



CITY OF LONG BEACH

Business Improvement Districts in the City of Long Beach

Organization

Benefits and

Formation

For Assistance Contact:

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Section 1

Introduction

Local Policy Input and Access to Resources

The Solution

Urban flight was a problem just beginning in 1965 as California, Los Angeles in particular, was pioneering suburban living communities and drawing people away from traditional urban business centers.

Dramatic societal changes also were underway in the late 1960's and early 1970's. Government's ability to cope with these changes led to citizen frustration over difficulty directing limited resources to the local level. Equally as challenging was matching those resources to local needs and priorities as communities and business districts changed.

An important part of California's solution to these problems was to allow assessment areas to be formed that could direct funds to local needs. Assembly Bill 103, Parking and Business Improvement Area Business Law, passed in 1965 authorizing formation of parking and business improvement districts and collection of fees for certain improvements.

During the 1970's, property taxes became an important source of revenue to fund growing communities. But, in 1978 Proposition 13 was passed strictly limiting property tax increases. This put further pressure on communities to find other ways to pay for needed improvements and led to increased use of business improvement districts.

Today, business improvement district fees help to fund board-approved business-related activities and improvements that benefit district businesses. Activities, programs and improvements range from street fairs to business promotions to installing street lighting and cleaning sidewalks. By pooling private resources, business and property owners collectively pay for activities they could not afford on an individual basis. Today there are hundreds of BIDs in the state, eight of which are located in Long Beach.

Limitations of This Report

This document discusses benefit assessments, which impose a self-assessment, not a tax, on business or property owners. This document is not a legal, regulatory or guidance document. It is provided as background information on Business Improvement Districts (BID's) in general and to help those considering forming a district in Long Beach. Laws change, interpretations change and every Business Improvement District is subject to the approval of the business or property owners in the proposed district. In addition, the City Council can and does impose limitations or requirements beyond the governing legislation.

Section 2

Business Improvement District Laws

The Long and Winding Road

Long Beach's current business assessment districts grew out of the 1943 Vehicle Parking District Law and 1965 California State Assembly Bill 103, Parking and Business Improvement Area Law. These laws allowed parking assessment districts to be formed in order to fund parking improvements for the rapidly multiplying automobile. They have been amended and expanded over the years in response to new legal requirements and community needs.

In 1979 the Parking and Business Improvement Area Law (PBIA) was passed broadening the purpose of the organization to include promotions and certain business area improvements.

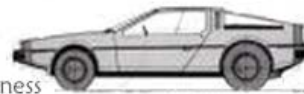
In 1989, the PBIA law was further revised to better define acceptable uses and to exclude special assessment districts from Proposition 13 limitations and voting requirements.

In 1994 a new self-assessment law was passed. Similar to the 1989 law's structure for business district self-assessment, the Property and Business Improvement District Law of 1994 allowed assessment of property owners. The name incorporated the term "property" which reflects assessment of property owners within a defined district.



1943 Vehicle Parking District Law

1965 Assembly Bill 103 PBIA Law



1979 Parking and Business Improvement Area Law



1989 Parking and Business Improvement Area Law

1994 Property and Business Improvement District Law



Additional information on business improvement districts within the City of Long Beach is provided in Section 4.

The remainder of this document discusses the formation and operation of BID's under current law. BID's formed under previous laws may have differing organizational or operational requirements.



Section 3

Benefits and Restrictions

Public Dollars and Benefits

Business Improvement Districts (BIDs) offer the chance for local businesses to join together and assess themselves money for agreed upon improvements in the business district. Based on the type of assessment district, collection methods and organization will vary.

Business improvement areas fall into two broad types based on funding source. They are:

- PBA, Merchant assessment area - The 1989 Parking and Business Improvement Area Law specifically authorizes beneficial self-assessments by businesses through an annual levy (e.g., business license assessment).
- PBID, Property assessment districts - The 1994 Property and Business Improvement District Law lays out a similar process for property owner assessment within a defined district.

The key difference between the two laws is who is paying the self-assessment. This difference is critical but frequently overlooked. Failure to distinguish clearly between the two types of BIDs can result in considerable confusion when discussing BIDs.

It is important to remember that the laws define specific implementation of two types of Special Assessment Districts. For the purposes of the discussion in this report, the general term for assessment districts covered by both laws will be **Business Improvement Districts (BID)**. *A merchant assessment district is referred to as a **PBIA**. A property owner assessment district will be referred to as a **PBID**.*

Most simply put, BIDs work like this:

1. Business or property owners determine their own assessment boundaries and assessment amount;
2. The self-assessment payment is collected by the City through routine business license or property tax payments;
3. The full amount of the self-assessment is paid directly to the managing association for use in the district. Regular payments are made throughout the year.

Property and Business Improvement Districts (PBID's)

PBID's formed under the 1994 law are property-based assessment districts with property owners paying an assessment through the local property tax agency. In Long Beach this agency is Los Angeles County. Funds collected under this law are transferred to the City and dispersed to the PBID's management entity. These monies may be spent on approved, budgeted improvements and activities within the district.

A PBID can exist for one to ten years at the member's discretion with the approval of City Council.

Improvements under the PBID law include acquisition, installation and maintenance of tangible property including:

- Parking facilities
- Benches, booths, kiosks, shelters and signs
- Lighting and heating facilities
- Decorations
- Facilities or equipment to enhance security
- Planting areas
- Closing, opening, widening or narrowing of existing streets
- Parks and fountains
- Ramps, sidewalks and plazas
- Rehabilitation or removal of existing structures

Activities allowed under the PBID law include:

- Promotion of public events
- Supplemental security
- Promotion of tourism
- Furnishing of music in any public place in the area
- Retail retention and recruitment
- Sanitation, graffiti removal
- Street and sidewalk cleaning
- Economic development
- Other beneficial activities

Parking and Business Improvement Areas (PBIA's)

PBIA's formed under the 1989 law are merchant assessments. Business owners (not necessarily property owners) pay the assessment to the local city or county. These funds are then returned to the PBIA management entity for use on improvements or activities.

Improvements allowed by the PBIA law are:

- Parking Facilities
- Benches
- Trash receptacles
- Decorations
- Street Lighting
- Fountains
- Parks

Activities allowed by the PBIA law are:

- Promotion of public events
- Furnishing of public music
- Promotion of tourism
- Other activities benefiting businesses in the area

Section 4

Long Beach Business Improvement Districts

Real Improvement

Nine BIDs have been formed in Long Beach since 1973. The first was an early version of the Belmont Shore Parking and Business Improvement Area. The most recent is the Uptown Property and Business Improvement District. Established in 2013, its goal is to use property ownership assessments to provide enhanced security, maintenance and economic development.

District	Type	Approximate Number of BID Members	Approximate Annual Assessment
North Long Beach	PBID	235 Property Owners	\$182,340
Belmont Shore	PBIA	240 Merchants	\$130,000
East Anaheim Street	PBIA	500 Merchants	\$123,937
Bixby Knolls	PBIA	800 Merchants	\$131,487
Magnolia Industrial Group	PBID	100 Property Owners	\$85,889
Fourth Street	PBIA	60 Merchants	\$15,800
Long Beach Tourism	PBIA	17 Hotel Property Operators	\$3,863,000
Downtown Long Beach	PBIA	1600 Merchants	\$598,026
Downtown Long Beach	PBID	600 Property Owners	\$2,272,996

The nine Long Beach business assessment districts are discussed briefly below. Note that an area may have both a PBID and a PBIA, as is the case for Downtown Long Beach.

Uptown Property and Business Improvement District

The Uptown Property and Business Improvement District (UPBID) is the newest BID formed in the City of Long Beach. Established in 2013, this BID derives its funding through property owner assessments. The Uptown Property Community Association serves as the Owners' Association, and their focus is enhanced security, beautification, and economic development. There are approximately 235 properties within the district boundaries, and their annual budget is approximately \$182,340. The UPBID assessment structure is shown below.

Uptown Property and Business Improvement District Assessment Methodology

Parcel Use	Assessment Rate (\$/sqft/yr)
Large Parcels with Commercial uses >100,000 square feet	\$0.100
Medium Parcels with Commercial uses 20,000-100,000 square feet	\$0.090
Small Parcels with Commercial uses <20,000 square feet	\$0.080
Parcels with Apartments	\$0.035
Parcels with Parks	\$0.010
Parcels occupied by Educational Institutions	\$0.005
Parcels with Mobile Homes	\$0.001
Parcels with Residential uses	Not Assessed

Belmont Shore Parking and Business Improvement Area

The Belmont Shore BID is funded by a PBI A assessment collected through the City's business license billing. The Belmont Shore Business Association, under contract with the City of Long Beach, manages the district.

Approximately 240 businesses are included in the district generating a total annual assessment of \$130,000. Approximately \$100,000 additional income is generated from sponsorships and events each year for a total annual budget close to \$255,000.

The 2013 Belmont Shore PBI A assessment structure is shown below.

CATEGORIES	BASE RATE	EMPLOYEE RATE
Financial Institution & Insurance	\$1,646.22	\$16.50
Service Real Estate Office	\$638.70	\$22.00
Retail – Restaurant w/alcohol & RTE	\$640.19	\$9.63
Retail – Other	\$548.73	\$8.25
Consulting	\$425.80	\$22.00
Construction Contractor	\$425.80	\$22.00
Professional	\$425.80	\$22.00
Service – Other	\$319.35	\$16.50
Misc. Rec/Ent, Vending, Manufacturing, Unique & Wholesale	\$319.35	\$16.50
39% Reduced Rate for Service-related Independent Contractors	\$194.80	\$16.50
Non-profits	0.00	0.00
Total estimated annual assessment: \$130,000.00		

Belmont Shore assessments are collected year-round along with business license payments, and are paid bi-monthly to the Belmont Shore Business Association.

Expenditures are limited by contract to marketing and promotions activities. Examples of budgeted management plan expenses are the annual Stroll and Savor the Shore, Christmas Parade and Car Show.

East Anaheim Street Parking and Business improvement Area

The East Anaheim Street BID is a PBIA assessment collected through the City’s business license billing. The East Anaheim Street Business Alliance, under contract to the City of Long Beach, manages the district. Examples of budgeted management plan expenses are cleaning programs, district banners and promotional events.

Approximately 500 businesses are included in the district generating a total annual assessment of \$147,880. The 2013 assessment structure is shown below.

Business Type	Annual Assessment Fee
Retailing, Recreation & Entertainment	\$300 + \$15.00 per employee
Services and Vending	\$200 + \$15 per employee
Commercial Space Rental	\$120 + \$0 per employee

Bixby Knolls Parking and Business improvement Area

The Bixby Knolls BID is a PBIA assessment collected through the City’s business license billing. The Bixby Knolls Business Association, under contract to the City of Long Beach, manages the district. Examples of budgeted management plan expenses are the annual Snow in Bixby Knolls, Business Expo and Street Fair.

Approximately 800 businesses are included in the district generating a total annual assessment of \$130,250. Approximately \$271,000 additional income is generated from sponsorships and events each year for a total annual budget close to \$401,249.

The 2013 assessment structure is shown below.

Business Type	Annual Assessment Fee
Financial Institutions	\$548
Retailing, Recreation & Entertainment	\$185 + \$4.00 per employee
Services and Vending	\$165 + \$3.25 per employee
Other	\$135 + \$2.50 per employee

Assessments are collected year-round and paid bi-monthly to the management association. Expenditures are limited to marketing and promotions. The Bixby Knolls Business Association under contract to the City of Long Beach manages the district.

Magnolia Industrial Group Parking and Business Improvement District

Magnolia Industrial assessment collected through the county's property tax billing. The Magnolia Industrial Group, under contract to the City of Long Beach, manages the district. Approximately 100 properties are included in the district generating total annual revenue of \$85,000.

The 2007 Magnolia Industrial Area assessment structure is shown below.

Zone 1 will include all properties under or equal to 20,000 square feet, and the monthly assessment amount will be \$62.01 to each property owner.

Zone 2 will include all properties over 20,000 square feet and the monthly assessment amount will be \$62.01 + \$0.001116 for each square foot over 20,000. If the resulting assessment is in excess of \$124.01, the excess will be eliminated and the property owner will pay \$124.01 monthly.

Using this formula no property owner will pay less than \$62.01, nor more than \$124.01 per month.

Magnolia Industrial Group PBID assessments are collected year-round and paid in three installments each year to the management association. Expenditures are primarily focused on safety and cleanliness in this almost exclusively industrial area. The Magnolia Industrial Group manages the district under contract with the City of Long Beach.

Fourth Street Parking and Business Improvement Area

The Fourth Street BID is a PBIA assessment collected through the City's business license billing. The Fourth Street Improvement Association, under contract to the City of Long Beach, manages the district.

Approximately 60 businesses are included in the district generating a total estimated annual assessment of \$10,800 in 2013.

Business Type	Annual Assessment Fee
Financial Institutions	\$200
Retail, service, consulting	\$200
Misc, vending, wholesale and vending	\$100
Commercial Property Rental	\$100
Secondary Licensees	\$ 0

Assessments are collected year-round and paid bi-monthly to the management association. Expenditures are limited to marketing and promotions. The Fourth Street Improvement Association under contract with the City of Long Beach manages the district.

***Downtown LB Parking and Business Improvement Area, and
Downtown LB Property and Business Improvement District***

Downtown Long Beach has both a PBIA and PBID; property owners and merchants contribute to separate improvement districts. The areas overlap but are not exactly the same. Downtown Long Beach Associates manages the districts under a single organization and board of directors.

The 2013 property assessment district revenue from approximately 3,000 property owners is estimated at \$2,270,900. The property assessment rate structure is shown below:

	Standard	Premium
Annual Assessment for Lot Frontage (all properties) per foot	\$ 9.692	\$ 15.655
Plus: Lot + Building Square Footage • Commercial & government properties •		0.0465
Parking structures • Residential & Non- Profits	0.0423 0.0277 0.0130	0.0318 0.0172

The 2013 merchant assessment is estimated at \$586,300. The merchant rate structure is \$382 per business plus \$6.43 per employee, and for Service Based Independent contractors, \$233 per business, and \$4.45 per employee. Assessments are adjusted annually for inflation.

Long Beach Tourism Business Improvement Area

Long Beach also has a tourism improvement district, which assesses hotel operators with more than thirty rooms. The Long Beach Convention and Visitor Bureau administers assessment revenue for use promoting the City of Long Beach as a tourist destination.

The district includes an airport area bounded by Redondo Ave., Bellflower Blvd., Carson St. and Stearns St.; and a downtown district encompassing the Queen Mary, Queensway Bay and Shoreline Village north to First St.

The 2013 Long Beach Tourism Improvement Area revenue from eighteen participating hotels is estimated at \$3,108,000.



Section 5

Forming a Business Assessment District

Where to Start?

If you are a businessperson or property owner with a vision that includes better lighting, cleaner streets, more customers and more successful businesses, a Business Improvement District starts with you. If you are city staff working with businesses or business associations, it can also start with you by connecting businesses with City of Long Beach resources.

All it takes to start a business association is someone to begin looking for another interested businessperson and to tap the services available through the City of Long Beach Business Development Center. As Goethe put it:

"Concerning all acts of initiative (and creation), there is one elementary truth that ignorance of which kills countless ideas and splendid plans: that the moment one definitely commits oneself, then Providence moves too. All sorts of things occur to help one that would never otherwise have occurred. A whole stream of events issues from the decision, raising in one's favor all manner of unforeseen incidents and meetings and material assistance, which no man could have dreamed would have come his way. Whatever you can do, or dream you can do, begin it. Boldness has genius, power, and magic in it. Begin it now."

Unless a beginning is made, it is impossible to know if a BID might be appropriate in a specific area. And, even with someone willing to make a start, the process will be long and challenging, but, as shown in the examples above, well worth the effort.

Why Form a Business Improvement District

The following reasons for forming a business district are provided by Main Street Group, a Long Beach BID consulting company.

1) **To reverse a negative image.**

Many urban areas are burdened with an image of being unsafe, unclean, and generally run down. Sometimes this reputation is well deserved and sometimes it is a perception—a holdover from an earlier time. An area's overall image affects the individual businesses located in and around the area. A District can provide effective tools, such as maintenance and security programs to help dispel a negative image by changing existing conditions of blight and crime. A district can

provide unified marketing programs to communicate the positive changes in the District, effectively eliminating old perceptions.

2) **To attract new businesses and investment.**

Many urban areas and other commercial districts continue to experience a high rate of vacancies and decrease in investment. A cleaner, safer, and more vibrant District will accelerate efforts to attract new businesses and investment back into the District. A Management District can provide results-oriented business retention and recruitment programs.

3) **To establish private-sector control and accountability.**

An advisory board consisting of property and business owners manages the District. This board may be the board for the management entity. Annual management district work plans and budgets are developed by the advisory board, and they ensure that the District will be accountable to those who pay the assessment. Security, maintenance, and marketing programs are subject to private-sector performance standards and controls.

4) **To create a unified voice for the District.**

A Management District will provide the foundation for developing a viable and unified private-sector voice for the District. For most downtown areas and commercial districts, business interests are fragmented among a diversity of groups and individuals. One unified management entity, with reliable resources, increases a District's clout and ability to work effectively with the local government and other civic and social organizations in the community.

Which is best – PBIA or PBID?

It depends.

More importantly, it may not be necessary to choose. There is nothing that prohibits two overlapping districts being formed. Downtown Long Beach has both a PBID and a PBIA within the same geographic area.

As discussed in Section 3, PBID's place assessments on property owners while PBIA's assess merchants. Having both can mean the district has access to more funds. It also ensures all commercial entities that benefit from improvements in the district contribute to funding the improvements.

When business owners contribute to a BID under a PBIA, there is a clear benefit from the services and activities designed to improve business in the area. Property owners, however, also benefit through increased occupancy and rent revenue. Assessing only PBID property owners has the opposite effect. Property owners benefit, but so do business owners who don't contribute.

As unfair as it may sound on the surface most BID's have a single assessment of either businesses or property owners. This is because it can be difficult to find the leadership and consensus needed to gain approval of the District. Approval is required by a simple majority - over 50% of the district assessment value. The steps and hurdles to forming a BID are detailed in the next paragraphs.

Forming a Business Improvement District

The process to form both types of districts is similar, but specific requirements vary between PBIA's and PBID's. The City of Long Beach and its consultants ensure all legal requirements are met during the formation process. Listed below are the general considerations for forming a BID. Additional detail is provided under "Detailed Steps to Forming a BID".

Organization

A core organization must exist to begin the BID formation process. This will mean at least two or three business or property owners willing to propose a district area, request City of Long Beach assistance and communicate the benefits to the businesspeople in the proposed district. This process is easiest where a business association already exists.

Even if a business association is not in existence, the formation process can begin. Formation of a non-profit business association can be initiated any time during the formation process. After review and approval of the BID, either the City of Long Beach or a community organization may manage the district. In either case, an advisory board set the priorities and budget for the how revenue is spent in the district.

A Three-Step Process

The basic steps to form a BID are:

- 1) Prepare a Management Plan identifying the type of district and its geographic boundaries, assessment fees, beneficial activities and budget.
- 2) Submit the Management Plan to the City Council for scheduling of a public hearing on the formation. (For a PBID, a petition signed by owners representing at least 50% of the assessment value of the district must be submitted with the Management Plan).
- 3) Approval of stakeholders representing at least 50% of the businesses or property assessment value is required. For PBIA's, approval would be denied if more than 50% of the businesses protest at the public hearing. For PBID's, approval would be denied if the results of a Prop 218 ballot indicated that owners of properties representing over 50% of the assessment value object to district formation. Otherwise, the district will be approved with any additional changes made by the City Council. (Note, that large businesses and property owners are given greater weight by the state law. since the voting is measured not by one owner – one vote, but by weighted percent of assessment paid)

The Management Plan

The Management Plan must include the following information:

- District Name
- Geographic area included in the district
- Types of businesses or properties to be assessed
- Beneficial needs and purposes of the assessment

- Term for the BID
- Method of calculation and total of the annual assessment
- A list of businesses or properties in the district
- Any other supporting information request by City Council

Detailed Steps to Forming a BID

A detailed checklist is provided at the back of this guide to assist with district formation. The full process can be expected to take 12-18 months. City staff assists with key steps in the process; however, business or property owners must develop stakeholder support for district formation. Key organizational steps include:

- Creating the BID Formation Infrastructure
 - Property or Business Owners Association Committee
 - City Resource Team – ED Staff
 - Database Development
- Consensus Building/Education within the Proposed District
 - Property and Business Owner Focus Groups
 - Informational Meetings
 - Communications and Outreach
- Management Plan Development
 - Improvements and activities—what will you do?
 - Budget—what will it cost?
 - Assessment Methodology—cost to individual properties.
 - Engineering Review/Benefit Analysis—is it equitable?
 - Governance—who's in charge?
- Plan Review/Consensus
 - Plan Review Workshops
 - Leadership Consensus
 - Legal Review—compliance with City and State law
 - Final Plan and Assessment Methodology
- Petition Campaign
 - Communications Materials
 - Petition Preparation and Distribution
 - Collecting Signed Petitions
- City Council Hearings/Ratification

- Public Hearings
- 218 Ballot Process (PBID only)
- Contract for implementation of plan between City and Non-Profit Management Organization.
- Submit Assessments to County Assessor or collecting agency

Assessment Calculations

An appropriate assessment amount is very difficult to estimate by simply looking around a business district. A number of complex factors affect calculation of the assessment. The city, working with its consultants and the business district, will incorporate the major factors described below into an assessment calculation for submission with the Management Plan to the district for approval.

1. Inclusion or exclusion of certain commercial property is important to perceived fairness and approval of the district. For example, some districts exclude community-based non-profit corporations.
2. Desired services within the district will also affect the methodology calculation. The primary beneficiaries of the services will suggest those who might be most willing to support formation of an assessment district. For example, a district with the objective of marketing and promoting the retail business district might have a hard time gaining the support of adjacent industrial property owners for a proposed PBID.
3. Establishing benefit zones within an assessment district is also a useful option in tailoring funding to the value received by the assessment members. The Downtown Long Beach assessment district is divided into four zones, with each zone receiving varying levels of service.

Section 4 details the assessment calculation method for five of the city's assessment districts. City staff and consultants will work with new BID's to develop a rate and method of calculation providing the necessary funding and services.

Assistance

Asset Management Bureau, Public Works Department
333 W. Ocean Blvd., 3rd Floor
Long Beach, CA 90802
Call: 562.570.3863
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BID Formation Checklist

The total time required to form a business improvement district is twelve to eighteen months depending upon the size of the district, type of assessment and level of organization.

Step 1 - Grassroots Organization

The City of Long Beach recommends that existing or newly formed non-profit associations lead the effort to form a new BID. In the absence of a formal organization, however, any stakeholder may initiate discussion of BID formation with potential stakeholders and City of Long Beach staff.

Step 2 – Survey Business Community

- Stakeholders seek through surveys or other communication with local businesses to determine the most important issues to be addressed, the areas affected and the level of interest in a self-assessment by answering the following questions.
 1. What is the proposed geographic area of the business improvement district?
 2. Will the district assess business owners, property owners or both?
 3. What are the most important issues to the business and/or property owners?
 4. What types of businesses or properties are excluded, if any?

Step 3 - Request BID Formation Assistance

- The association or stakeholder group submits a letter to the Director of Community Development requesting city assistance. This letter must include a summary of current association activities, the association's existing revenue and expenditures and the information gathered in Step 2.

Step 4 - Create Draft Management Plan

- With the assistance of City of Long Beach staff, prepare assessment schedules and proposed budgets and incorporate into a draft Management Plan as described in the Long Beach BID Information Guide.

Step 5 – Consensus-Building

- The association or stakeholder group, through workshops, information meetings and outreach, develops support and consensus within the proposed district in support of the district as laid out in the draft Management Plan.

Step 6 - Association Petition Campaign

- Mount a petition drive to gather the signatures of 67% of the affected businesses and/or property owners.

Step 7 - Submit a BID Formation Request

- Association or stakeholder group submits the final Management Plan and petition to City staff in preparation for a public hearing and City Council action.

Approval Process

The City will conduct mail-in ballots and schedule public hearings on the issue as required by law. Once all legal requirements are met and City Council approves formation of the district, the City may enter into a contract for management of the district. Assessments can then begin being collected and paid to the non-profit management association.

Staff Support: Jim Fisk, Business Improvement Districts Manager, Asset Management Bureau; (562) 570-3863
333 W. Ocean Blvd., Suite 300, Long Beach, CA 90802

Submit Step 3 Request For Assistance to: Ara Maloyan, PE, Acting Director of Public Works, 333 W. Ocean Blvd.
Suite 300, Long Beach, CA 90802