The Role of Business Improvement Districts in Revitalizing Small Towns in North Carolina

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Executive Summary

Business Improvement Districts (BIDs) in large urban areas have been studied extensively. However, very little research has been done about the role Business Improvement Districts play in the downtown development efforts of small towns with populations of less than 10,000 people. Yet the differences between large and small downtowns are stark; suggesting the need for varied policy responses and solutions and also create distinct opportunities for using BIDs to facilitate economic development.

This paper seeks to answer the following questions through a study of small town BIDs in North Carolina: what role do Business Improvement Districts [BIDs] play in small town revitalization, and what are the unique challenges and opportunities for BIDs in small towns? Can BIDs be used to help stabilize economies in these small towns?
Introduction and Background

Business Improvement Districts (BIDs) in large urban areas have been studied extensively. However, very little research has been done about the role Business Improvement Districts play in small towns with populations less than 10,000 people. The differences between large and small downtowns are stark; large cities have different problems, industries, and retail market dynamics. In contrast, small municipalities tend to have more historic buildings, be more pedestrian friendly, and usually do not have high crime rates or traffic problems. These differences suggest the need for varied policy responses and solutions and also create distinct opportunities for using BIDs to facilitate.

This paper seeks to answer the following questions through a study of small town BIDs in North Carolina: what role do Business Improvement Districts [BIDs] play in small town revitalization, and what are the unique challenges and opportunities for BIDs in small towns? Can BIDs be used to help stabilize economies in these small towns?

Role of BIDs

A Business Improvement District is a defined area which enacts a small additional tax on property owners. This tax is placed in a special fund the BID can only use to benefit the defined district. The BID organization is usually comprised of an executive director and possibly a staff, depending on the budget. The board of directors sets the BID’s priorities and budget and is comprised of property and business owners, public officials and community leaders. In the case of North Carolina, BIDs are authorized under the General Statute Ch. 160A, Art. 23 and establish Municipal Service Districts (MSDs) to fund downtown revitalization projects.

Broadly speaking, BIDs play 6 basic roles according to the literature: (1) Marketing: BID funds are used to sponsor events and advertisements, and coordinate sales campaigns in order to promote a positive image of the city and to bring people to the district to shop. (2) Cleaning and maintenance: A clean and well-maintained downtown tends to make people feel the area is safer and cared for. (3) Security: Crime, or the perception of danger, is often cited as a reason people no longer go downtown. BIDs can hire private security firms to patrol the district, and to deter crime. Private security personnel have no police powers, but can put shoppers at ease, and answer visitors questions or give directions. (4) Policy advocacy: The BID lobbies state and local government for the benefit of the district’s business interests. (5) Economic development: This can take the form of business recruitment, marketing studies, grants and loans, or similar activities. (6) Community development: BIDs can create a vibrant civic space through hosting community events, investing in public spaces, and bringing people back downtown to do their business. Some large BIDs even provide connections to social services through partnerships with homeless shelters, soup kitchens, treatment centers, and job training centers.

How might these roles differ in small towns versus larger cities? A national survey of 259 BIDs in 2001 found that, “only city size significantly explained differences in the service delivery patterns of BIDs.” For example, only 2 percent of the smallest group of BIDs do anything with social services, while 16 percent, or eight times as many of the largest BIDs, provide social services. Public space regulation, security, and parking services are priorities for large cities but not small. 64 percent of small bids take on capital improvements where local governments otherwise might not be able. The next most likely role a small town BID will take on is policy advocacy (39 percent) and maintenance (32 percent).

Context

The three North Carolina cities examined in this study are all county seats with a largely intact historic building stock from the early 20th century. The two to four story buildings are pedestrian friendly and built to the sidewalk. Each city’s primary economic base is generally very different from one another, but all three cities used the North Carolina Main Street Program for economic development purposes. See Appendix G for descriptive information about the three BIDs examined in the paper.

For this paper I conducted thirty one hour interviews in person, ten in each city. All interviewees were asked the same questions, although follow-up questions changed with each interview. I contacted
the BID directors in each city first, and conducted informational interviews with each or with a representative of the BID. During these interviews I asked the directors to help set up ten interviews with business and property owners, public officials, and critics of the BID. These three cities were chosen because they have populations between five thousand and ten thousand residents, are located approximately thirty to forty minutes by car from large metropolitan centers, and derive revenue and employment for residents from a number of different sources.

The city of Brevard is primarily a mountain retreat tourist destination. The area boasts over 40 summer camps, the nationally renowned Brevard Music Center under the artistic direction of Keith Lockhart, alumnus and director of the Boston Pops. Brevard College, a four-year liberal arts school, is also located just outside of the Central Business District.

Oxford benefits from a number of large manufacturing companies located immediately outside the municipal borders. Revlon, the makeup company, has about 1,600 employees here, and a number of other manufacturing companies each employ about one hundred to two hundred people. Oxford attract companies who want the relative proximity to Research Triangle Park but do not need to be in the middle of it, balanced with low property costs and taxes.

Whiteville is located in Southeastern North Carolina, it is the furthest of the three cities in this study from any large metropolitan area and the smallest. The city is relatively self-sufficient with a small family owned department store still operated by two cousins, two coffee-and-sandwich shops, a white-tablecloth restaurant, and a number of stores and offices.

The Economy

The economy of North Carolina has gone through a number of structural changes in recent decades that have influenced the adoption of BIDs by each studied town. Tobacco and manufacturing jobs have been leaving the state, and the current recession has had a profound impact on employment and expendable income in each studied site. While these shocks are generally beyond the ability of a BID to control, they do affect the customers of central business districts.

In the early 1980s big box retailers started to build stores on cheap land outside the municipal limits of small towns. Many local businesses could not compete with the prices or the selection of a big box chain and closed; other businesses either adapted or moved to shopping centers near these new stores. These changes moved the retail center outside the downtown and left vacant storefronts behind.

Many retailers in each study city mentioned the problems of losing other long time retail stores because of owners retiring and no family member being interested in continuing the business. This compounded the problem of empty retail space, which reduced the price of rent, and has turned prime retail locations into offices or storefront churches. Current retail owners are worried the loss of retail space means fewer shoppers are willing to come downtown, and that storefront offices and churches mean that people will only come downtown during the workday or on Sunday, which makes the streets feel empty and uninviting for shoppers.

Property Speculation

Property speculation was mostly a problem in Brevard, but to a lesser extent in Oxford as well. During the property boom in the early 2000s, expensive renovations drove rents too high for a number of businesses and when the recession struck it forced a number to close and those spaces are still vacant.

Challenges

Small towns in North Carolina have faced a number of challenges going as far back as World War II as development patterns have changed in America. The following section will discuss a number of challenges revealed by the interviews.

Public Relations

Small town BIDs have a hard time promoting themselves. During my interviews I found many people expressing concern that businesses within the district are paying the BID tax but not aware of the work the district was doing beyond event planning. For example, only a few people I had interviewed in Brevard were aware of the business recruitment materials the group had created to highlight available
properties and small business grants, loans, and resources. This leads people to have a shallow view of the role of the BID and therefore to undervalue the work they do.

**Staffing & Budgets**

Tight budgets severely restrict how much the BIDs can do, and staff cuts mean important work like business recruitment, which is time intensive, does not happen. In Whiteville for example, the director is only paid for 15 hours a week, although it was clear to me from speaking to him and from people who had offices near him that he spent many more hours than just 15 promoting downtown, and this did not include the time he informally spent speaking with business people while shopping or eating downtown.

**BID as Club**

In two of the cities where I conducted interviews, the BID leadership was seen as a clique, which lead to negative feelings from some business owners inside and outside the districts who felt the BID promoted some businesses’ interests more than others. One public official said that whether the issue was real or perceived, it had led to some very strong feelings against the BID from those outside the district because from their view, the BID got special treatment from the city. The fact that certain BID board members also serve as city council members compounds the perception issue in both towns.

**Opportunities**

With the exception of only one person, everyone I interviewed thought their BID was diligent in the duties they took on, effective in the work they did, responsive to business and property owners in the district, and enriching of the civic life of their cities through events and creating vibrant social places. At the same time, every single respondent wished his or her BID could do more, but mentioned the financial constraints of the budget and thought an increase to their respective tax rates would place a significant burden on business.

Based on the thirty interviews conducted I found a number of opportunities for BIDs to leverage money and talent to improve business in the central business district. To some extent these ideas might already be in place in some areas but could be pushed further and expanded in other cities.

**Events**

In each city the BID hosts—or partners with other organizations to host—events downtown. These events were almost unanimously mentioned in interviews as something BIDs do well. These occasions bring people downtown and provide business owners the opportunity to show participants that downtown is a lively place. Each study city had approximately one event a month, as well as one signature event, which attracts people in from far away. Brevard brings attention to its white squirrel population and organizes a festival in its honor. Whiteville organizes an annual Pecan Festival in celebration of the harvest. And Oxford hosts an annual Hot Pepper Festival to bring attention to a local farm, which is one of the biggest hot pepper suppliers in the country. These events help create an identity for each town.

**Advertising**

Many businesses could not pay for any advertising without the BID’s marketing. This collective pot of money is an important way to promote downtown, and can benefit more businesses than the same amount of money spent on a single business. Whiteville focused on using its limited money on low cost billboards and radio ads promoting the downtown area as a place to do holiday shopping and to eat.

**Beautification**

Façade grants, streetscaping, and cleaners are great ways for areas to improve the look and feel of downtown. Façade matching grants have been an important part of helping businesses reduce the upfit costs of a new space, while helping businesses put their own mark on an old building. Brevard has made significant investments in street trees, planters, and benches in order to make the downtown area more inviting. Oxford and Whiteville also have façade grant programs, which have helped reduce the cost of fixing up and repairing old buildings.

**Specialization**
Big box stores were not necessarily bad for all businesses. A number of interviewees told me that the big box stores moving in during the early 1990s did not have the large negative effect they had expected because the weak businesses had actually gone out of business years prior when the Wal-Mart opened up in another nearby county. Local businesses had already been forced to adapt or perish, and had carved out a niche based on customer service or better products. For example, in Whiteville when a Lowes Hardware was slated to open up in the county, the local business realized it would not be able to compete on price but knew it had other strengths to leverage. The business shut down its plumbing supply business, and switched to become a contractor for commercial and residential. The business used its reputation, connections, and local knowledge to become successful, and it even sectioned off its old warehouse space into new offices and some apartments for additional income.

The Main Street Program

The Main Street program, operated through the North Carolina Department of Commerce, is a widely respected downtown revitalization tool aimed at small towns. It provides training and technical assistance to help towns help themselves. Each study city uses the Four Point Approach of organization, design, promotion, and economic restructuring, and these areas are guiding lights for the BIDs.

Training & Support

BIDs can provide training and support to help businesses stay afloat. Oxford for example provides small grants for new businesses to help cover rent while initial cash flow is low and, in at least one case, a short term loan to a long-term business going through a rough spot. In Brevard the BID also periodically sponsors speakers to provide professional development for business owners. The organizations can provide spaces for businesses to share knowledge and help each other grow.

Conclusion

Many small cities in North Carolina are rich in old buildings and history. These features are becoming appreciated by a new group of people, both young and old, who are choosing to live in denser areas with walkable amenities like restaurants and coffee shops. The amount of investment in Durham’s and Raleigh’s downtowns are prime examples. BIDs are a relatively low cost way for small cities to leverage a small individual investment for the improvement of the downtown area and the business environment.

Based on the interviews and the literature, a business improvement district can be an important tool for economic development in small town North Carolina. A successful BID will find ways to: create unique events to draw people downtown, create advertising to promote downtown and its businesses, maintain clean streets and beautification efforts, encourage businesses to specialize, and offer training and support to members. Finally, the organization can access the NC Main Street program to take advantage of the technical assistance it offers.

Conversely, a small town BID must be wary of the challenges they can control. It is important for BIDs to ensure that their funding covers adequate staffing; it is time-consuming for a single person to promote and organize downtown with a limited schedule. A BID must also ensure it is communicating to its board and to the community about all the good work it is doing, and the successes it has. And finally, it is important for boards to maintain communication with all its members and ensure that the BID is serving all businesses, and that everyone feels they have a voice. Internal conflict in the BID will decrease its effectiveness, and might lead to the BID being disbanded.

By addressing these challenges small towns BIDs are a powerful tool for communities looking to revitalize their downtowns.

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1 Robertson, 2001
3 Houstan 1997, Mitchell 2008
4 Houstan 2003, Mitchell 2008
6 Mitchell 2001
7 Lambe 2008
Appendices
Appendix A: Bibliography


Houston’s book, published by the Urban Land Institute and the International Downtown Association, provides a broad overview of BIDs, how to start one, how to manage a BID, and current trends.


Kemp, R L. (c2003). Community renewal through municipal investment: A handbook for
This book is filled with forty case studies of cities implementing urban improvements for economic development. One case study examines BIDs located in untraditional areas.


McLean’s book also provides a broad overview of BIDs, how they work, and how to set one up.


Mitchell’s book provides a comprehensive history of Business Improvement Districts, as well as critiques of quantitative evaluations.


Rogowsky, E. and J. Gross. 2000. Managing Development in New York City: The Case of Business Improvement Districts,
This article describes the role of BIDs in NYC.


Robert Yin’s book outlines how to conduct and analyze case study research from start to finish, and outlines the pitfalls of weak case studies.

Appendix B: Interview Questions

Questionnaire
Hello again. My name is Matt Dudek. I am a graduate student at the School of Government and the Department of City & Regional Planning at the UNC-Chapel Hill. You have previously agreed to answer questions relating to my research about the role Business Improvement Districts (BIDs) in small town revitalization, and what are the unique challenges and opportunities for BIDs in small towns. Are you still willing to help with my research?

Just for BID Exec. Director
1. Background
   a. Experience
   b. Education
   c. Hometown
   d. Reason for taking the job

Questions
General
2. History
3. How long have you been downtown?
4. How has business been downtown?
5. Who is the type of person to shop downtown? (Demographics)
   a. Why was the BID established?
6. Was the downtown “bad” before the BID? (safety issues, vacancy, declining sales, dirty, poor public perception?)
   a. What was bad?
7. What do you think the role of the BID has been in downtown?

8. Are there other organizations working on the Central Business District?
9. (Chamber of commerce, Main Street Program? TIFs, or other incentive programs)
10. Do these organizations coordinate with each other, or do they work separately?
11. What organization do you see as most responsible for downtown’s success?

Opinion
12. Do you think the BID has been good for downtown?
   a. Why?
13. What does the BID do well?
14. What does the BID not do well?
15. What would you change about the BID?
16. Are there things you wish the BID would do that it doesn’t currently?
17. Why do you keep the BID?
18. Has their ever been any discussion of shutting it down or not renewing? How seriously?
19. Do you know of any cities who have disbanded their BIDs and how they went about doing it?

Mitchell’s performance measures
20. (Diligence) Does the BID do the work it says it will do?
21. (Effectiveness) Are the BIDs activities the reason for downtown business success?
22. (Responsiveness) Does the BID respond to your needs? If you bring up a concern is it responsive?
23. (Sociability) Does the BID contribute to community life? (Social/civic life)
Appendix C: Map of North Carolina Municipal Service Districts

City
Albemarle
Boone
Brevard
Burlington
Chapel Hill
Charlotte:
Chimney Rock
Clinton
Concord
Davidson
Dunn
Eden
Elizabeth City
Elkin
Fayetteville
Gastonia
Goldsboro
Greensboro
Hendersonville
Kings Mountain
Kinston
Laurinburg
Lenoir
Lexington
Maxton
Monroe
Mooresville
Morganton
Mount Airy
New Bern
Oxford
Pinehurst
Raleigh
Reidsville
Rocky Mount
Rutherfordton
Saint Pauls
Salisbury
Sanford
Shelby
Smithfield
Statesville
Wake Forest
Waynesville
Whiteville
Wilson

About
This map shows the location of all Municipal Service Districts in North Carolina. Study cities are in yellow.
Appendix D: Heart of Brevard Municipal Service District
Appendix E: Downtown Oxford Economic Development Corporation
Appendix F: Whiteville Downtown Development Commission
# Appendix G: Business Improvement District Comparison

<table>
<thead>
<tr>
<th>Name</th>
<th>The Heart of Brevard</th>
<th>The Oxford Economic Development Corporation</th>
<th>The Whiteville Downtown Development Committee</th>
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<tbody>
<tr>
<td>Population (2009)</td>
<td>7,149</td>
<td>9,447</td>
<td>5,125</td>
</tr>
<tr>
<td>Pop. Change (2000 to 2009)</td>
<td>+5.3%</td>
<td>+13.30%</td>
<td>-.45%</td>
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<tr>
<td>Year Established</td>
<td>1990</td>
<td>1997</td>
<td>1996</td>
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<tr>
<td>MSD Tax Rate</td>
<td>$.3050</td>
<td>$.20</td>
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<tr>
<td>County + City Tax Rate&lt;sup&gt;i&lt;/sup&gt;</td>
<td>.8274</td>
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<td>MSD Budget&lt;sup&gt;ii&lt;/sup&gt;</td>
<td>$171,139</td>
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<tr>
<td>MSD Size (approximately)</td>
<td>16 city blocks</td>
<td>10 city blocks</td>
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<tr>
<td>Structure</td>
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<tr>
<td>Board Size</td>
<td>22 members</td>
<td>14 members</td>
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<tr>
<td>Distance from major metro area</td>
<td>Asheville</td>
<td>Durham</td>
<td>Wilmington</td>
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<tr>
<td></td>
<td>48 minutes, 33.9 miles</td>
<td>36 minutes 29.8 miles</td>
<td>54 minutes 46.3 miles</td>
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<tr>
<td>Staff size</td>
<td>1 Full-Time, 1 Part-Time</td>
<td>1 Part-Time (20 hrs/week)</td>
<td>1 Part-Time (15 hrs/week)</td>
</tr>
</tbody>
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<sup>i</sup> Per $100 valuation  
<sup>ii</sup> FY2010-11