeholders are notified by mail. Their formation is based on the majority.

The City of Los Angeles uses a “Citywide Business Improvement District Program” which requires three stages for BID formation:

- Formation Stage – gathering support and engaging the City
- Establishment Stage – City Council hearings and legislative actions
- Administrative Stage – legal agreement entered into by the BID and City

The Formation Stage begins when a “proponent group” (an individual, group of individuals or a Councilmember) investigates the establishment of a BID. They prepare a Motion to be presented and adopted which directs the City Clerk’s Office to work with the proponent group. The City Clerk staff works with the proponent group to inform them about the BID Program and determine if a BID is appropriate for their group. A consultant is then hired to gather data and research regarding the potential BID, design an appropriate assessment formula, identify key stakeholders and potential Advisory Board members, and develop a nonprofit management entity for the BID. Public funds may be available to navigate this stage if the proponent group has insufficient funds. The group must then obtain supporting petitions signed by at least 15% of business owners or more than 50% of property owners. A “proposed package” is then presented to the City Clerk’s office for review. The Clerk staff finalizes the information and schedules a legislative hearing.

The Establishment Stage requires a public hearing process, City Council hearings and, potentially, ballots mailed to businesses or property owners. This stage requires outreach to property or business owners to insure positive responses in City Council hearings or sufficient ballots returned.

The Administrative Stage takes place after the City Council officially establishes the BID, and an administrative agreement is entered into between the City and the BID’s operating entity. The agreement is necessary for the services and activities of the BID to be implemented and for assessments to be collected.

Well known BIDs within the County of Los Angeles include:

- Downtown BID
- Larchmont Village BID
- Old Pasadena Management District (OPMD)
- Historic Downtown BID
- Fashion District BID
- Hollywood Entertainment District BID
- Greater Leimert Park BID
- Encino Commons BID
- San Pedro Waterfront BID