



# Taking Care of Business:

An Analysis of Business  
Improvement Districts  
in Milwaukee County

Public Policy Forum

## **ABOUT THE PUBLIC POLICY FORUM**

The Milwaukee-based Public Policy Forum, established in 1913 as a local government watchdog, is a nonpartisan, nonprofit organization dedicated to enhancing the effectiveness of government and the development of southeastern Wisconsin through objective research of regional public policy issues.

## **PREFACE AND ACKNOWLEDGMENTS**

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# TAKING CARE OF BUSINESS

*An Analysis of Business Improvement  
Districts in Milwaukee County*

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# INTRODUCTION

If you happen to be walking down a commercial corridor in Milwaukee, pause for a moment and take a look around. Do you see any banners? How about planters or special pavers for the crosswalk? Is there a festival taking place or are there any cleanup crews sweeping up? Are uniformed ambassadors standing by, ready to assist wayward shoppers? If so, then chances are good you are looking at the work of a business improvement district (BID).

Despite their widespread usage in Milwaukee County and the involvement of municipal governments in their creation and oversight, BIDs remain a largely under-studied economic development tool. This report attempts to change that circumstance by shedding light on the activities and performance of the county's BIDs.<sup>1</sup>

Key questions guiding this research include the following:

- What is the rationale behind business improvement districts and how are they being utilized in Milwaukee County?
- How effective are BIDs in Milwaukee County?
- Should improvements be considered to BID management or oversight to improve their effectiveness and/or their accountability to stakeholders?

We begin by reviewing the history of BIDs in the United States, including the philosophy behind their development and some of the critiques that have been leveled against them. Our national scan also includes examination of studies conducted in other U.S. cities to understand the impact of BIDs as economic development tools.

After laying out this national context, we dive into the history, management, finances, and legal status of BIDs in Wisconsin and Milwaukee County. Then, we analyze some of the oversight, accountability, funding, and legal challenges facing local BIDs and offer recommendations to address them.

Data for this report came from official documents relating to BIDs in Milwaukee County, including annual operating plans, reports, and audits; interviews with BID stakeholders, managers, and executive directors; reports and operating documents from other BIDs throughout the country; and national studies looking into the impact of BIDs on crime and property values.

Our overall intent is to provide policymakers and citizens with a better understanding of the role of BIDs and their relevance to economic development in Milwaukee County. We also hope that both BID managers and the municipalities that oversee BIDs will gain insight into how their BIDs compare to others, and about possible enhancements to management and oversight.

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<sup>1</sup> The Milwaukee County government has no legal authority over any BIDs or NIDs, which are managed and created by municipalities. For the purposes of this study, "Milwaukee County" is used only as a geographic boundary.



## BACKGROUND

The term “business improvement district” is a generic term applied to a specific type of special assessment district (SAD). The concept involves a group of property owners and/or businesses within a designated area (district) that agree to pay an additional tax (assessment) that is then used to pay for mutually beneficial services or improvements within the district.

*BIDS are intended to provide districts with “self-help through self-taxation”*

Nationally, these districts go by a wide variety of names (e.g. special service areas, public improvement districts, community improvement districts, etc.) and have varying degrees of autonomy depending on their jurisdiction. The philosophy behind them, however, is much the same: by pooling their resources, businesses and property owners can supplement the services being provided by their local government to meet their specific needs; or, as the New York’s Department of Business Services puts it: “self-help through self-taxation.”

In Wisconsin, there are two types of SADs that fit this model: business improvement districts (BIDs), which focus on commercial properties; and neighborhood improvement districts (NIDs), which are very similar except that they may also include residential properties.

## RATIONALE AND HISTORY OF BIDS

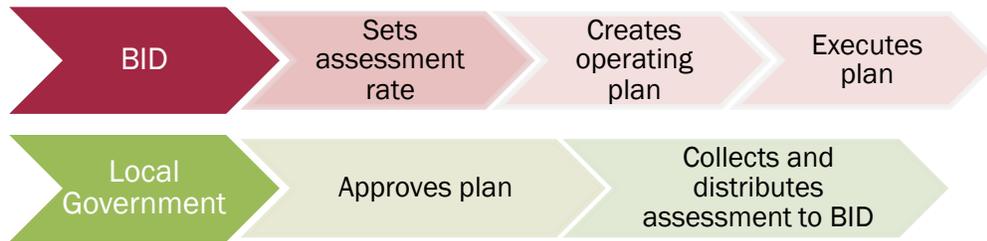
Special assessment districts are nothing new; in fact, they have existed in the United States since the 18<sup>th</sup> century.<sup>1</sup> SADs encompass a wide variety of services, but they all operate under the general premise that those who benefit should pay.

In the case of BIDs, this principal solves the “free rider” dilemma that faces any owner wishing to improve his or her property or street. Under ordinary circumstances, if an owner makes such an improvement, then other property owners located on the same street also will benefit, but at no cost. Theoretically, this provides a disincentive to property owners to make improvements since the benefit realized by the individual making the investment is only marginally better than the benefit received by the other owners who pay nothing.

The BID solves this dilemma by compelling all property owners within the district to contribute. This is what distinguishes BIDs from business associations or other community-based groups: rather than relying on voluntary participation, they impose a tax on all property owners within the district. The tax is collected by the local government, but how those funds are spent is left to the discretion of the district itself. This elevates BIDs to a quasi-governmental status that straddles the line between public and private. **Figure 1** illustrates the roles that the respective private and public entities play in establishing and implementing BIDs.



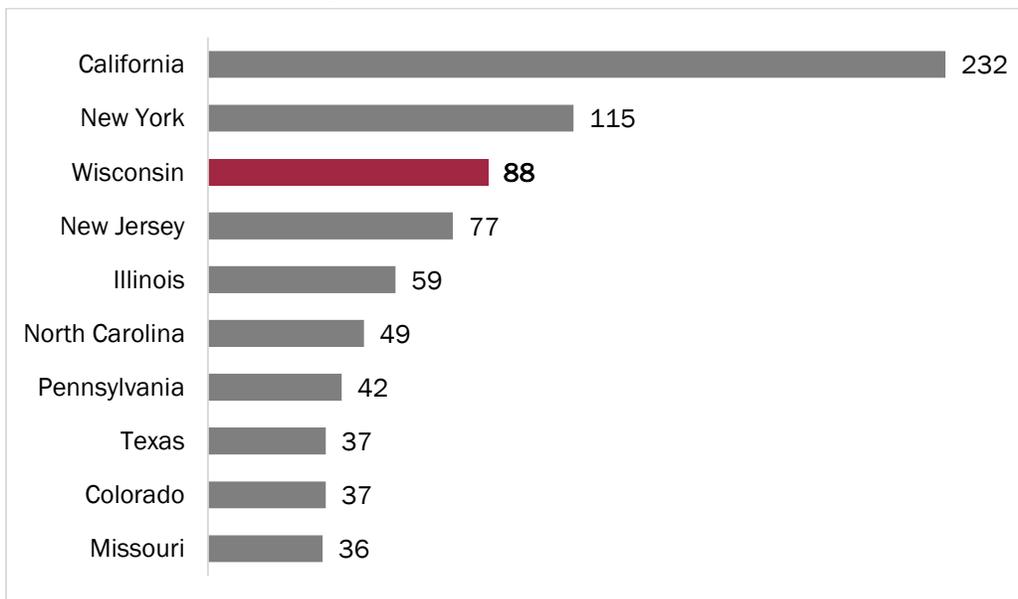
**Figure 1: Basic BID operations and oversight**



BIDs almost always are overseen by a board composed of property or business owners, with seats occasionally reserved for government representatives or local residents who are appointed by the municipality or elected by the membership. These boards determine the formula that will be used to assess the properties in the district and put together the BID’s operating plans, which are submitted to the municipality for approval. Once approved, the municipality collects and distributes the assessment to the BID, where it is spent in accordance with the approved plan.

Business improvement districts began to emerge in North America as early as 1970. After taking root in Toronto (1970), New Orleans (1975), and New York (1984), the concept was quickly embraced nationally, growing dramatically throughout the next three decades.<sup>ii</sup> <sup>iii</sup> Exact numbers are difficult to come by, but it is estimated that today there are more than 1,000 BIDs in the United States. As shown in **Chart 1**, the top three states in terms of number of BIDs are California (232), New York (115), and Wisconsin (88).<sup>iv</sup>

**Chart 1: Number of BIDs by state**



Source: 2011 BID Census

Legislation enabling the creation of BIDs in Wisconsin was first enacted in 1984, and by 1991 there were at least 41 BIDs in communities throughout the state. Today, that number has more than doubled and shows little signs of slowing. Currently, there are 38 BIDs and seven NIDs in Milwaukee



County. In the City of Milwaukee, the Harbor District became BID 51 and Walker's Point became NID 8 in 2016. Heritage Heights (NID 5), Garden Homes (NID 6), and Harambee (NID 7) also were recently approved and are expected to begin collecting their first assessments this year.

## WHAT WE KNOW ABOUT THE EFFECTIVENESS OF BIDS

Despite their popularity, the impact of business improvement districts has not been studied extensively. To date, only a handful of academic studies have taken a quantitative look at the effectiveness of BIDs, most of them focusing on New York and Los Angeles. The majority of those studies have analyzed the relationship between BIDs and crime.<sup>2</sup> The most compelling of these studies examined the impact of BIDs on crime in Los Angeles neighborhoods by comparing crime levels before and after BID adoption, and then by comparing BID neighborhoods to similar, non-BID neighborhoods. Overall, these studies found that BIDs accounted for a 9-11% relative reduction in crime.

In addition to studies focused on crime reduction, there also has been at least one comprehensive study analyzing the impact of BIDs on property values in New York City. This 2007 study found that BIDs had a positive impact on property values, creating a 15.7% difference between comparable commercial properties within BIDs versus those outside of them. The study also found, however, that the size and commercial makeup of the BID mattered greatly; large, office-heavy BIDs were found to have a significant impact on values, while small, retail-oriented BIDs had little impact.

While these research findings are encouraging to those who support the use of BIDs, it is important to understand the limitations of these studies. Attributing reductions in crime or rises in property values to one particular factor is very difficult in the context of large, complex urban environments. For example, none of the studies mentioned takes into account the presence of other significant economic development tools like tax incremental financing (TIF). Furthermore, results from one city may not be predictive for another. New York, Los Angeles, and Milwaukee, for example, vary greatly in scale, demographics, and governance, so results that emerge in one of those cities may not be relevant to the others.

Since their inception, there also have been a number of criticisms leveled at BIDs. Detailed analysis of these critiques is beyond the scope of this report, but we would be remiss not to include brief summaries of four of the most common.

- *BIDs are undemocratic:* This criticism is based primarily on how BIDs are managed. Voting power in BIDs often is based on property value. Under this system, it could be argued that BIDs violate the principal of “one person, one vote.” Furthermore, with voting power based on property value, it is not inconceivable that a small group of property owners could effectively dominate policy making with no recourse for smaller owners.<sup>v</sup>
- *BIDs lack broader public participation:* BIDs also have been critiqued for the lack of substantive input given to community members. Not only do residents living within or close to the district not have a say in BID management, but even business owners within the district may not be

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<sup>2</sup> See Appendix A for a full list of studies.



statutorily required to be a part of any BID decisions or governance. More often than not, exclusively residential properties are exempt from BID assessments, but this is not always the case when it comes to mixed-use or rental properties.

- *BIDs contribute to inequity*: It has been argued that BIDs in wealthier areas have the capacity to raise significant funds to finance services beyond the capacity of the municipal government, which can create even greater gaps between their districts and low-income areas. This imbalance may draw development away from the parts of cities that most need it.<sup>vi</sup>
- *BIDs negatively impact the homeless*: Business improvement districts have been accused of harassing and displacing homeless individuals within their districts for the sake of optics. In some cases, like New York's Grand Central Partnership, outreach workers even were accused of physically assaulting homeless individuals when verbal intimidation failed to work.<sup>vii</sup>



# BIDS/NIDS IN MILWAUKEE COUNTY

BIDs are uniquely engrained into the fabric of communities in Milwaukee County. More than a quarter of the county’s municipalities have created BIDs, and they encompass shopping districts, industrial areas, and neighborhoods representing billions of dollars in value. Despite their ubiquity and popularity – and their prominent roles in activities ranging from festivals, to mounted horse patrols, to planters, to workforce development – the work of these districts goes largely unreported and unnoticed by the general public. In this section, we outline the history, activities, and finances of these districts, as well as Milwaukee’s unique position nationally.

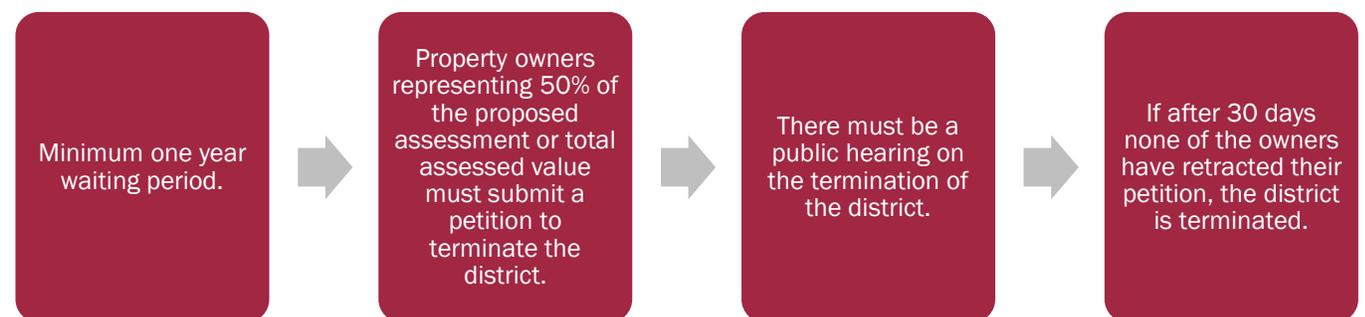
## HISTORY AND CHARACTERISTICS

The legislation that authorized the creation of business improvement districts in Wisconsin was adopted in 1984 and, except for a few minor amendments, has remained largely unchanged since that time.<sup>3</sup> The creation of neighborhood improvement districts (NIDs), which differ slightly from BIDs, was authorized by the Legislature in 2005. Both statutes outline the procedures by which BIDs/NIDs are created, how they are dissolved, and how they are managed. **Figures 2, 3** and **4** outline those procedures and the respective statutory responsibilities of BIDs/NIDs and the municipalities in which they are located.

Figure 2: BID creation process



Figure 3: BID termination process



<sup>3</sup> The sections of the Wisconsin State Statutes that cover BIDs and NIDs (66.1109 and 66.1110) can be found at: <https://docs.legis.wisconsin.gov/statutes/statutes/66>



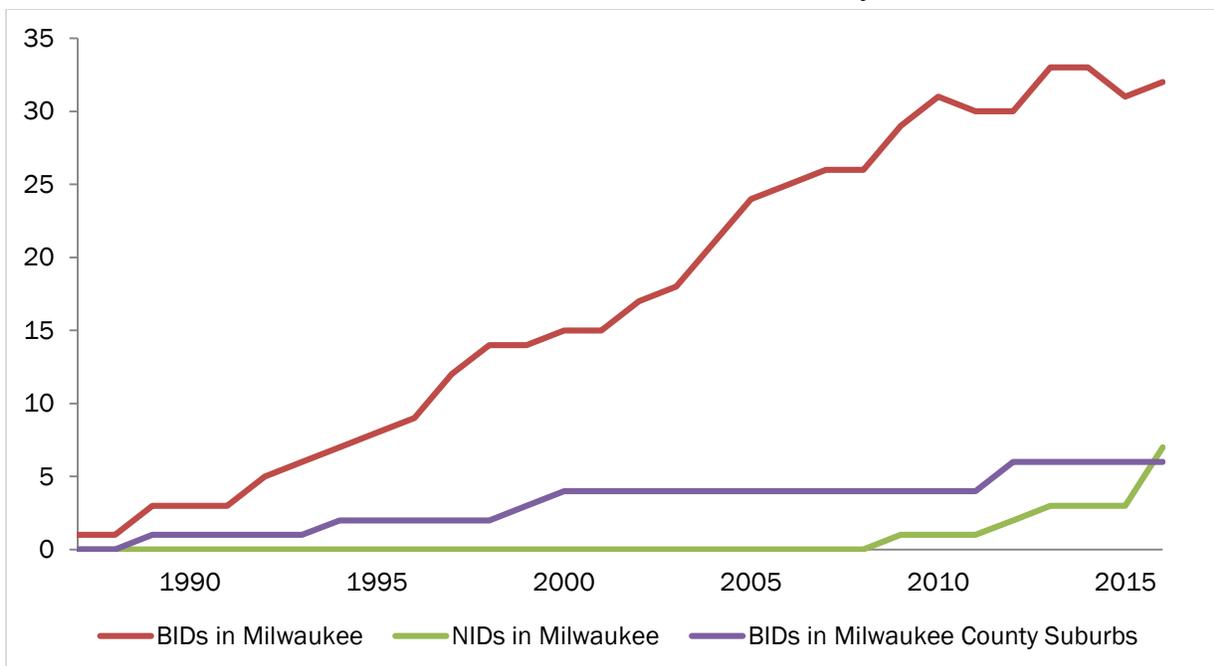
**Figure 4: Legal responsibilities of BIDs/NIDs and municipal governments in Wisconsin**

BID/NID Legal Responsibilities	Municipal Legal Responsibilities
<ul style="list-style-type: none"> <li>• Submit a proposed operating plan to the municipality outlining their activities for the next year.</li> <li>• Prepare and make publicly available an annual report that details the previous year's activities and contains an independent financial audit.</li> <li>• Devise the formula and rate by which they will assess the properties within their district.</li> </ul>	<ul style="list-style-type: none"> <li>• Approve the creation and termination of BIDs/NIDs.</li> <li>• Appoint the board members of BIDs and facilitate the election of NID board members (minimum of five).</li> <li>• Approve all BID/NID operating plans.</li> <li>• Collect and distribute the assessments for BIDs/NIDs.</li> </ul>

The oldest BID in Milwaukee County is the Historic Third Ward (BID 2) near downtown Milwaukee, which was established in 1987. The Brewery (NID 1), which encompasses the former Pabst Brewery site, is the city's oldest Neighborhood Improvement District and was established in 2009 (there are no NIDs in Milwaukee County suburbs).

Since 1987, Milwaukee's BIDs and NIDs have grown at a steady pace (typically one or two per year), as shown in **Chart 2**. Only two of Milwaukee's BIDs have officially dissolved (North 76<sup>th</sup> Street and Atkinson/Capitol/Teutonia) and two merged (Riverworks I & II in 2015). In addition to the 32 BIDs and seven NIDs in the City of Milwaukee, there are six additional suburban BIDs in Milwaukee County (one each in Shorewood, West Allis, Wauwatosa, Whitefish Bay, and two in Greendale). **Table 1** on the following page provides financial and organizational data for each BID/NID in Milwaukee County.

**Chart 2: Growth of BIDs and NIDs in Milwaukee and Milwaukee County suburbs**



**Table 1: BIDs and NIDs in Milwaukee County**

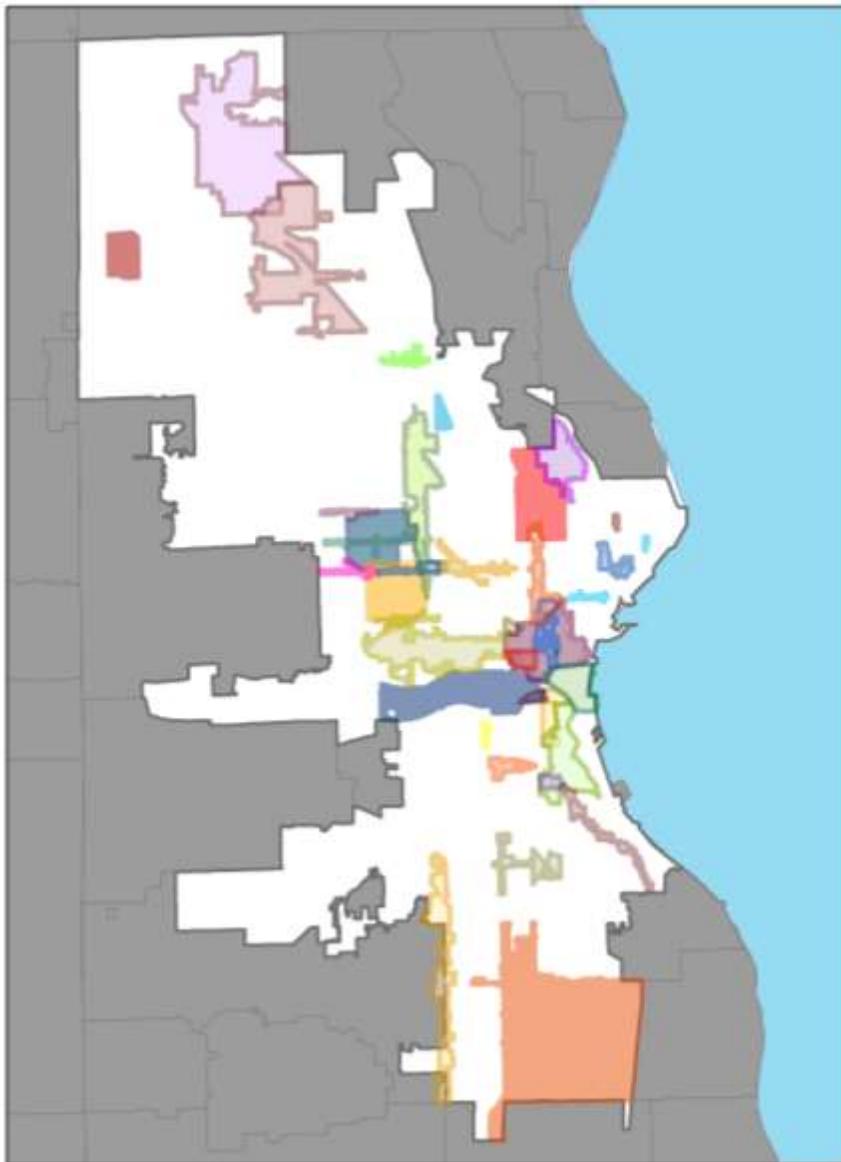
Municipality	BID/NID Name	Rate of Assessment	Total Budget	Approximate District Value	Board Size
Milwaukee	Historic Third Ward (2)	0.15%	\$2,475,440	\$289,953,800	9
Milwaukee	Historic Mitchell Street (4)	0.23%	\$139,920	\$52,307,100	15
Milwaukee	Westtown (5)	0.06%	\$128,302	\$180,556,700	10
Milwaukee	Historic King Drive (8)	0.09%	\$178,331	\$201,631,000	15
Milwaukee	Near West Side (10)	0.18%	\$161,594	\$168,334,444	Not Specified
Milwaukee	Brady Street (11)	0.21%	\$139,306	\$63,494,100	11
Milwaukee	Oak & Loc (13)	0.15%	\$25,000	\$17,025,300	7
Milwaukee	Milwaukee Riverwalk (15)	0.02%	\$822,526	\$648,436,400	7
Milwaukee	Uptown Crossings (16)	0.48%	\$149,214	\$26,743,800	7
Milwaukee	Villard Avenue (19)	0.37%	\$73,103	\$19,866,100	15
Milwaukee	The East Side (20)	0.37%	\$249,891	\$116,950,900	9
Milwaukee	Milwaukee Downtown (21)	0.18%	\$3,428,400	\$1,911,583,350	17
Milwaukee	Riverworks (25)	0.26%	\$214,328	\$112,366,900	9
Milwaukee	Menomonee Valley (26)	0.07%	\$768,454	\$232,900,000	8
Milwaukee	West Burleigh Street (27)	0.37%	\$46,477	\$12,156,813	6 to 9
Milwaukee	North Avenue Gateway (28)	0.39%	\$53,716	\$13,666,400	7
Milwaukee	Havenswood (31)	0.10%	\$223,100	\$179,371,500	5
Milwaukee	North Ave Marketplace (32)	0.34%	\$125,539	\$22,888,400	5 to 11
Milwaukee	Kinnickinnic River (35)	0.05%	\$3,648	\$7,383,100	7
Milwaukee	30th Street Corridor (37)	0.29%	\$166,616	\$57,000,000	6
Milwaukee	Cesar Chavez Drive (38)	0.20%	\$32,582	\$13,468,300	5
Milwaukee	Center Street (39)	0.48%	\$85,000	\$14,436,200	7
Milwaukee	Gateway to Milwaukee (40)	0.08%	\$335,835	\$428,400,400	6
Milwaukee	Downer Avenue (41)	0.45%	\$77,301	\$17,101,500	7
Milwaukee	Schlitz Park (42)	0.19%	\$113,000	\$59,849,700	5
Milwaukee/Greenfield	Historic Hwy. 41/S. 27th St. (43); Greenfield 1 & 2	0.06%	\$108,317	\$179,639,100	6
Milwaukee	Kinnickinnic Avenue (44)	0.10%	\$53,655	\$56,000,000	7
Milwaukee	Granville (48)	0.12%	\$486,929	\$420,621,502	8
Milwaukee	Reed Street Yards (49)	0.25%	\$60,962	\$16,355,700	5
Milwaukee	Crisol Corridor (50)	0.09%	\$43,442	\$48,754,000	5
Milwaukee	The Brewery (NID 1)	0.11%	\$85,450	\$77,200,900	5
Milwaukee	Washington Park (NID 3)	0.18%	\$161,992	\$91,733,100	8 to 12
Milwaukee	Sherman Park (NID 4)	0.11%	\$209,350	\$195,753,000	7 to 9
Shorewood	Shorewood BID	0.09%	\$145,612	\$139,829,204	15
Wauwatosa	Wauwatosa BID	0.11%	\$96,737	\$67,336,600	15
West Allis	Downtown West Allis BID	0.50%	\$92,975	\$18,618,700	10
Whitefish Bay	Whitefish Bay BID	0.12%	\$85,875	\$49,211,300	9



**Map 1** illustrates the ubiquity and scale of BIDs and NIDs in Milwaukee. Each of the City of Milwaukee's 15 aldermanic districts contains at least a portion of either a BID or NID, though they are most heavily clustered around the city's downtown. BIDs/NIDs vary considerably in size, ranging from the single building that makes up 735 N. Water St. (BID 9) to the 1,403 properties within Downtown Milwaukee (BID 21). BIDs in Milwaukee County also are quite long-lived; 27 of the 45 BIDs/NIDs in the county are at least 10 years old, and more than a third have been in place for at least 20 years.

*In the City of Milwaukee, BIDs have a combined property value of \$4.7 billion – more than half of the city's total commercial value.*

**Map 1: BIDs and NIDs in the City of Milwaukee**



In the City of Milwaukee, the properties contained within BIDs and NIDs are assessed at a combined value of \$5.7 billion, which represents 21% of the city’s total real estate value.<sup>4</sup> The BIDs alone, which almost exclusively are made up of commercial properties, have a combined property value of \$4.7 billion – more than half of the city’s total commercial value.<sup>5</sup>

BIDs in Milwaukee County vary greatly in scale, purpose, and context. While they could be parsed in many ways, they can be broken down into six categories, as displayed in **Table 2**.

**Table 2: BID types in Milwaukee County**

Category	Description	Examples
<b>Industrial</b>	Primarily zoned for industry or transportation. Characterized by larger-than-average block sizes and few intersections	Riverworks (25), Menomonee Valley (26), Havenwoods (31), 30th Street Industrial Corridor (37), Airport Gateway (40), Granville (48), Harbor District (51)
<b>Sector</b>	Large areas (greater than 200 properties) that encompass more than two significant streets or nodes	Third Ward (2), Near West Side (10), Downtown (21), Washington Park (NID 3), Sherman Park (NID 4), Heritage Heights (NID 5), Harambee (NID 7), Walker’s Point (NID 8), Wauwatosa Village
<b>Corridors</b>	Long, linear areas exceeding one mile focused primarily on one or two major thoroughfares	Historic King Drive (8), West Burleigh Street (27), North Ave Gateway (28), North Ave Market (32), Center Street (39), Historic Highway 41/South 27th Street (43), Kinnickinnic Ave (44), 13th Street/Oklahoma Ave (50), Shorewood
<b>Locale</b>	Smaller areas (fewer than 200 properties) typically focused on one or two central nodes or streets	Historic Mitchell Street (4), Westtown (5), Brady Street (11), Oakland Ave (13), Uptown Crossing (16), Villard Ave (19), East North Ave (20), Cesar E. Chavez (38), Downer Ave (41), Garden Homes (NID 6), Whitefish Bay, Downtown West Allis
<b>Site</b>	Smallest division (fewer than 30 properties) focused on one compact area	735 Water (BID 9), Kinnickinnic River (35), Schlitz Park (42), Reed Street Yards (49), Brewery (NID 1)
<b>Specialty</b>	Created to finance special projects involving multiple BIDs	Riverwalk (15)

<sup>4</sup> This calculation takes into account overlaps between certain BIDs and NIDs.

<sup>5</sup> “Commercial” includes manufacturing and industrial properties. This definition comes from the City of Milwaukee Assessor Office’s Assessment and Taxes 2016.



## BID ACTIVITIES AND FINANCES

Across Milwaukee County, BIDs and NIDs undertake a wide variety of activities that are widely acclaimed as adding value to their districts and to the region as a whole. These can range from physical improvements to safety initiatives to ambitious public events and festivals.

For example, many BIDs offer façade improvement grants and/or are responsible for streetscaping improvements or public art projects, including the Brady Street, Havenwoods, and East Side BIDs.

The Airport Gateway BID (40) undertook an extensive study of crime within the district before launching a safety initiative, and it has tracked data over time to monitor the impact of the initiative.

Milwaukee's Downtown BID (21) puts on numerous events, including Downtown Dining Week and the annual holiday lights display along Wisconsin Avenue. Similarly, the Historic Third Ward BID is responsible for the popular Gallery Night, the Historic Mitchell Street BID is responsible for its annual Sun Fair, and Westtown hosts the weekly River Rhythms events along the Milwaukee River.

While many of these events and activities are well-known to stakeholders, we sought to quantify the activities of BIDs and NIDs by examining financial data that we hoped would provide greater insight into specific expenditures and revenue streams. Unfortunately, because of gaps in recordkeeping and inconsistent definitions and categories across audits, it is difficult to present a definitive picture of BID/NID finances and activities in Milwaukee County.<sup>6</sup> These limitations will be expanded upon in a later section, but it is important to note that the following information is based largely off audits from 2014, which is the most complete, recent year available.<sup>7</sup>

Examination of BID and NID expenditure data confirms that these districts undertake a wide variety of projects and programs.<sup>8</sup> These can range from community development and outreach, to streetscaping, to mounted horse patrols. While BIDs/NIDs may have different goals, one phrase that consistently came up when interviewing BID/NID managers and executive directors was “clean, safe and friendly.” This phrase has been a part of the BID lexicon since its earliest days, appears



The annual Sun Fair on Mitchell Street is one example of an event organized by a business improvement district.

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<sup>6</sup> For a breakdown of expenditures and revenues included in each category in the tables below, see Appendix B.

<sup>7</sup> Due to gaps in 2014 audits, information for BIDs 19 & 36 come from 2013 audits, and the audit used for BID 32 is from 2011. This analysis omits BID 9 because it has been inactive for some time, as well as BIDs 50, 51, and NIDs 5, 6, 7, & 8 because each was founded after 2014.

<sup>8</sup> Due to lack of specificity, this analysis excludes BIDs 10, 38, 41, NIDs 3 and 4, and the West Allis and Whitefish Bay BIDs. A complete list of the BIDs/NIDs analyzed for this section can be seen in Appendix B.



consistently throughout the country, and is closely modeled on the philosophy that underpinned the development and proliferation of shopping malls.

The largest category of BID/NID spending is general and administrative, as shown in **Table 3**. When combined with salaries and payroll, these costs made up about 38.1% of all spending by BIDs and NIDs in Milwaukee County in 2014. Suburban BIDs appear to spend a higher share of their overall expenditures on administration and staffing than BIDs and NIDs in Milwaukee (48% vs. 38%), but this breakdown varies greatly among BIDs and even between those with similar property values or total revenues.

After general and administrative costs, the largest single expense category for BIDs/NIDs in Milwaukee County was programs related to beautification (24.6%). These programs can include streetscaping, maintenance, trash removal, or other property-enhancement projects like façade grants. The next largest categories were marketing (8.9%) and safety (8.2%).

**Table 3: BID/NID expenditures in Milwaukee and suburbs**

	Milwaukee County Totals	City of Milwaukee	Suburbs
G&A and Contractors	\$2,897,590	27.3%	34.9%
Beautification	\$2,648,206	24.9%	7.2%
Salaries/Payroll	\$1,202,125	11.0%	13.3%
Marketing	\$957,177	8.2%	31.5%
Safety	\$882,022	8.4%	0%
Contributions/Development	\$622,026	5.7%	7.7%
Debt	\$620,417	5.9%	0%
Events	\$582,528	5.4%	4.2%
Other	\$346,001	3.2%	1.2%
<b>Total</b>	<b>\$10,758,092</b>	<b>100%</b>	<b>100%</b>

Suburban BIDs and BIDs/NIDs in Milwaukee diverge strongly when it comes to spending on beautification, marketing, and safety. Milwaukee BIDs spent far more on beautification projects (24.9% vs. 7.2%), while suburban BIDs spent far more on marketing (31.4% vs. 8.2%). One explanation for this may be the costs associated with streetscaping. In suburban BIDs, the city or village typically covers the cost of landscaping or physical improvements to the streets, while BIDs/NIDs usually take on these costs in Milwaukee.

Suburban BIDs also spent nothing in 2014 for security, while BIDs in Milwaukee spent 8.4% of their total expenditures on security. It is important to note, however, that only 10 of the 28 BIDs/NIDs in Milwaukee spent any funds on security; furthermore, of those 10, one BID (21) accounted for about 83% of all security expenditures.

On the revenue side of the equation, the largest single source of income for BIDs/NIDs in Milwaukee County is the annual assessment they collect from their members, as shown in **Table 4**. In 2014, 68.6% of total revenue came from this one source. Most assessment formulas in the county assess a set amount per \$1,000 of a property's value. These formulas typically (although not universally)



have some kind of minimum and maximum payment built into them. Other assessment methods include flat fees, formulas based on linear frontage, and tiered formulas based on proximity to built amenities.

**Table 4: Revenue of BIDs and NIDs in Milwaukee County, 2014<sup>9</sup>**

	Milwaukee County Total	City of Milwaukee	Suburbs
Assessment	\$8,136,297	68.5%	71.2%
Program/Other	\$2,120,309	4.4%	3.4%
Fundraising	\$664,987	5.4%	11.3%
City	\$427,779	3.2%	12.7%
Grants	\$233,326	18.5%	1.4%
<b>Total Revenue</b>	<b>\$11,863,530</b>	<b>100%</b>	<b>100%</b>

Our analysis reveals an interesting relationship between district value and the percentage of that value being collected through assessment, as shown in **Table 5** on the following page. On average, BIDs/NIDs in the City of Milwaukee collect 0.19% of their assessed value from property owners. Smaller districts (those with total values between \$7 and \$30 million) collect 0.32% of their total value in assessments. This divergence may reflect economies of scale. All BIDs/NIDs have certain management and administrative costs, such as occupancy and professional services (e.g. audits). It is possible that to meet those needs and still have revenue left for programs, lower-value districts must raise proportionally more funding from their property owners than higher-value districts.

**Table 5: Relative assessed value of BIDs and NIDs in Milwaukee County, 2014<sup>10</sup>**

Milwaukee BID District Value	Percent of Value Collected
\$7-\$15 million	0.3%
\$15-\$30 million	0.3%
\$30-\$100 million	0.2%
\$100-\$200 million	0.1%
\$200 million to \$1 billion	0.1%
Greater than \$1 billion	0.2%

Suburban BIDs also typically are assessed at a lower-than-average rate. This may be attributed to the fact that certain costs that are assumed by some suburban cities and villages are the responsibility of BIDs/NIDs in the City of Milwaukee, such as certain types of streetscaping and maintenance. Evidence to back this assumption comes from the fact that the one suburban BID that exceeded average BID spending, West Allis, spent more than 20% of its budget on streetscaping and

<sup>9</sup> Based on 2014 audits, though data for BIDs 19 and 36 are from 2013 and data for BID 32 is from 2011. Whitefish Bay's BID was excluded from this analysis due to lack of specific information.

<sup>10</sup> BID 21 is the only BID worth more than \$1 billion.



beautification. Conversely, BIDs in Wauwatosa, Shorewood, and Greenfield spent only an average of 7% on those functions.

Only three BIDs/NIDs in Milwaukee County derived more than half of their revenue from alternative sources, while 26 of the 38 BIDs/NIDs we analyzed relied on their assessment for more than 90% of their revenue. Other, smaller sources of funding included fundraising (5.6%), municipal contributions (3.6%), and grants (2.0%).<sup>11</sup>

Interestingly, the second largest source of BID/NID revenue comes from programs and events (17.9%). These programs are limited primarily to BIDs in Milwaukee that have large budgets and high values. In the Third Ward, for example, programs make up 78% of BID 2's entire budget and include revenues from their parking fees, shuttle program fares, and rental income. These diversified revenue sources are not limited to the Third Ward; Downtown BID (21) earned almost \$100,000 from programs in 2014 and Westown earned more than \$142,000 from events.<sup>12</sup>

## MANAGEMENT

BIDs and NIDs occupy a unique place between public and private, and their management reflects that dichotomy. Ultimately, however, legal responsibility for BIDs/NIDs in Milwaukee County rests with the municipalities that created them; they approve their operating plans, collect and distribute their annual assessments, and either appoint or facilitate the election of their board members.

BID/NID boards must consist of at least five members drawn from the membership (i.e. property owners) within the district. In the case of BIDs, a majority of board members must be commercial property owners or occupiers within the district and are appointed by the municipality's chief executive officer and confirmed by the local legislative body. NID board seats are divided proportionally between the district's commercial and residential property based on aggregate value. Board members are then elected from within these two groups.

The average board size for BIDs/NIDs in Milwaukee County is eight members, with a range of five to 17. Suburban BIDs tend to have more board members (around 12 on average) than BIDs/NIDs in Milwaukee (average of 8). Boards are responsible for drafting and carrying out their districts' annual operating plans and reports, although 30 of Milwaukee's BIDs employ executive directors who oversee day-to-day operations.<sup>13</sup>

In the City of Milwaukee, the Department of City Development's Commercial Corridor Team oversees BIDs and NIDs. In addition to collecting documentation, the Commercial Corridor Team provides BIDs/NIDs with guidance and distributes their property assessments. The team also helps facilitate

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<sup>11</sup> "Fundraising" includes revenues from contributions (including in-kind contributions), donations, events, scholarships and sponsorships. Municipal contributions include loans and reimbursements but exclude anything referred to as a "grant."

<sup>12</sup> Unlike all other figures cited in this report, the figure for the Westown Association's events revenue is taken from its 2014 operating plan and not its 2014 audit. In 2014, the BID was audited as a separate entity from the Westown Association, despite both entities being combined into one in the 2014 operating plan. Because of this, the event revenues do not appear on the audit, only their assessment.

<sup>13</sup> Directors either can be full-time or part-time depending on the BID, and several BIDs share an executive director.



the BID Council, an informal organization that meets regularly and allows BID members and executive directors to share ideas and promote best practices.

Twenty two of Milwaukee County's BIDs/NIDs are closely associated with a nonprofit organization or economic development corporation that either overlaps with the interests of the BID or effectively functions as its official face. For the Near West Side, the Menomonee Valley, and Historic Highway 41/South 27th Street, this relationship is so symbiotic that the BIDs and nonprofits are audited as one entity. In the case of Westown, the only expense listed in the BID's audit is the Westown Association of Milwaukee. It is not uncommon for these BIDs and nonprofits to share board members or, in some cases, executive directors.



# BIDS/NIDS IN MILWAUKEE VS. OTHER CITIES

Our research reveals that Milwaukee occupies a unique position nationally. BIDs have increased greatly in popularity since the 1980s across the country. In fact, today, all but a handful of the 60 largest cities in the U.S. have at least one business improvement district. It is safe to say, however, that no city has embraced BIDs quite like Milwaukee.

With its 32 BIDs and 7 NIDs, the City of Milwaukee has more BIDs per capita than any other city in the U.S, as shown in **Table 6**.<sup>14</sup> In fact, Milwaukee has more than double the number of BIDs per capita as Minneapolis, which occupies the number two slot, and more than five times as many as New York, considered by many to be the epicenter of the BID concept.

*Milwaukee has more BIDs per capita than any other city in the United States.*

**Table 6: Top 10 cities ranked by BIDs per capita**

City	State	2015 Population	Number of BIDs	BIDs per 100,000 people
Milwaukee	Wisconsin	600,155	39	6.5
Minneapolis	Minnesota	410,939	13	3.2
Oakland	California	419,267	10	2.4
Long Beach	California	474,140	11	2.3
St. Louis	Missouri	315,685	7	2.2
Wichita	Kansas	389,965	8	2.1
Sacramento	California	490,712	10	2.0
Chicago	Illinois	2,720,546	53	1.9
San Francisco	California	864,816	15	1.7
Indianapolis	Indiana	853,173	14	1.6

In terms of absolute numbers of BIDs, Milwaukee is tied for third with Los Angeles, as shown in **Table 7**. The two cities with more BIDs – New York (72) and Chicago (53) – are among the country’s largest in population. From a statewide perspective, Wisconsin ranks third in number of BIDs (88), behind only California (232) and New York (115).

<sup>14</sup> For the remainder of this section, unless otherwise specified, “BID” will be used to refer to any equivalent special assessment district.



**Table 7: Top 10 cities ranked by total number of BIDs**

City	State	2015 Population	Total Number of BIDs
New York	New York	8,550,405	72
Chicago	Illinois	2,720,546	53
Los Angeles	California	3,971,883	39
Milwaukee	Wisconsin	600,155	39
Houston	Texas	2,296,224	24
San Diego	California	1,394,928	19
San Francisco	California	864,816	15
Philadelphia	Pennsylvania	1,567,442	14
Indianapolis	Indiana	853,173	14
Minneapolis	Minnesota	410,939	13

In addition to possessing an unusually high number of BIDs per capita, the City of Milwaukee has a number of BIDs and NIDs that overlap with, or exist entirely within, other BIDs or NIDs, as illustrated by **Map 2**. For example, Milwaukee's Downtown BID (21) overlaps with at least five other BIDs, which often overlap one another.<sup>15</sup> An even more striking example is Schlitz Park, which is itself a BID, and which also falls within the Downtown BID, the Historic Martin Luther King Drive BID, and the Riverwalk BID, creating four total BID layers on one site. This phenomenon is not limited to Downtown: the Menomonee Valley BID (26) overlaps with the Reed Street Yards BID (49), and the new Harbor District BID (51) overlaps with the Walker's Point NID (8) and the Kinnickinnic River BID (35).<sup>16</sup> This overlapping of BIDs and NIDs does not appear to be evident in any other city in the U.S.

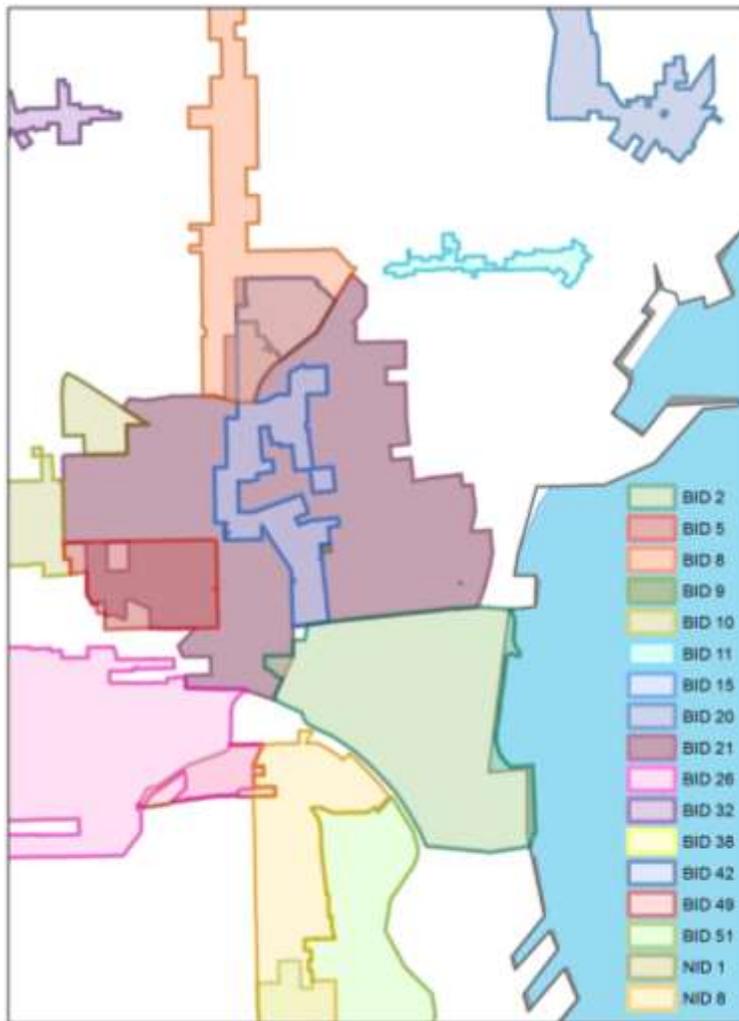
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<sup>15</sup> Schlitz Park, Riverwalk, Westtown, Historic Martin Luther King Drive, and Historic Third Ward are the five BIDs that overlap with the Downtown BID.

<sup>16</sup> The Center Street BID and Sherman Park NID also technically overlap, but all commercial properties are exempt for the Sherman Park assessment, and the other overlap encompasses Sherman Park Lutheran Church and Washington High School, both of which are exempt from any assessment.



Map 2: BIDs and NIDs in greater downtown Milwaukee



## MILWAUKEE VS. NEW YORK

While New York typically is not a city with which Milwaukee compares itself in light of New York's much larger population, it does provide a worthwhile comparison with regard to BIDs. New York City similarly has embraced the creation of BIDs as an economic development strategy, as evidenced by its 72 BIDs, the most in the country. New York also has been looked to as a model by Milwaukee in the past. In 2014, Milwaukee's Downtown BID invited Rob Walsh, the former commissioner of New York's Department of Small Business Services (SBS), to evaluate Milwaukee's BIDs and make recommendations for improvement. New York also is one of the most consistent and thorough cities when it comes to data collection, a common challenge when it comes to evaluating BIDs nationally.

The largest difference between Milwaukee's and New York City's BIDs, other than scale (the average New York BID has an annual budget of \$430,000, while in Milwaukee that total is closer to \$100,000), is the way they are managed. In New York, BIDs are much more closely managed and overseen than in Wisconsin or Milwaukee, as shown in **Table 8**.



**Table 8: Characteristics of BIDs in New York City vs. Milwaukee**

BID Requirements	New York City	Milwaukee
Proposing a BID	Owners representing 51% of total district value or 51% of all owners required to propose a BID	Only one property owner within the district required to propose a BID
Terminating a BID	Owners representing 51% of total district value or 51% of all owners required to terminate a BID	Owners representing 40% of the total value (or assessment) required to petition to terminate a BID before inception; 50% threshold required after BID is created. Common Council may dissolve a BID at will.
Limitations on Assessments	Assessments limited to 20% of total municipal taxes on district properties	No limitation on assessments
Needs Assessment Survey	Required	Not required
Planning	2-year vision plan	One year operating plan
BID Management	District management required to oversee BID	BID may manage itself
Board Members	Board must have 13 members, with 9 seats reserved for tenants and 4 seats reserved for New York City officials	Board must have a minimum of five members; the majority must be property owners within the district

City government in New York City also takes a more active role than in Milwaukee in the evaluation and development of BIDs. While Milwaukee has relied upon BIDs to voluntarily submit annual reports, New York’s SBS office sends out an annual survey, which it then compiles into one comprehensive report. In addition, SBS offers a variety of capacity-building seminars, including neighborhood leadership, nonprofit management, legal assistance, and design assistance.<sup>17</sup>

New York’s BIDs also have a highly active and visible trade group: the NYC BID Association. This nonprofit provides assistance and facilitates collaboration between the city’s BIDs and advocates on behalf of its membership.<sup>18</sup> Milwaukee’s BID Council, while active, remains a largely unknown quantity, which at time of writing has no web presence.

BIDs in Milwaukee rely somewhat less upon their annual assessments than BIDs in New York (68% vs. 73%). One major difference is the emphasis placed on security. In New York, 16% of BID expenses are dedicated to security, as compared to only 8% in Milwaukee. New York BIDs also spend only 18% of their budgets on salaries, general/administration, and outside contractors, as compared to 38% for the BIDs in the City of Milwaukee and 48% for suburban BIDs in the county.<sup>19</sup>

<sup>17</sup> New York City. Small Business Services. <http://www1.nyc.gov/site/sbs/index.page>

<sup>18</sup> The NYC BID Association actually employs its own lobbyists.

<sup>19</sup> General and Administrative expenses include salary and payroll, outside contractors, as well as operating expenses such as rent, office supplies, insurance, utilities and other professional services. This is based on the definition used by the Small Business Services office in their 2015 BID Trends Report.



# BID EFFECTIVENESS: KEY ISSUES AND CHALLENGES

Evaluating the effectiveness of Milwaukee’s BIDs/NIDs is a difficult endeavor. Part of the problem is methodological: as previously discussed, it is difficult to attribute causation of various economic and socioeconomic circumstances – such as crime rates or property values – to BID activities, let alone to compare the success of one BID to another. Furthermore, unlike New York or Los Angeles, where different parts of the city may be similar enough to allow for reasonable comparison, Milwaukee does not have good proxies for areas like Downtown or the Third Ward.

The usefulness of measures like crime or property values as proxies for success also is unclear. BIDs are created for many reasons and different BIDs may have very different goals. Milwaukee’s BIDs place a much lower emphasis on security (as reflected by spending) than cities like New York or Los Angeles, which limits the effectiveness of crime rates as a measurement tool. And, while it is tempting to attribute rising property values as a sign of a successful BID, other factors, such as the overlapping use of tax incremental financing or other forms of economic development spending, also have to be taken into consideration.

Our analysis, therefore, focuses on more concrete measures of success: how BIDs are being managed, financed, and evaluated.

## ACCOUNTABILITY AND ACCESSIBILITY

### *Operating Plans*

All BIDs and NIDs in Milwaukee County must submit an annual operating plan for municipal approval. Until recently, there was no prescribed format for this plan or coordinated efforts to impose any standardized version.<sup>20</sup> Annual operating plans are publicly available on a consistent basis for almost every BID in Milwaukee County, and those plans provide a general picture of each BID’s programs and budgets. There are some areas that could use improvement, however.

One issue that persists despite recent improvement is missing information from BID operating plans. For example, we observe that despite containing sections called “Method of Assessment,” several BIDs (and at least one NID) do not outline any assessment formula. In addition, some BIDs and NIDs fail to include basic information on board size and composition in their operating plans.

Another issue is the absence of important appendices from operating plans. Those appendices often contain budgets or assessment tables, yet in some cases they cannot be accessed by the public through the City’s online Legistar system.

The most fundamental problem, however, is the lack of clearly articulated goals and metrics by which BIDs/NIDs might be measured. Often, proposed projects do not specify any quantitative benchmarks by which they might be judged. Goals like “promote retail and redevelopment opportunities” or

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<sup>20</sup> The City’s Department of City Development is in the process of inserting a standardized template into the BID Manual that, among other things, will require the City’s BIDs and NIDs to include the assessment formula and to add appendices.



“administer façade program” or “provide maintenance” are commonly-cited activities, but these goals rarely are accompanied by anything more specific, making it difficult to determine to what degree the districts have been successful in carrying out these activities.

### **Annual Reports**

Per State statute, all BIDs and NIDs are required to provide publicly available annual reports, which are supposed to detail the activities of the previous year and contain a financial audit. In the past, creation and collection of these annual reports appears to have been infrequent. For the City of Milwaukee, in 2014, only one annual report is available online on Legistar and one other is available on the BID’s website.<sup>21</sup> Nor is this problem limited to Milwaukee; none of the suburban BIDs appear to have made any annual reports available online.

While collection by the City of Milwaukee has improved dramatically since 2014, these annual reports fall victim to the same lack of quantitative metrics exhibited by operating plans. Often, the reported activities from the previous year lack any context, making evaluation of BID/NID accomplishments difficult.

### **Audits**

As a part of their annual reports, BIDs/NIDs are required to complete a certified audit of their finances. Like annual reports, collection of these audits has been inconsistent. While 2016 audits are now being successfully collected, between 2011 and 2015, all but three of Milwaukee’s BIDs and one of its NIDs were missing at least one audit. The suburban BIDs fare somewhat better but still have some gaps.

*The most recent audits for 17 BIDs/NIDs in Milwaukee County did not break down expenditures into basic categories.*

Another problem related to audits is inconsistency. As previously described, many BIDs work closely with nonprofit organizations that have shared goals. In some cases, these goals overlap to such an extent that they effectively operate as one organization. This presents some issues when it comes to audits, as there are cases where the BID and nonprofit are audited as a single entity, thus hampering efforts to determine how the BID is faring financially.

The opposite also can be the case, as the BID and nonprofit organization are audited separately, yet expenses for the BID are characterized in a single line item citing the nonprofit’s expenses. This presents a problem when attempting to determine how funds are being spent.

This inconsistency extends to the content of the audits themselves. The categories used from the audit of one BID to another BID can be dramatically different, particularly when it comes to project expenses. While some audits cite individual projects separately, many simply lump all BID/NID projects into a single category. Without details, it is impossible to categorize BID/NID spending with any accuracy.

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<sup>21</sup> 2014 reports for BIDs 20 and 21 are the only ones that appear to be available.



One final issue is the lack of distinction in many audits between program expenses, general/administrative expenses, and fundraising expenses. In 2014, the audits for 17 BIDs/NIDs in Milwaukee County did not break down expenditures into program, management/general, and fundraising. Without these figures, BID/NID members have no way of knowing whether the district's management or fundraising expenses are in line with other districts or their own expectations. Furthermore, without this distinction, the contributions of BID executive directors, whose salaries can make up a substantial portion of a BID's overall budget, are unclear.

### **Web Presence**

Much like operating plans, annual reports, and audits, this is an area where there has been some recent improvement among BIDs in Milwaukee County. Six BIDs have no independent web presence, though all of the BIDs and NIDs in the City of Milwaukee have pages on the official City website, with all 2017 operating plans available for download.<sup>22</sup> None of the NIDs appear to have an independent web presence.<sup>23</sup> For those BIDs that do have a website, many lack links to operating plans, meeting schedules, annual reports, or audits, which are (by statute) supposed to be publicly available.

## **FINANCING**

While available audits and operating plans have limitations, our analysis of these documents indicates that BIDs in Milwaukee County spend a great deal of their funds on general and administrative expenses (i.e. expenses dedicated to the day-to-day operation of the district, as opposed to programs or projects). Our analysis shows that in 2014, BIDs in Milwaukee County spent 38% of their budgets on general and administrative costs. A separate analysis done by the Corridor Team at the City of Milwaukee's Department of City Development (DCD) found that the City of Milwaukee's BIDs spent 49% of their budgets on salaries and general and administrative.

While these figures seem high, the analysis is complicated by the lack of clarity in many audits. For example, in 2014, one BID in Milwaukee spent \$86,195 on "professional fees," which accounted for 74% of its total budget. Yet, without any context, it is impossible to determine the purpose of these fees and the extent to which they were truly "general and administrative." While only 17 of Milwaukee County's BIDs definitively distinguish general and administrative expenditures from other costs in their 2014 audits, this group of BIDs presents a very different picture; in this analysis, more than 89% of expenditures went towards program services, and not management. Without more consistency and specificity in the annual audits, it is almost impossible to say which of these figures represents the actual state of general and administrative spending among local BIDs/NIDs.

Our analysis of BID finances also indicates that most of Milwaukee County's BIDs/NIDs rely almost entirely on their annual assessment as their key source of revenue. For 26 of the BIDs/NIDs analyzed, assessments accounted for more than 90% of overall revenue. Fundraising and grants were a small portion of the funding picture (less than 8%). Almost 18% of revenue collectively came from BID/NID programs, but 98% of this funding was attributed to just three BIDs (BIDs 2, 21, and

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<sup>22</sup> The BIDs without independent websites are BID's 13, 27, 35, 42, 49, 50

<sup>23</sup> Schlitz Business Center (BID 42) and The Brewery (NID 1) do have websites, but they make no mention of either improvement district and have no information regarding their budgets, operating plans, or annual reports.



26). Overall, the revenue structures for the majority of Milwaukee County's BIDs lack diversity and few are leveraging their assessment revenues in any significant way.

One additional revenue issue that has the potential to affect all BIDs in Milwaukee County is the confusion around what exactly constitutes an "exclusively residential" property. The Wisconsin Court of Appeals has issued two important decisions on BID assessments, both having to do with the collection of assessments from residential property. Under the BID statute, cities may not collect an assessment from properties used "exclusively for residential purposes."

In 2014 and 2016, the Appeals Court settled cases involving the Yankee Hill and Juneau Village developments, which are residential towers located within Milwaukee's Downtown BID. Both developments had been assessed by the BID, and both requested a refund based on the assertion that they were exclusively residential properties and therefore were not subject to assessment. The BID and City refused to give a refund and, in both cases, the court found in favor of the developments, though those decisions were not based on their status as exclusively residential property.

While both Yankee Hill and Juneau Towers are residential apartment complexes, they also are revenue-generating tools for the management companies that own them. While this purpose is clearly more residential than a tower filled with offices, it is also not as "exclusively residential" as a single family home. In fact, in the City of Milwaukee, apartment complexes with greater than four units are designated as "mercantile apartments" and taxed as commercial property.<sup>viii</sup> The State of Wisconsin only classifies apartment buildings of up to three units as residential, which means any complex with more than three units presumably could fall into the commercial class, which lists, in addition to land devoted primarily to buying and reselling goods, "the providing of services in support of *residential, agricultural, manufacturing, and forest uses*" (italics added).<sup>ix</sup>

There is also significant confusion when it comes to the residential portions of mixed-use properties. The statute does not specify whether the entire property can be assessed or whether the exclusively residential portions should be exempted. Currently, there is no consensus on how to handle apartment complexes or mixed-use properties, with some BIDs choosing not to assess the residential portions of any buildings and some treating them as one assessable property. Either decision represents a significant portion of almost any BID's revenue and also exposes BIDs to potential litigation until the issue is settled.



# OBSERVATIONS, RECOMMENDATIONS, AND CONCLUSION

As noted throughout this report, it is clear that BIDs and NIDs are conducting a variety of activities and events that are adding value to districts and enhancing the quality of life of Milwaukee County. Nevertheless, our broad analysis of the use of BIDs in Milwaukee County and across the country – as well as our more detailed analysis of the characteristics of BIDs and NIDs in Milwaukee County – generates several observations that have implications for local policymaking. In this section, we detail those observations and related recommendations and offer some concluding thoughts.

## **Observation #1: The high volume of BIDs in Milwaukee may be linked to Wisconsin's statutory approach.**

When considering why BIDs are such a popular tool in Milwaukee, BID managers have pointed to intense feelings of local pride and a desire by property owners to chart their own destinies. The collective attitudes embodied in Milwaukee's socialist past also were brought up in interviews. Executive directors also cited the perceived need for local leaders to take over when City services fall short of expectations.

*In Wisconsin it takes only one property owner from within the proposed district to propose a BID. In many other states, this threshold is far higher.*

Yet, while these anecdotal explanations may offer some insight, there is one concrete factor that may have contributed to the proliferation of BIDs in Milwaukee: the Wisconsin BID statute.

The state's BID (and NID) statutes are notable for the relatively low thresholds they set for district creation. In Wisconsin, it takes only one property owner from within the proposed district to propose a BID. In many other states this threshold is far higher, often requiring support from owners either of a minimum percentage of the total property value of the district or a minimum percentage of the district's property owners even to begin the process. This is not to imply that a single property owner could will a district into existence in Wisconsin, but it does lower the threshold considerably.

Furthermore, BIDs in Wisconsin do not have to undergo any sort of initial study or community engagement process. The only thing required of a proposed BID is boundaries and a one-year operating plan. BID creation also is predicated on whether enough property owners object, rather than actively assent.

Finally, and perhaps most important, is the fact that property values, rather than the number of property owners, are a key determinant in the creation of BIDs in Wisconsin. To stop the creation of a BID, opposition is required from owners of 40% of the total value of the district (or of the proposed assessment). In practice, this means a relatively small number of large property owners can effectively outweigh the sentiments of a much larger number of smaller owners.

This is not to imply that this has been the case in Milwaukee. In fact, our research suggests that most BIDs begin as broadly popular, grassroots efforts in Milwaukee. However, it does appear to be



relatively easy to form a BID in Wisconsin and Milwaukee as compared to other U.S. cities and states.

While many states have statutes that link BID creation to property values, most also have some provision empowering property owners to have a strong say in number, regardless of the value of their property. For example, New York City requires support either from a minimum of 51% of property owners within a district *or* owners of at least 51% of the district's total value to create a new BID; that is also the case in Los Angeles, Houston, and Indianapolis. Both New York and Chicago require some form of feasibility study before a BID can be formed, and most of the cities analyzed also allowed a majority of property owners, independent of value, to have control over the BID's creation and termination process. That is not the case in Wisconsin.

While Wisconsin's legal requirements are unique, it is difficult to determine whether that is a strength or a weakness from an economic development perspective. On the one hand, given the substantial contributions that BIDs appear to be making in many parts of the city and county, the ease with which they can be created and sustained may be a positive. Yet, on the other hand, without strong data and evidence documenting their success, it is difficult to make such a determination.

Consequently, as data collection and reporting is enhanced, State and local elected leaders may wish to consider whether the existing statutory framework regarding the initiation and creation of BIDs/NIDs is appropriate or whether, conversely, changes should be made. In addition (or instead), the following modifications could be considered to enhance participation in BID governance and promote accountability for results:

- **Expand BID boards:** BIDs could consider expanding their board membership beyond property and business owners to include other members of the community, particularly residential tenants who may be paying a portion of the annual assessment indirectly through rent, without any representation.
- **Expand the role of Milwaukee's BID Council:** Milwaukee should continue to nurture and grow its BID Council. This organization provides the best mechanism for promoting collaboration and education among the city's BIDs/NIDs and should look to New York City's BID Association as a model for expanding its role and influence.
- **Renewal clauses:** Municipalities could consider requiring clauses that call for periodic renewal of BIDs/NIDs as part of their operating plans (as is currently the case for the Downtown BID). These clauses would allow the membership of each BID/NID to have the opportunity to actively vote on its continuation, rather than relying on highly-motivated individuals pulling together enough votes to propose dissolution.



## **Observation #2: BID management in the City of Milwaukee has improved significantly and should continue to progress.**

Management of the City of Milwaukee's BIDs and NIDs has improved greatly since 2014. Collection of audits and annual reports has increased and the current Commercial Corridor Team is working to fill in many of the gaps that occurred before 2014. The content of proposed operating plans also has improved, requiring more detail and thought than in previous years, when many plans simply consisted of the previous year's plan with updated budget numbers. In addition, the City's website for BIDs and NIDs has improved greatly, now featuring pages for all of the City's BIDs and NIDs with up-to-date operating plans and contact information.

Perhaps most fundamentally, however, the services being provided by the City of Milwaukee for its BIDs/NIDs have shown marked improvement. The BID managers and executive directors interviewed for this report universally praised the change in responsiveness and tone that has occurred since 2014.

The Commercial Corridor Team also has resolved one of the major issues that previously had dogged DCD and the City's BIDs/NIDs: inconsistent and delayed assessment payments. Multiple BID managers and executive directors cited this as an ongoing issue that led to a great deal of insecurity, and that in some cases forced BIDs to take out loans to cover expenses while they waited as long as three months for their assessment. The Commercial Corridor Team also has been working to expand the role of the BID Council, encouraging more collaboration and dialogue between the City's BIDs.

Many of the changes that have taken place in the City of Milwaukee line up with those suggested by Rob Walsh, the former director of New York City's Small Business Services office, who was brought to Milwaukee by the Downtown BID to assess the state of the City's BIDs. New York City's BIDs are among the most sophisticated and well-managed in the country, and Milwaukee should look not only to their model (and that of the SBS office) for guidance, but also give weight to the recommendations made by Mr. Walsh that have not yet been implemented, including the following:

- **Detailed annual reports:** In his 2014 memo to the Mayor, Mr. Walsh recommended the City get a "much firmer handle on all BIDs by requiring detailed annual reports and a regular reporting structure for major issues, projects underway, red flags or trouble spots in a district."
- **Strengthening personnel:** Mr. Walsh proposed strengthening the leadership within BIDs through workshops to enhance knowledge of retail business resources, marketing, promotions, place making, and stakeholder relationships, and through leadership training.
- **Spotlight accomplishments and create challenge program:** Mr. Walsh suggested that the City do more to spotlight the accomplishments of BIDs and encouraged the creation of a BID challenge program "to encourage new ideas, innovation and creativity in BID service delivery and programming." He went on to state that "this initiative will generate new ideas and also encourage some of the more complacent and inactive BIDs to take action."

In addition, despite the improvements noted above, the following additional enhancements to administrative procedures should be considered:



- **Continue to improve collection of audits and annual reports:** The City of Milwaukee should continue to hold BIDs accountable when it comes to turning in their annual reports and audits. The strategy of withholding assessment checks from BIDs/NIDs that fall out of compliance is a good strategy that will hopefully become less necessary as BIDs adjust to more rigorous documentation requirements.
- **Consider implementing an annual report survey similar to NYC:** Every year, New York City sends out a survey through Survey Monkey to all of its BIDs requesting information on everything from total full time employees, to the amount of trash that was collected that year, to the number of storefront vacancies. A similar survey for Milwaukee’s BIDs/NIDs could greatly increase the quality of data being given to the City, while also making submission and collection of annual reports much easier.
- **Break down audits into management/general, program, and fundraising expenses and create consistent categories:** Audits should consistently break down expenses into management/general, program, and fundraising categories. Without this best practice, it is impossible to gauge how much is being spent in each category, making it almost impossible to evaluate performance.
- **Audit BIDs and their partner nonprofits together:** While some BIDs are audited along with their partner nonprofits, some are not, creating an incomplete picture of how funds actually are being spent. In cases where BIDs or NIDs are administered or managed by a partner nonprofit, it is important that the audit and annual financial report be presented in such a manner that the expenses of the BID or NID can be clearly identified and broken down by expenditure category.
- **Create measurable goals and benchmarks:** BIDs/NIDs in Milwaukee County should work to create concrete, measurable goals. This will provide their membership with a better sense of the rationale behind expenditure budgets and provide for greater accountability. These measurable goals should be accompanied by benchmarks that will allow BIDs/NIDs to evaluate progress, identify any trouble spots, and change course if necessary.

### **Observation #3: BIDs and NIDs in Milwaukee County should collaborate more and look beyond their assessments for revenue.**

While the sheer number of BIDs in Milwaukee when compared to other cities is a key finding of this report, an equally striking finding involves the significant number of overlapping BIDs and NIDs. Whether having so many BIDs/NIDs and so many that overlap is a positive or negative attribute is difficult to determine given the difficulty we experienced in evaluating BID performance. Yet, regardless of that question, the number and overlapping nature of BIDs – as well as our finding that general and administrative expenses are the largest category of BID/NID spending – does suggest that there may be opportunity for collaboration to reduce costs and improve efficiency.

We also find that the largest single source of income for BIDs/NIDs in Milwaukee County is the annual assessment they collect from their members, with 68.6% of total revenue coming from that one source in 2014. Lower-valued districts, in particular, lean on their assessments for the bulk of their funding, and only three BIDs/NIDs in Milwaukee County derived more than half of their revenue



from alternative sources. The second largest source of BID/NID revenue comes from programs and events (17.9%), and the ability to realize such revenue is limited largely to BIDs in Milwaukee that have large budgets and high values.

In light of these observations, we recommend the following:

- **Pursue administrative service sharing:** BIDs/NIDs with similar goals should consider sharing administrative costs and jointly contracting for services like auditing, street cleaning, or insurance so they can negotiate for a lower price. BIDs and NIDs that are close to one another also might consider merging their marketing activities. This combining of efforts and management also could be extended to other nonprofits that operate close to the district and share many of the same goals. The partnerships between BIDs/NIDs and nonprofits such as Downtown Milwaukee, The Historic Third Ward, Historic Highway 41/South 27th Street, Menomonee Valley Partners, Riverworks, and the Westown Association all are models that could be emulated.
- **Enhance efforts to leverage assessment funding:** Districts not only should do more to seek existing funding sources like grants, but also emulate the examples of the Third Ward, Downtown Milwaukee, Menomonee Valley, and Westown BIDs, which earn extra funds through their own programs and events. Smaller BIDs could consider collaborating with other nearby BIDs on joint events or programs to establish the capacity they might otherwise lack on their own to develop and implement such initiatives.

## CONCLUSION

Business and neighborhood improvement districts have become more abundant in Milwaukee than in any other American city, thus signaling via their popularity that they are perceived by stakeholders as valuable economic development tools. Unfortunately, we find that a lack of performance data makes it difficult to quantify that value, which leads us to strongly suggest that action be taken to enhance the ability of BID and NID members – and the community at large – to assess their effectiveness.

That suggestion, however, should not be taken as an indication of concern or skepticism regarding the value of BIDs and NIDs. On the contrary, efforts to strengthen goal setting, reporting, and collaboration not only will enhance transparency and efficiency, but also may provide impetus to expand the activities of Milwaukee County's BIDs and NIDs.

For example, while we point out some of the cautionary elements associated with the highly permissive nature of Wisconsin's BID and NID statutes, that permissiveness also gives BIDs and NIDs substantial latitude to pursue creative economic development strategies, and to experiment with their core missions as development districts. Furthermore, while BID assessments often are small, they represent a reliable revenue source that could be leveraged for additional impact. To the extent that BIDs and NIDs are achieving the goals of their members, therefore, there may be untapped opportunity to *build* on that success.

Overall, the unique assortment and volume of BIDs and NIDs in Milwaukee County (and, particularly, the City of Milwaukee) is an economic development phenomenon that merits further contemplation.



For example, is the proliferation of BIDs and NIDs a reflection of their inherent value, or does it reflect the inability or unwillingness of local municipal governments to provide services that are critical to business and neighborhood improvement? Is the ease with which BIDs can be initiated and sustained in Wisconsin a positive attribute that is nurturing the creation of highly effective improvement districts, or a negative element that is discouraging appropriate oversight and inhibiting the rights of small property owners?

While our research is unable to answer those questions, it does suggest action to promote the improved data collection and reporting that will be critical to doing so. Several such strategies already have been initiated by Milwaukee's DCD, and we hope this report will lend support to such efforts and promote robust, data-driven consideration of Milwaukee's unique use of business and neighborhood improvement districts.



## APPENDIX A

### NATIONAL BID STUDIES

Brooks, Leah. “Volunteering to Be Taxed: Business Improvement Districts and the Extra-Governmental Provision of Public Safety.” McGill University. May, 2006.

Ellen, Ingrid; Schwartz, Amy; Voicu, Ioan. “The Impact of Business Improvement Districts on Property Values: Evidence from New York City.” New York University. 2007.

Cook, Philip; MacDonald, John. “Public Safety through Private Action: An Economic Assessment of BIDs, Locks, and Citizen Cooperation.” National Bureau of Economic Research. 2010.

## APPENDIX B

### BIDS AND NIDS 2014 FINANCIAL ANALYSIS

For the fiscal analysis, 2014 financial information for the following BIDs/NIDs was used: Milwaukee BIDs 2, 4, 5, 8, 11, 13, 15, 16, 19, 20, 21, 25, 26, 27, 28, 29, 31, 32, 35, 36, 37, 39, 40, 42, 43, 44, 48, and 49; Greenfield’s BID 1 and 2; Shorewood’s BID; Wauwatosa’s BID; and Milwaukee’s NID 1.

In order to aggregate expenditures into the “General and Administrative and Contractors” category, the following line items were combined: accounting, rent, consulting, contractors, depreciation, insurance, legal and other professional fees, audit, office supplies, utilities, and subscriptions.

For the “Contributions/Development” category, community and business development, grants, and memberships were combined.

“Salaries/Payroll” includes any expenses explicitly cited as salary or wages and any related benefits were included.

“Beautification” includes trash removal, graffiti removal, streetscaping, landscaping, and maintenance.

“Events” includes any event-related expenses.

“Marketing” includes marketing, advertising, promotion, and website expenses.

“Safety” includes police patrols, cameras, security guards, public ambassadors, and security lighting.

“Debt” includes any loan-related expenses.

“Other” includes travel, meetings, equipment, outings, seminars, other projects, and miscellaneous.

Revenue categories were similarly combined. “Assessment” is the annual assessment received from the municipality and “Grants” are any revenue explicitly cited as a grant.

“Fundraising” includes fundraising, events, in-kind contributions, and donations.

“Municipality” includes any other government-related funding such as payments for graffiti removal.

“Program/Other” includes funds from special programs or assets, interest, and miscellaneous.



## ENDNOTES

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<sup>i</sup> Houstoun Jr., Lawrence O. *BIDs: Business Improvement Districts*. Urban Land Institute. 1997.

<sup>ii</sup> *Ibid.*

<sup>iii</sup> New York City BID Association. “BID History -- New York City’s BID Program: Past to Present.” <http://nycbids.org/history>

<sup>iv</sup> International Downtown Association *Business Improvement Districts: Census and National Survey*. 2011.

<sup>v</sup> Kennedy, David J. “Restraining the Power of Business Improvement Districts: The Case of the Grand Central Partnership.” *Yale Law and Policy Review*. 1996.

<sup>vi</sup> *Ibid.*

<sup>vii</sup> Lueck, Thomas J. “Grand Central Partnership Is Subject of U.S. Inquiry.” *The New York Times*. May 26, 1995.

<sup>viii</sup> City of Milwaukee Assessors Report. *2016 Assessments and Taxes*. December, 2016

<sup>ix</sup> Wisconsin Department of Revenue. “2017 guide for property owners.” <https://www.revenue.wi.gov/DOR%20Publications/pb060.pdf>

