

**Creating Business Improvement Districts in Chile:  
Commercial District Strengthening Pilot Program**

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by

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## **ABSTRACT**

Business Improvement Districts (BIDs) have been used as an instrument to revitalize, strengthen and recover commercial districts in cities in North America for several decades. In May 2015, the Chilean government started a pilot program: Commercial District Enhancement Program (*Fortalecimiento de Barrios Comerciales*, FBC), which aims to implement BIDs in several cities. The BID model is based on an increase in property taxes to generate extra revenues that are appointed to provide or complement services such as sanitation, security, and marketing in a particular district. Based on data collected through interviews and using NYC as a point of comparison, this thesis analyzed the approach of the Chilean BID model in order to inform key issues, such as the need for strong associations, access to permanent revenues, and services provided. Notwithstanding, results show the Chilean pilot program is it currently stands to be unsuccessful; the program is not designed to address the long-term goal economically sustainable commercial districts.

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## INTRODUCTION

In 1970, the first Business Improvement District was created in Toronto, Canada, was focused on streetscapes improvements and special events (Ellen, Schwartz, Voicu, Brooks, & Hoyt, 2007). Six years later, in 1976, New York City's first BID was established<sup>1</sup>, and since then, the model has been used to revitalize, strengthen and recover commercial districts in central areas. In May 2015, Chile started the implementation of a pilot program called Commercial District Enhancement (*Fortalecimiento de Barrios Comerciales*, FBC), which aims to promote associations among business owners to foster economic development in commercial areas and which has been outlined with similar goals to those of the BID model. Results of this first experience will be reviewed in May 2016 to inform the definitive version of the program. The goal of this thesis is to analyze the Chilean pilot program in respect to BIDs formation process, association structures and funding to better understand their possible impacts on the program success and on the even/uneven distribution of benefits among stakeholders. NYC's experience is used as a benchmark to provide recommendations for the Chilean's pilot program final definition and implementation.

Since Jane Jacobs (Jacobs, 1992) urban planners have advocated to empower communities in the decision-making of process planning, or at least in having instances for their voices to be heard by promoting a bottom-up planning approach. Business Improvement Districts (BIDs) can be understood as an example of the public having more opportunity to

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<sup>1</sup> Fulton Mall in Brooklyn was formed in June 1976 as a Special Assessment District (SAD).(SBS, n.d.)

participate in planning processes. According to Morcol and Zimmerman BIDs are "publicly sanctioned special districts and the organizations that provide a wide range of services to these districts and most commonly rely on self-assessments as a major revenue source"(Morcol et al., 2008, p. 30). This governmental policy promotes the formation of civil associations to plan and work for their own local interests, where the initiative to take action comes from the community and takes the form of a nonprofit organization that leads its implementation. The result is the creation of a new level of governance where public-private boundaries are blurry, representativeness of stakeholders (residents, street vendors, small business owners) is not well defined, and a private board usually in conflict with personal interests makes decisions about the public realm. At the end, the bottom-up planning approach ends up in the hands of a few.

When the City of NYC approves a BID, a managing board, also called BID, is created. This board is a private (nonprofit) or public governing body, which concentrates the power of decision-making, and is in charge of leading the planning and implementation of the development strategies for the district. Two of the most controversial issues about BIDs are the boards' accountability — held only to those members with a tax burden—; and the stakeholder's representativeness — very often property owners prevailed over business owners and in the majority of cases residents are left outside (Morcol et al. 2008). None of these topics has been fully studied by the literature, particularly not under New York City's regulations or in respect to BIDs responsibilities to non-member stakeholders.

For her second period (2014 - 2018) as Chilean President, Michelle Bachelet defined an agenda focused on productivity, innovation and growth to be developed by the Ministry of Economic Development and Tourism, which had the goal to diversify the country's economy. Among the forty-seven actions proposed, number forty-one directly affects cities at a local level

by promising the creation of a program to strengthen commercial districts. According to the Ministry of Economy, Development and Tourism (2014a),

Commercial neighborhoods are employment and growth sources for many micro and small enterprises. In a country that grows in an inclusive manner, commercial development cannot leave behind smaller businesses, which compile a fundamental public role in the city and in the community around them, in many cases defining its identity. When enterprises that are part of a commercial neighborhood are able to coordinate they can solve common problems and finance good and services of common interest easily. A policy that facilitates the association, coordination and activities of collaborative character financing can help to create synergies and shared benefits.

We will create a commercial neighborhood strengthening program. The program would be implemented by Sercotec and will finance the execution of associative projects, as technical assistance and training, marketing investigation, marketing actions, acquisition of physical assets and infrastructure enabling, among others. The goal is to create a common strategy for the neighborhood, which differentiate it from other competing places and that boost its commercial attributes and cultural identity.

– (Ministry of Economy, Development and Tourism, 2014a)

After collaborative work among national, regional and local agencies, experts, technicians, and local commercial associations, sixty areas in the country were selected to be part of the pilot phase of the FBC program. SERCOTEC, the Technical Cooperation Service (*Servicio de Cooperación Técnica*), in charge of the program's design and implementation, organized it in three phases: pre-investment, investment, and consolidation<sup>2</sup>. Pre-investment considers funds to create a commercial and urban development plan for the district that defines strategies, projects and programs for short, medium and long-term. In the second stage, Investment, districts will apply for government grants to access public funds to finance the implementation of the plan defined in the first phase. Finally, the Consolidation phase refers to the moment when districts are capable of permanently finance activities and services needed to sustain the economic

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<sup>2</sup> See appendix for the complete list of districts selected.

benefits and social capital improvements obtained during the program’s implementation. Most of the designated districts are currently working on the first stage with a main focus in creating social capital and strengthening associations; they should be ready to pass to the investment phase in May 2016. At this same time, SERCOTEC has planned to make changes to the program based on the results of this first pilot experience, as well as extend the opportunity to new districts.

**Figure 1 - Location of the 60 districts selected for the pilot phase of the FBC program in Chile**





In New York City (NYC), the policy to renew commercial areas works in a different way than the one proposed in Chile. For starters, in the first, the policy has been defined as self-help through self-taxation, where the BID provides extra services in public spaces maintenance, street cleaning and security in exchange for higher property taxes. Another important difference is that in NYC property owners apply to this benefit, while in Chile districts are proposed and designated by local and national authorities. Lastly, Chilean regulations do not allow taxes to be assigned a priori to a particular purpose, meaning funds come from different sources when comparing to NYC BIDs, but they would still act over public space, impacting the community beyond the BID area. While both programs are constrained by different regulations and financial models, both base the success of the program on promoting private associations to get access to private and public resources in order to boost and strengthen their commercial activity.

Two research questions guide this study: (1) How to create a BID in Chile? (2) How does the Chilean program and context fits into the NYC BID model? First, this paper will present a literature review to frame and explain the mayor issues BID need to address based on the impacts they create on cities and communities. Then, it will examine BIDs in NYC to provide a background to understand the BID model. Subsequently, this paper will explain the methods of data collection and analysis utilized, which were based mainly on personal interviews. Following this, findings on the Chilean program will be discussed and compared to the NYC BID model. Finally, this paper will provide recommendations for both SERCOTEC and business owners.

Final results of this study show that in order for the Chilean program to succeed as a BID model it needs to be fully defined, have better planning for long-term goals, improve

communication, focus the resources in a few districts to define the pilot program from start to end, and incorporate local governments.

## LITERATURE REVIEW

The creation of Business Improvement Districts has been studied from very different perspectives. This means BIDs have been defined based on the implications they have had as government instruments in governance, local economy, urban revitalization, and democracy. However, the participatory process and requirements for BID formation, the implications of the administrative structure of the organization and the role of the government –all factors related to the even or uneven distribution of benefits– have not been studied in depth.

First of all, it is important to mention that authors use the term Business Improvement District (BID) for both the geographic area and the institution responsible for its administration. This distinction is important when defining BIDs (Morcol et al., 2008). Second, it is important to know the BID categorization proposed by Gross (2005). She defines three types of BIDs based on their revenue, which determines the type of services they provide. Small BIDs are focused mainly on physical maintenance, midsized ones add marketing and promotional activities and large BIDs also work on capital improvements.

As mentioned above, different authors have proposed different definitions for BIDS. They are revitalization tools for commercial areas, examples of privatization of public services, self-governance by communities of business owners, private-public partnership, and self-help private governments. In an attempt to convey all definitions into one, Morcol defines BIDs as "self-assessment districts that are initiated and governed by property or business owners and authorized by state or local governments to operate in designated urban and suburban geographic areas". (Morcol et al., 2008, p. XV)

In relation to those definitions, authors have studied the impacts of the BID model by using different indicators to measure its success. Sutton (2014) focuses on the economic impact

taking sales and employment increase as factors to compare the performance of different scales of BIDs with areas in the city without that condition. She concludes that small BIDs are least likely to succeed. Hoyt (2005) found that crime rates in BID areas in Philadelphia are lower than in the rest of the city. The last of the three impacts studied is property value, in this case Ellen (Ellen et al., 2007) argues that BIDs have positive impacts on commercial property values, but this variation is not consistent in all types of BID. Both Sutton (2014) and Ellen (Ellen et al., 2007) bring the idea that BIDs success is related to their size, stating that the model is not necessarily a good policy for areas with small businesses. From their results and conclusions it is clear that scale should be considered when studying BIDs, particularly small BIDs because their results differ considerably from the rest. However, in the process of fully understanding BID success the impact on the community should also be addressed.

Morcol and Zimmerman (Morcol et al., 2008) present the issue of the power of decision-making given to owners of large properties by the weighted vote<sup>3</sup>. They state that taking this vote system away would be contradicting the idea of having larger stakeholders making the bigger investments, as well as leading and promoting BID formation. Anchor businesses are interested in investing more capital than the rest only if they have control over decision-making. In the same line, Sutton (2014) argues that in order for BIDs to be successful and sustainable they need to have a mix of business types; both anchors and small companies. Both sources acknowledge the existence of a conflict in BID formation, particularly in the uneven relationship created between capital contributions and the power conferred to each stakeholder based on property assets.

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<sup>3</sup> In order for a BID to be approved they need the support of the 51% of business property owners, but the votes are weighted by the property assessment, meaning larger properties votes have more value.

In respect to accountability, Hochleutner (2003) is the only author that studies this issue as a main impact and not as a secondary effect. He analyzes BIDs from a legal perspective arguing that BID boards ought to be monetary accountable only to business owners or business property owners that are being taxed. Furthermore, Hochleutner argues that BIDs are politically accountable to the extended community for two reasons: first, there is a local elected official at the BID board; and second the local government is in charge of BID oversight after they have been approved. Morcol discusses this explanation stating that taxpayers and local governments have little control over BID actions; a situation that can easily lead to a "private agenda" financed with "public funds"(Morcol et al., 2008, p. 11). The argument is that representatives of already existing Business Organizations are the same ones leading BIDs boards. According to Morcol and Zimmermann (Morcol et al., 2008) this can be understood as BIDs being just a legal shell to have access to more resources for already organized business associations with similar interests which would pursued the same goals as before the BID formation, although now with an incremented capital. The result is a tax burden for all business related properties where those owners that are not part of these associations are charged with an extra tax fee without having a say in the way their money is being invested. Then, there is a risk of uneven distribution of benefits among property owners. However, the argument presented does not address how BIDs can impact residents. Even if residents do not get a considerable tax burden, BIDs should be also accountable to them. After all, most of the services they provide happen on public space, thus affecting residents' public space enjoyment. BIDs community involvement strategies could account for this, but there is a lack of studies evaluating BIDs performance in respect to the participatory process itself and how the BID boards' structure and modus operandi is prevented from impacting that process.

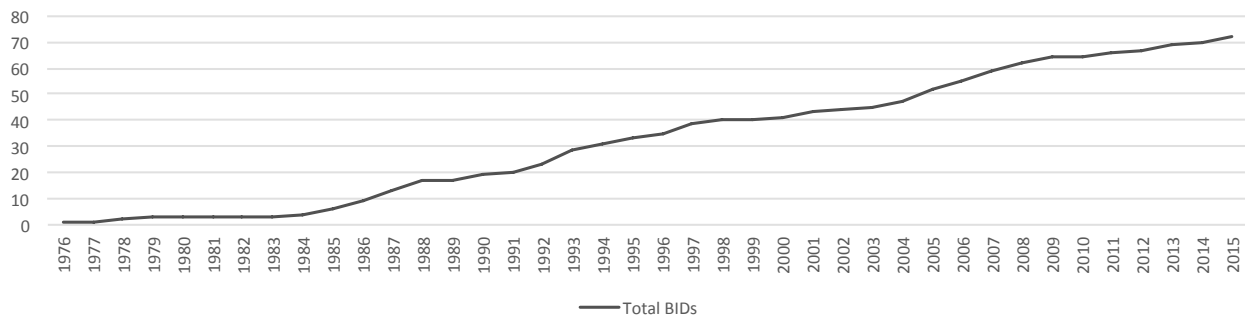
One last point to address about BIDs literature is a gap in exploring the role nonprofit organizations play in this new type of governance; a self-governing one that is not completely public neither private. Ferris (1998) uses different theories to explain the role of these organizations based on the concept of collective choices: public goods, trust goods, and club goods. The last one suits the BID model: "individuals (or organizations) will band together to ensure that the goods would be provided under conditions that they control, including being able to exclude individuals from participating and benefiting" (Ferris, 1998, p.142). The role nonprofit organizations have in governance is not well defined, and, unlike Philadelphia, where boards can be governmental institutions or nonprofits, in NYC they can only be nonprofits. This same condition would likely apply in Chile. Thus, the role BIDs have as institutions and how the government regulates it is a key aspect to understand the level of democracy in the implementation of this policy, particularly in relation to representativeness and participation.

The literature review shows BIDs as a new model of governance with blurred limits between public and private interests and rights. Authors have shown the distribution of benefits is not necessarily even, and that BIDs are not accountable for the whole community even if they are using public resources and infrastructure. A big part of the researchers referred to BID formation and board composition as a probable cause for these uneven results, but they do not explore its impacts in depth. There is a need to complement the literature by studying BIDs beyond the economic success and neighborhood change. As already showed by Meltzer (2010) and Morcol (Morcol et al., 2008) with their literature analysis there is still much to be studied. One gap that can be identified is in the impact of the BID formation process, with regards to the approval process and board structure, as a key aspect of the distribution of benefits and accountability beyond property owners.

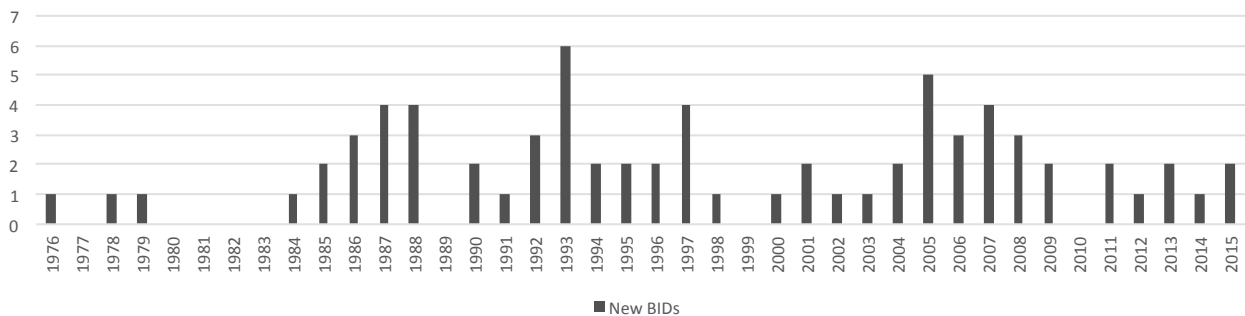
## BACKGROUND: NEW YORK CITY

In 1970, the first Business Improvement District was created in Toronto, Canada; it was focused on streetscapes improvements and special events (Ellen, Schwartz, Voicu, Brooks, & Hoyt, 2007). Six years later, in 1976, New York City's first BID was established<sup>4</sup>; since then, the model has been used to revitalize, strengthen and recover commercial districts in central areas. Today the city has more than seventy BIDs and the number continues to grow<sup>5</sup>. The diverse size and types of BIDs, with more than forty years of history, make the city a rich case to use as comparison point for evaluating the Chilean pilot program.

**Figure 2 - Total number of NYC BIDs by year**



**Figure 3 - Number of NYC BIDs created by year**



<sup>4</sup> Fulton Mall in Brooklyn was formed in June 1976 as a Special Assessment District (SAD). (SBS, n.d.)

<sup>5</sup> According to SBS (Small Business Services) official website, there are 72 BIDs approved. While other districts are either in the process of expanding or formation. As an example, 82nd Street BID is trying to expand its area to more than double by creating the Jackson Heights-Corona Business Improvement District.

More than fifty percent of BIDs in NYC were formed in the 1980s and 1990s, as a response to a time of disinvestment in the inner areas when sanitation and security were the main concerns for business owners. Today, the goal of creating a BID has changed. Their major role is to provide marketing and commercial promotion to increase sales, although culture of collective action remains (personal interview, March 18, 2016). Property and business owners keep on forming associations to strengthen the commerce in their areas by taking advantage of the BID policy. As an example, the number one reason for Atlantic Avenue to exist is to bring costumers to the district, then the greater effort is put into marketing: shopping guides, banners on poles, social media and public relations. According to BID staff interviewed, the success of these associations into becoming a BID depends on three factors: a common goal, permanent revenues and trust, which are linked to the requirements and structure defined by the city for BID approval and operation (personal interviews, March 15 and 18, 2016).

### **Common Goal**

It sounds obvious, but it is crucial for BID success to have a common goal. Services must respond to agreed community needs and requirements. The approval of a BID is linked to a contract with the city based on the District Plan, which defines the services to be provided by the BID and allows the city to collect extra taxes to finance them. According to the Business Improvement Districts Trends Report 2014, BIDs spend most of their budget in services, such as sanitation, public safety, marketing, and other programs that include social services, business development, and miscellaneous programs (NYC Small Business Services, 2014).

Services provided by NYC BIDs are of two types. First, there are permanent services that correspond to all of those are required by law because they are listed in the contract with SBS. For example, Myrtle Avenue is obliged to give sanitation, district marketing and holiday lights.



Second, BIDs provide complementary services financed by resources collected in addition to those coming from tax assessment. This BID works also in attracting businesses to fill up vacant spaces, and in retaining existing businesses to maintain those services residents need (basic neighborhood stores as drycleaners or gyms). The effort is focused into easing their burden of operation by connecting them with city services and providing guidance on lease negotiation. Myrtle Avenue also offers grants for storefront improvement, and it is partnered with a law firm that uses pro-bono hours to assist merchants with common legal issues.

The city does not provide enough services for maintaining street trash cans empty in commercial areas with a high concentration of daily population. Thus, the sanitation service consists in collecting the litter on the street and putting it on bags that the municipality truck picks up from the corner next to the trash cans. In this way, the BID can maintain the streets clean and create a more attractive environment for consumers. Even if this is one of the services tied to the contract with SBS, and most likely the only one that all BIDs share, results of the interviews are consistent in saying that their major role is related to marketing. As seen in Table 1, in average 24% of BID budgets goes to sanitation, 17% to public safety and 13% to marketing, while the remaining resources are spent in capital improvements, streetscape, holiday lighting and other programs and administration costs. However the budget distribution varies between different sizes of BIDs, for example Myrtle Avenue uses a third of their budget from tax assessment funds to cover sanitation expenses, and BIDs in the lower quintile do not have budget for capital improvements. Atlantic Avenue services, for example, are limited to streetscapes improvements, sanitation service, marketing, and general administration.

**Table 1 - BID dollar expenditure 2014 (NYC Small Business Services, 2014)**

<b>Category</b>	<b>Amount</b>	<b>%</b>
<b>Sanitation</b>	\$28,812,322	24%
<b>Public Safety</b>	\$20,564,763	17%
<b>Other Programs*</b>	\$16,765,643	14%
<b>Marketing</b>	\$15,225,885	13%
<b>Capital Improvements</b>	\$ 7,996,326	6%
<b>Streetscape</b>	\$ 7,037,811	6%
<b>Holiday Lighting</b>	\$ 1,467,373	1%
<b>Salaries &amp; Payroll</b>	\$12,160,746	10%
<b>Other G&amp;A**</b>	\$ 8,001,898	7%
<b>Outside Contractors</b>	\$ 2,210,662	2%

\*Other program expenses include social services, business development, and miscellaneous programs

\*\*Other G&A includes rent, office supplies, insurance, and miscellaneous expenses

Among the services provided by BIDs, security and sanitation generate the highest controversies. Critics argue that they correspond to public goods that should be provided by the city and should not be left to the economic capacity of neighborhoods because it creates inequality (Adler, 2000). BID supporters understand these services as complementary to the ones provided by the city. They are added benefits and depend on the service the city provides now.

In addition to the services previously described, both Myrtle and Village Alliance are facing now the process of creating a new one: public space management, which is particularly the administration, programming and maintenance of plazas. In 2007, Myrtle Avenue was accepted as part of the Department of Transportation (DOT) plaza pilot program, an initiative where the

city builds new plazas in publicly owned land to be maintained by community organizations in the form of a private-public partnership contract. The BID is advocating for this plaza in order to draw more people to the area. As the managing entity, it has to keep it clean, repair furniture, and do the landscape, but at the same time it has the benefit of being in charge of programming the space. In order to be able to fulfill this new service the assessment was raised from USD 425,000 in 2015 to USD 500,000 in 2016.

Astor Place, the Village Alliance new project, is a public plaza where the BID would act as DOT partner in managing the space. The idea behind this model is to find the proper schedule and frequency for activities to happen in the public space without negatively affecting the neighbors. According to a BID staff, "the city, through the street activity permits office, allows for everything that comes out of the door and the community does not like the results, it is too noise, too commercial or it is just not appropriate" (personal interview, March 18, 2016).

After the agreement permission is granted, they would have to follow a plan defined by the BID based on the existent agreement with SBS and any new one with DOT. Managing the public space and its programming is becoming a key aspect of BIDs. It allows them to control the use of public space to revitalize commercial activity in the district and attract more people to the area, hoping to increase business sales. As a BID staff states, "it is important that the design is pretty, but we want to set the flavor, the tone of what is happening there" (personal interview, March 18, 2016).

## **Revenues**

Most BIDs complement their resources with fundraising and grants. However, it is necessary to have a permanent source of revenues to ensure the economic sustainability of the district. New York State (NYS) regulations allow the city to collect extra taxes from properties

inside BIDs boundaries and to transfer them to each BID for the implementation of the District Plan. The total amount of tax assessments to be distributed among property owners corresponds to the budget approved by the contract with the city. Commercial properties are charged with extra taxes depending on the assessment formula defined for each BID, while residential ones are charged with a nominal fee of USD 1. <sup>6</sup> In 2014, NYC BIDs collected almost USD 100 millions from property tax, about 76% of their total budget. They complemented those funds by fundraising (9%), other sources different from grants (7%), and in some cases with plaza revenues that sums up to 5% (NYC Small Business Services, 2014).

**Table 2 - BID dollar sources 2014 (NYC Small Business Services, 2014)**

<b>Category</b>	<b>Amount</b>	<b>%</b>
<b>Assessment</b>	\$96,639,767	76%
<b>Fundraising*</b>	\$11,688,905	9%
<b>Other Revenues**</b>	\$ 9,476,959	7%
<b>Plaza Revenues</b>	\$ 6,268,274	5%
<b>Grants</b>	\$ 1,327,135	1%
<b>Banners</b>	\$ 1,264,896	1%
<b>In-Kind</b>	\$ 717,278	1%

\*Fundraising includes revenues raised from events, campaigns or similar programs

\*\*Other Revenues includes special contracts, program service revenue, and other miscellaneous revenue.

<sup>6</sup> Not-for profit organizations can choose if they want to contribute or not, in the case of Village Alliance they are suggested to contribute with fifty percent of what they are supposed to pay based on the property characteristics; non-profit contribution is particularly important in this BID because an important portion of properties is owned by NYU. (Personal interview, March 18, 2016)

According to NYC regulations there are three factors that can be used when defining the assessment formula: frontage of a build to the street, square footage and assessment value. BIDs use available city information to define the best combination of these indicators. Atlantic Avenue based its assessment only in property street frontage. Its Executive Director explains that this was the only indicator people forming the BID trusted. The other two were not considered a reflection of the services businesses would receive, particularly when the main one is sanitation. Arguments against the other indicators were that due to assessment values depending also on the current conditions of the property, basically on how well maintained it is, and because all the properties in the district have a frontage, then the square footage was not necessary. In the meantime, both Myrtle Avenue and Village Alliance calculate the assessment based on a combination of storefront and property assessed value. In the case of the latest, the proportion is fifty percent for each indicator, meaning that if a property does not have access to the street, it only pays what corresponds to its assessed value.

Both, assessment formula and budget can be modified if needed. Myrtle Avenue increased its annual budget in 2015 in order to include more services that needed permanent revenues. This required the support from property owners and it was possible because new construction in the area with commercial use increased the number of properties taxed. Then, even if the total BID assessment went up, what each people paid ended up being less than the previous year because the total tax burden is now shared with new properties that used to be vacant lots and did not contribute as commercial property.

## **Trust**

As non-for profit associations providing services and managing private funds over public space, BIDs need the support not only of commercial property owners that are the ones allowed

to vote for the BID approval, but also from the rest of the community. They need to be accountable, transparent and reliable. For this purpose, they have a defined voting system, a set of BID board requirements, and are overseen by the local government.

**i. Voting System**

In order to be approved, BIDs need more than fifty percent of supporting votes from commercial property owners exclusively, which are weighted based on each property assessment value. If a BID area comprises large property owners, a small group of them can get together to reach the required votes without having to involve the rest of the property owners. However, if a BID is composed by several small and medium enterprises and a high number of property owners it is essential to have the support and commitment of a majority of property owners. In most of the cases, it is beneficial to have an already existing active merchant association that includes property owners and where natural leaders are already involved. They can advocate for the BID formation and develop the trust among their neighbors to get the approval. According to a BID staff member: "have leaders with strong relations with others to sell the idea to the property owners not involved.... If you do not have that it is a non-starter" (personal interview, March 15, 2016).

**ii. BIDs Board Structure**

The BID board structure is given by the NYC regulations. They have four classes of voting members and one of non-voting. The first category includes: property owners, which have to sum up at least 51%, four representatives of elected officials –Mayor, Comptroller, Borough President, and a member of the City Council–, one resident, and commercial tenants that are always a minority because they fill up remaining posts. Non-voting members correspond to other elected officials as representatives of the State Senators and Community Board members.

Elections for BID representatives are made in a yearly base, and people are allowed to vote only for their own representative, meaning, merchants vote for merchants, property owners for property owners and residents for residents. This system of election allows for rotation. However, in the three NYC cases BID representatives have been in the board for long periods, and most of them have even been involved from the starting process of BID formation itself. Then, Morcol and Zimmerman argument that BID boards are formed by the same people that was part of the association pushing for the BID approval (Morcol et al., 2008) holds true for all NYC cases studied.<sup>7</sup>

### **iii. Community and Stakeholders Involvement**

Despite city regulations on BIDs advocacy for property owners' rights, two of the three NYC BIDs make a great effort into giving more representation and work with the community and beyond them. Atlantic Avenue BID is continuously looking to incorporate in its board property owners that also run businesses in the area in order to increase merchant's representation. However, the number of them has decreased because they have retired, stopped running their businesses, or leased out their properties. On the other hand, Myrtle Avenue BID, aware that the district has a residential-centered character, has closely worked with MARP, the partner association, to provide services for residents, in particular for senior citizens.

But, even before the BID board itself, it is important to identify who are the people invited to participate in the definition and approval of a vision for the district plan, the only

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<sup>7</sup> Myrtle Avenue Revitalization Partnership (MARP) a Local Development Corporation (LDC) created in the 1990s and formed in its majority by property owners, was the association leading Myrtle Avenue BID formation and today both organizations share the same chair that has not changed since the BID was created in 2004. In the case of Atlantic Avenue the Steering Committee formed to lead the BID formation process was set with the same NYC requirements for a BID board, with the BID approval it was transitioned into its board. Finally, the case of Village Alliance is similar to Atlantic Avenue with the difference that the association leading the process was formed by a few large property owners, including New York University (NYU), which owned most of the lots in the area, which gave them the 51% needed to approve the BID, and with this the power to decide everything about the BID without the support of the community.

document the City can use to make BIDs accountable. According to the staff member at Myrtle Avenue:

It is really important, I think, as a BID to continue that, continue that thought in your work, everything you do needs to be supported by residents, and I mean residents like not just property owners and business owners, but like you need to make sure you are engaging property owners and the residents in the neighborhood through out your work, can you still doing that? And just making sure the work that you are doing it is actually being asked for and called for otherwise it may give the impression of lack of transparency, particularly when fear of gentrification is one of the community pushback arguments, and make sure you reach out residents and go for the right leaders, if you reach out the wrong people it can be disastrous.

– Personal interview, March 15, 2016

Regardless of the importance a district can have when helping in the involvement of the rest of the community, the truth is a BID is going to be approved by the votes of property owners. As a result, properties with people that do not want to participate are usually left outside the BID limit when possible. In Myrtle Avenue half a mile of the original proposal was left out because of a strong push back from merchants. The argument suspected by the BID staff was that there was a higher number of merchants that were not property owners in that area. Although usually BIDs serve only the business properties located within its boundaries, Myrtle Avenue presents a particular approach to the problem of commercial properties left outside which are interested in services, particularly to those members of MARP. Having this in mind, they implemented a membership-based program, for businesses that are not in the BID, but want to be part of some of the services. While they cannot access services like sanitation because they are financed by the assessment revenues, they are included in promotional and support activities like the annual shopping guide.



#### **iv. Local Government Role**

In the case of NYC BIDs, the law is defined at a State level, but the implementation, approval and overseen is in charge of the New York City government, which is a similar level to the Municipalities in Chile. Small Business Services Department (SBS) is the agency in charge of dealing with BIDs approval and overseen, and are public officials at SBS the ones seated at BIDs meetings in representation of the Mayor. The agency oversees the contract between BIDs and the City. This document is the District Plan that explains all the services each BID is required to provide by contract, its area, how is the board made up, and the assessment formula. Ultimately, it is the document that enables the legislation that allows the City to collect the taxes on their behalf.

During the year, SBS officials attend board meetings, finance committees, and the annual audit meeting. In addition, BIDs submit their audits to SBS once a year and the agency is responsible for initiating investigations in case corruption is suspected. The continuous interaction between BID boards and SBS representatives allows the city agency to be up to date on what the different BIDs in the city are working on or dealing with, and to transfer that knowledge between districts in short time. In addition, and particularly important for smaller BIDs, SBS provides support with legal issues, collects the BID assessment, and mediates between the City Department of Finance and BIDs to annually update the database to define commercial properties assessment. SBS also provides extra funding to small BIDs through the Avenue NYC grant program. Myrtle Avenue BID, for example, has got this type of funding for the last six or seven years.

In respect to decision-making related to BID management of public spaces, the role of the local government has not been defined. If projects are financed by the city then resident's approval is required, but if funding is coming from the BID, then the approval of residents

depends on the interest of BID to deal with them. According to the Village Alliance executive director, it works under an "it is better ask forgiveness than permission" mode; for some projects it is easier and cheaper to take it away or change it after citizens complain than get a previous approval. For example, the city gives approval without any process of participation to locate bike racks on the sidewalk, and if nobody complains they stay there.

## METHODOLOGY

The purpose of this thesis is to study the implementation of Business Improvement Districts through one case (New York City) to later identify lessons to provide recommendations based on a second case study (Chile). Therefore, the main data used for analysis is qualitative data collected by the author. Data for this study comes from semi-structured interviews; analysis of official governmental documents, official press releases and news, as well as observation of community meetings. Interviews, which are the main source of information, were targeted to business owners and governmental officials involved in the process of formation in Chile, and they were complemented with interviews to NYC BID staff and informal conversations with academics and experts both in Chile and NYC. Columbia Institutional Review Board (IRB) approved the interview processes utilized to collect information.

For the Chilean case, the access to participants and official and working documents (not available online) was made through one of SERCOTEC's Program Management Office members working on the FBC program definition. With a basic knowledge on the size, area, number of businesses and associations, and districts location, four of the sixty districts were selected for data collection. The goal was to have a first and general impression on what business owners are expecting, what interests they have, how the program is approaching them and the state of art of the program when neighborhoods conditions differ. In order to facilitate on-site data collection and due to time and budget restrains, the criteria used for the selection was: location in the metropolitan region, preferably in the city of Santiago, number of businesses, business/industry mix, level of association, strong identity, and being part of different municipalities. From the four districts selected, *Barrio Victoria*, *Patronato*, *San Diego*, and *Barrio de las Telas*, it was

possible only to collect information from the first two; information from other districts in the program was obtained through interviews with the SERCOTEC team and on-site managers.

The methodology to contact participants and access to information suits the snowball approach to sample selection. Through the SERCOTEC public official mentioned above, it was possible to access general documentation of the program and the first interview with on-site managers. From there, they provided access to community meetings where business owners were reached out to for personal interviews.

Five on-site interviews were conducted with a total of eight participants between January 5th and 18th, 2016. First, a collective interview was performed with the SERCOTEC Development Officer, and three on-site managers, one of them working with *Barrio Victoria* and *San Diego*, and the other two with *Patronato* and *La Chimba* districts. Information from this eighty-minute interview helped to understand how the first stage of the program is being implemented, how the community has reacted to it, what are the main obstacles on-site managers have encountered so far and first conclusions and comments to the program.

After making the contact with on-site managers in the first interview, it was possible, through them, to get access to two community meetings for observation. The first one in January 7th at Patronato, that was part of a process of one of the district trust projects, a commercial strategy for the area, while the second meeting attended was on January 13th at Barrio Victoria. This time merchants were gathered for one of the weekly meetings of the Local Associative Group (*Grupo Asociativo Local, GAL*). These meetings helped to inform about the participatory dynamics of the district, collect diverse opinions on different issues related to the implementation of the FBC program, understand the Municipality roles, and finally made contact with business owners for follow up interviews.

From the first of the meetings, two of the three attendees agreed to participate for this study: a business, property owner and chamber of commerce member, and one member and representative of the street vendor association. From the second district, only one of the three business owners present at the meeting was able to collaborate. Open-ended interviews with the three business owners were conducted in their respective places of work and took in average thirty minutes each. They were asked about their motivation to participate and understanding of the program, about their reasons to participate, and finally what did they expect from the program.

The last interview made in Chile was a two and half hours open-ended session with the Strategic Programs Coordinator, from the Program Management Office at SERCOTEC, who has been involved in designing the FBC program since the beginning. This conversation provided valuable information on the origins and scopes of the program, arguments for decisions made so far, current and future challenges the program faces in regards to funding and implementation (See Appendix for full questionnaires).

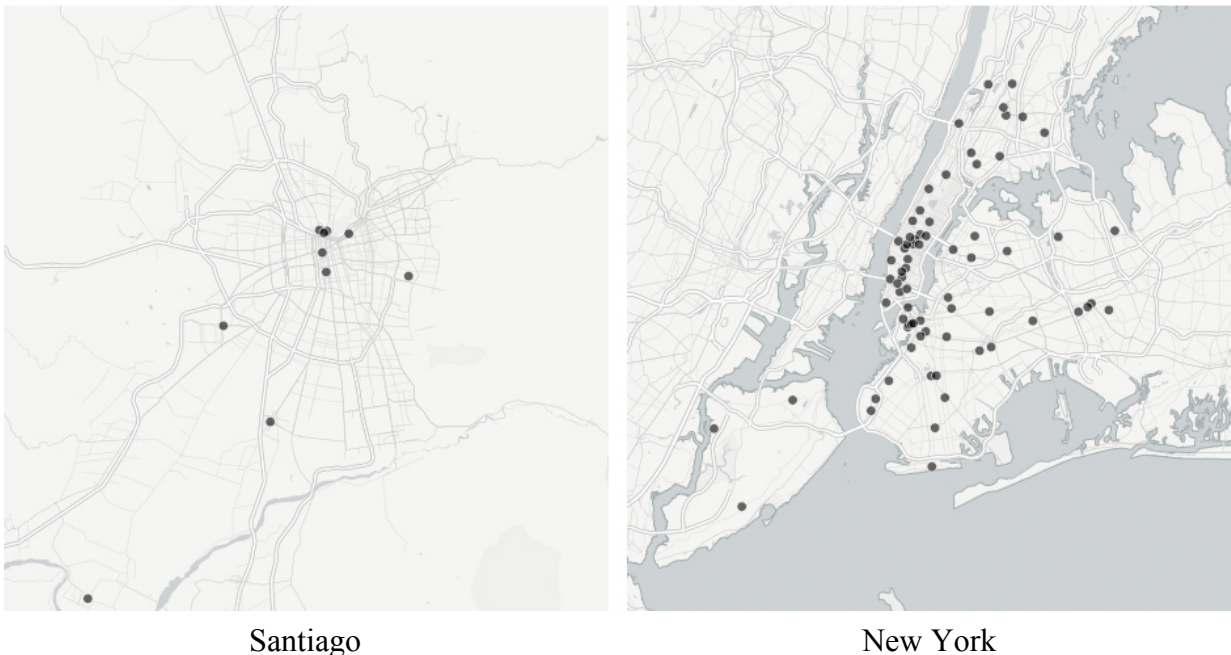
After analyzing the data collected and outlying the first findings on the Chilean case, an interview was made via Skype with a SERCOTEC consultant. She was invited to Chile in 2015 by SERCOTEC to share her experience and provide feedback on the Chilean program. This sixty-minute interview helped to confirm the findings on the FBC program and discuss general alternatives to overcome the challenges identified based on her more than thirty years of experience working with commercial districts.

Finally, three interviews were conducted with staff members of three NYC BIDs: Atlantic Avenue BID, Myrtle Avenue Brooklyn Partnership, and Village Alliance. Due to time constrains, the selection of participants was based on access to a referral from a shared contact

person. These conversations with open-ended questions provided information on the logic of BID operation in NYC, its priorities in terms of services, process of approval and updates, community representation, regulations and role of the local government.

Atlantic Avenue BID, Myrtle Avenue Brooklyn Partnership and Village Alliance are the three BIDs used as a point of analysis. Atlantic Avenue in Brooklyn was formed in 2011, and it has three hundred commercial properties covering fifty-five block faces. It is formed mostly by small and medium enterprises, and there is no presence of predominant property owners. Myrtle Avenue, Brooklyn, was approved in 2005, and has a hundred and fifty properties on forty block faces. Similar to Atlantic Avenue it has a mix of small property and businesses. In addition, there are no large property owners that can control the decision-making. Lastly, Village Alliance in Manhattan was formed in 1993 with one hundred twenty-nine commercial properties and expanded in 2006. Today, it covers sixty-three block faces, providing services for almost four hundred businesses.

**Figure 4 - Location of the districts selected for the pilot phase of the FBC program in Santiago Chile and location of BIDs in NYC (year 2015).**



Data evaluation was based on the interviews' results that were later cross-referenced with observations and official reports. On-site data collected through notes and audio recording in Chile was manually processed and analyzed. The analysis focused on two different goals. First, to explain how the program was defined and implemented and, second, to identify common topics among the different types of stakeholders. After these first results, the questions for experts and NYC BID representatives or staff were re-designed to be able to explore in depth the issues identified in the Chilean case. In addition, searching for targeted comments to the FBC program, a brief description of the preliminary findings was presented to the interviewees. Results from these interviews were also manually processed and analyzed. The objective here was to look for similarities and differences in context and challenges with the Chilean case.

Limitations of the data in this study are related to sample size, limited access to districts in Chile, and diversity of stakeholders. In order to get a better understanding of how the Chilean program has been received by business owners a larger district sample size would have helped. Although the outcome would have probably stayed the same, after analyzing the results it was evident that more information on districts with less access to municipality resources or with lower income was missing to fully understand the implications of a national program in the different action contexts. Another important limitation is that information on the support and overseen role of the Small Business Services (SBS) office, is only based on BID staff responses and documents available in the agency website. A particular effort was put into getting an interview with an SBS team member in charge of the relation with BIDs, but it was not possible to identify who should be contacted. Access to this information could change some of the recommendations and comparisons based on NYC, particularly in respect to the role and challenges of the local government.

For the data collection, interviews were the main data source, which helped to collect recent information, impressions of different stakeholders as a first contact, lessons learned in the process, and also get particular examples to help explain similarities and differences between both BID models. Because most of the literature review and reports available focus on the results and impacts of BIDs and not in its process of formation, interviews were key to understand this dynamic both in Chile and New York, although it was particularly important in the Chilean case due to its early stage of implementation.



## **FINDINGS AND DISCUSSION: CHILE FBC**

The Commercial District Enhancement Program (*Fortalecimiento de Barrios Comerciales*, FBC) was proposed by SERCOTEC as a response to the 2014 National Economic Productivity Agenda. The major goal is to support, promote and coordinate the management of commercial, productive and urban development issues of the commercial districts, through funding associative projects that generate long-term social capital among merchant's communities. In particular, the program aims to "generate a common strategy to base the commercial development of the neighborhood, generation of associations for the project sustainability, to increase sales and increase and maintain the number of jobs related to the district commercial activity; and finally to the revitalization of the public space where the district is located."(SERCOTEC, 2014c, p. 3)

The strategy is to "enhance the commercial base from the social capital" to reach a self-management condition and get more access to financing sources. Then, the chosen way to go about this program in the first stage was to foster and support associations, being the immediate goal that business owners should form a legal association and the long-term one that this association get resources for the district (personal interview, January 18, 2016).

### **Creating a BID in Chile**

#### **v. Process of BID Creation**

There are at least three possible reasons that can justify why the process to create a Business Improvement District has not been defined: it is in its pilot phase; it does not have a referent that shares the same legal context in regard to association culture and mechanisms for revenue collection; it is the first time that a program like this is being implemented in the country. The important point remains the same. The process of BID creation in Chile is not

defined and the lack of clarity about its implementation after the first stage is leading to confusion that can seriously damage the success of the program. Furthermore, with the current state of art and under the umbrella of NYC BID experience, it is unlikely for the program to succeed as an economically sustainable BID model.

According to official governmental documents (SERCOTEC, 2014a) (SERCOTEC, 2015) and the interview with a public official (personal interview, January 18, 2016) the FBC program defines three phases for the pilot program: pre-investment, focused on associations; investment, designing and implementation of a short-term plan and strategy definition; and consolidation, implementation of the BID model itself in order to reach economic sustainability. Only the first one has been described in depth. In addition to this, in one of the interviews a public official in charge of designing the program mentioned all three stages and commented that the team is still working on the definition of the second phase, where the Ministry of Housing and Urbanism, MINVU, becomes an important actor because it is the institution that should provide funds to finance urban interventions. Furthermore, when on-site-managers and business owners were asked to describe the program, they only identified two phases, the first one based on association with a budget of USD 86,000 (CLP 60 millions) and with a district plan that would be implemented in the second phase where each district would have access to USD 1,1 millions (CLP750 millions) from MINVU.

By January 2015, when interviews were conducted, most of the districts were still in the first phase so the discussion would be based on findings related to how the first phase has been implemented and on how it has affected decisions to be taken or criteria to be considered for the following ones, implementation and consolidation. Based on the information collected from interviews and official documents the phases can be described as follow:

*Pre-investment: Association.* It is also called stage of commercial activation, because the main goals are to strengthen the existent social capital in the district and to advertise the FBC program. The final product after the six-twelve months estimated for this first part of the process is a commercial and urban development plan to be implemented in the following stage. With a business approach in mind and the main goal being reaching joint collaboration between business owners, SERCOTEC selected the networks methodology created by the UNIDO BID-Fomin (United Nations Industrial Development Organization). These guidelines were used to define the on-site work of district managers for the first phase of the program (personal interview, January 18, 2016).

In order to ensure that all stakeholders had a place in the process of participation, the program created a Local Associative Group (*Grupo Asociativo Local*, GAL) in each of the districts, that meets every week or every-other week for the Integrated Working Table (*Mesa Integrada de Trabajo*, MIT), even if the program is targeted to business owners; street vendors, residents, property owners among others, are also invited to participate in this meetings. Each district was assigned with one or two on-site-managers hired by SERCOTEC to lead the process of participation, reach out to business owners, and invite them to participate, and assist in the process of association, as well as with the district plan definition. In order to contact merchants and associations, managers used the business directory available at each Municipality and complemented the work with door-by-door reaching. Even more, on-site-managers are the communication channel between the district and SERCOTEC central office, from where their work is organized and supervised.

*Investment: Implementation of the Plan.* In the two or three years determined for this stage, districts should implement the plan developed as a result of the pre-investment part. The

plan would have two main lines to be addressed: a commercial one that comes from the necessities identified in the diagnostic and the territorial work in each of the neighborhoods. A second aspect is the urban one, mainly related to public space improvement that would help to foster and strengthen the district commercial activity.

*Consolidation: Reaching Sustainability.* This phase is defined as the moment when the associations formed during the first year of the program are able to financially sustain the BID. The association should manage quotas and find sources to pay for the two things SERCOTEC is financing now: on-site manager (BID Executive Director in the case of NYC) and promotional activities and events, or at least part of it (personal interview, January 18, 2016). There is no clarity yet on how revenues would be determined or collected, and it is not just about the legal and administrative tools to be used, but also if quotas for permanent resources would be mandatory, voluntary or a combination of both.

One of the goals of the program is to create an association for project sustainability, but the consolidation phase, which is the one relevant when the districts reach sustainability, is not designed. Furthermore, interviews with business owners show that they are not aware that is the final goal of the project. In addition, authorities recognize they have not yet decided how the program will address the usual suspect issues that affect BIDs –free rider, representation and accountability. All this in a country whose laws would not allow the government to collect taxes for a particular purpose, where private-public associations are not a common thing to find and where resources to oversee and keep institutions accountable are always scarce.

#### **vi. Funding and Incentives**

The incomplete definition of the FBC program implies that funds and incentives are also not completely defined. The totality of funds assigned to the program is unclear and as part of the

current government agenda, and because it is a central government project of the FBC program, those already defined can only be secured until the year 2018. Future funding will depend on the investment priorities set by the following government. Just like the rest of the program, funding is specified only for the first stage, whose budget was determined based on other pilot projects previously implemented by SERCOTEC that resulted in the identification of initiatives of territorial development as a virtuous niche with potential to be exploited (personal interview, January 18, 2016). The agency proposed an average budget around USD 86,000 (CLP 60 millions) for each district, which sums up to a total of USD 5,160,000 (CLP 3,600 millions), which is money enough to finance an on-site-manager and simple pilot projects, but not to keep the program running for more than a year.

As established in the program regulation two thirds of the budget are equally distributed among districts to finance the implementation of trust projects during the pre-investment phase<sup>8</sup>; in the City of Iquique, for example, USD 14,300 (CLP10 millions) were destined to install surveillance cameras on the district streets. The rest is assigned to cover, among others, administrative costs like on-site-managers' wages and costs related to running the program from the national office, as well as cost pertained to technical capacity building and experience and knowledge transfer, such as lectures and workshops with experts on Business Improvement Districts, collaborative sessions between on-site-managers and business owners participating. These resources were approved in the annual budget presented by the Ministry of Economics.

The first issue resulting from the lack of definition in the FBC program regarding funding is related to the second stage, investment, which is expected to have a high participation of public space improvement projects. Funds are planned, according to a public official

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<sup>8</sup> Resolution #9164: Commercial Districts Regulation of April 1st 2015.

interviewed, to come from both SERCOTEC, for business support, marketing and promotional activities. and from the Ministry of Housing and Urbanism (*Ministerio de Vivienda y Urbanismo*, MINVU) to finance the construction of projects related to the improvement or provision of sidewalk lightening, urban furniture, minor facilities (as public bathrooms), pavement, signage and public space ancillary works (as facades recovery or sanitation infrastructure) (SERCOTEC, 2014c). Resources for services like security, sanitation or waste management, or for maintenance are not defined. Even if official communication at SERCOTEC website informs that each neighborhood would have access to up to USD 1,100,000 (CLP750 millions) to implement urban improvements in the second stage<sup>9</sup>, MINVU public statements from 2014 and 2015 inform that only 30 districts would receive funding (MINVU, 2016), and at the moment of data collection public officials did not have clarity on the availability of MINVU funds and/or if they would be exclusively appointed to the FBC program. Furthermore, resources from SERCOTEC itself are not defined for the second stage (personal interview, January 18, 2016). At the moment of the interviews, the agency was studying how long they should finance on-site-managers and if it should be the same type of professional. For the moment, they are thinking that decisions would be made case-by-case depending on the maturity of each district association and how much help they need to continue with the program. In respect to this topic, SERCOTEC is evaluating which districts should pass to the second phase and which ones should be dropped from the program (personal interview, January 18, 2016).

While public officials at the different government agencies are working to define how to implement district development plans and reach the economic sustainability phase, the three business owners were participating in the program mainly because their district was chosen to

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<sup>9</sup> <http://www.sercotec.cl/Qui%C3%A9nesSomos/Noticias/Nuevoprogramadefortalecimientoparabarrioscom.aspx#/0>

get extra public funding. The case of Patronato is particularly of interest, because they recognize the value of association pursuit the program has, but they are involved in it so they can have access to the promised MINVU funds to implement at least one of the projects defined by a plan the neighborhood already agreed on and in which the community worked for almost three years. One of the business owners recognized that even if there is a lack of cohesion among the different stakeholders, property owners, business owners, and street vendors already have a plan they would like to implement. As one of the business owners said: "everybody wants different things for the neighborhood, but we already have a plan where we reached consensus on what we want for the neighborhood, this is the based that is what we people involved in the participation process want to be implemented with the resources of this new program" (personal interview, January 11th, 2016).

Finally, the only aspect specified for the last stage, consolidation, is that businesses should be able to financially sustain the district. According to a public official, after 3 to 4 years of associations and then implementation of the first projects for the districts, the associations should be able to collect the resources to keep the activities and projects going (personal interview, January 18, 2016). However, business owners are not aware of how the third stage will work, so for now, as interview responses show, first their participation in the program has short-term expectations, and second, the program has no opposition. The latest can be explain because, even if public officials said that the program asks for co-financing from the beginning, business owners feel their only commitment is for them to participate. They have made contributions only related to discounts, keeping the store open, and having convenient prizes when a promotional event is organized.

The incentives used in this first year have had good results in fostering associations; business owners are forming or reviving associations to participate in the program. The case of Barrio Victoria is an example of this, the FBC program has been able to strengthen networks and motivate people to participate. One of the main topics discussed in the MIT at Barrio Victoria was when the associations should be legalized. They have already decided to form two associations. First the GAL was working to form a new chamber of commerce open to all business owners willing to participate (the previous one was not legalized, it was all based on people's words, in trust) (personal interview 2, January 13, 2016). With a legal and representative institution like this, merchants can work in name of the district, which is particularly important when dealing with other neighborhoods and central organizations as the Chamber of Commerce of Santiago. Second, some of the business owners, actively participating at the MIT, understood the importance of having a legal name as a group and have worked to form a cooperative. As one of the business owner states: "we form the association (cooperative) to be able to help each other. Is a help, we want to help each other to move forward, for example, what I'm doing, I'm in this to be able to fix this premise, it is very large, it needs an investment. (...) With the cooperative I think I can make it, to be able to fix, the program also includes facade repairs." (personal interview 2, January 13, 2016).

This type of association that is independent from the other one, would give them a legal name to apply as a group for credits and other commercial assistance at the Municipality. This way, even if the FBC program fails they can still work together to get resources to improve their businesses. Unlike the Chamber of Commerce, cooperatives are not only representative, but they also allow commercial goals. It is important to mention that, at least in the case of Barrio Victoria, even if the reason to form associations is that both the Municipality and SERCOTEC



need to deal with legal representatives of the neighborhood, particularly when transferring resources to finance trust projects in the first stage, the definition and formation of these entities was made by the business owners, without particular support from the on-site-manager (Meeting observation, January 13, 2016).

Incentives, if analyzed from a short-term perspective, have had good impacts, but from a long-term point of view, they seem in some cases to be playing against the success of the program. All interviewees, public officials, on-site-managers and business owners agreed that the most difficult obstacle to overcome is the lack of trust, both among merchants and in the government. However, as an example, the intensity of the weekly meetings is playing against the credibility of the program. When business owners were asked what they did not like about the program, they all responded without doubting that it is taking too long to see things done. As already mentioned most business owners are involved in this process to take advantage of the resources they were promised and after more than 6 months actively participating, they do not see any results. If we add this to the case of Patronato where the community already spent three years in developing a plan for the neighborhood and have not seen any changes, the trust in the program is not much. One of the business owners said that he was willing to keep participating until he gets tired of seeing that nothing is happening: "I don't know if I'm naive, but I will err in the side of naivety and keep going as far as possible. I don't want to miss the opportunity to have something concrete being done in the neighborhood" (personal interview, January 11, 2016).

#### **vii. Lack of Information and Need for Transparency**

When asking BIDs representatives in NYC, they all agreed trust and revenues are key to form a BID. In the case of Chile, on-site-managers unanimously said the major obstacle was mistrust among merchants and between them and the government. Comments like the following

ones describe the relation between mistrust among merchants and the importance of having access to the funds promised for the districts in the FBC pilot program: "nobody wants to commit to nobody unless you have something to win. Nobody wants to do anything for others" (personal interview 1, January 13, 2016), "if we don't do something tangible nobody believes things are being made, and in general here everybody mistrust on everybody, so when you try to do something or you go out to ask for resources they think is for your own pocket" (personal interview, January 11, 2016).

In addition to the lack of communication from SERCOTEC to business owners, on-site-managers think that for the definitive program more effort should be put into informing the community on how the process is going, what decisions had the GAL been made at MIT weekly meetings. They agreed everybody should be informed about the program progress in the district, even those not attending the meetings, because they will be affected by the decisions taken here. They recognized that the lack of information can harm the work done so far in reviving and forming associations, but most of all, the trust from and among the people that has been reached during these first months of working with the community (personal interview, January 5, 2016).

From interviews with all three different stakeholders involved in the FBC, it is clear that business owners do not have all the information needed to have an opinion on the long-term of the program. In part, it is because the program was not thoroughly designed from the beginning, but also because business owners do not know how the program is being conceived, which prevents them to have a long-term commitment. It is difficult for people to understand how does the whole picture look like if they do not have all the information.

According to the description of the third phase by official documents and by public officials interviewed, even if the process of how the third phase is going to work is not specified,

it is clear that it should be financed with contributions from the private sector. But at the moment of interviews, business owners did not know they would have to co-finance the program at that stage. From interviews with public officials, it is clear that they have not been informed that the third phase should be paid by them, when is going to change to that system, how much they would have to pay/contribute, and how their money is going to be administered (personal interview, January 18, 2016).

Furthermore, for the second stage at the central offices, officials are already considering to drop some of the districts from the program. This is due to the lack of funding from MINVU, and regardless of the maturity of districts' associations. Nowadays, business owners participating in the pilot project are not aware that they can be "kicked out" of the program or that they would have to finance an important part of their plan implementation. None of this information has been provided to the business owners, even if this means a change of plans in what was promise to them at the beginning.

In addition, it is important to mention that only after interviews with the public officials, and discussions about this situation did they realize that business owners are not clear about the co-financing part of the program, that resources may not arrive, or even that some neighborhoods can be pulled out of the program. The moment that Business owners learn about this is going to be key in terms of preserving the trust achieved in this past year and keep the program going, or even more, keep business owners interested in working to improve their business conditions and opportunities. A business owner involved in the program said in November 2015 to SERCOTEC consultant: "you (SERCOTEC) cannot abandon us because I'm betting my credibility in my neighborhood" (Skype interview, February 24, 2016).

Finally there is a need for more clarity among the people working from the government. The fact that there is confusion when on-site-managers describe the program, particularly when related to the third stage, means that even if business owners ask about the future of the program they do not have answers. This is something to be expected because they were hired to make the first phase of the program happen.

### **viii. Creating Unrealistic Expectations**

The lack of both, a definition of the whole program and transparency in its process, added to the fact that the program depends on two different government institutions (MINVU and SERCOTEC) with different approaches, timing and financing tools working together, is creating not only the wrong incentives, but also unrealistic expectations and promises the government would not be able to fulfill. From the information collected in the interviews and official documents it is possible to identify at least three categories of expectations: timing, public resources availability, and where this resources can be utilized.

*Timing expectations.* FBC program specifies that the second phase, implementation, should happen from six to twelve months after on-site-managers started working with business owners. For instance, Patronato hopes to have something implemented in March 2016, less than a year after the starting of the program. They were told the district had resources assigned and they would like to use them to implement improvements to the public space that was previously defined in a plan for the area (personal interview, January 11, 2016). However, funds that come from the government are slow, particularly if they are related to public space construction because they respond to different protocols and processes that need to be fulfilled before this phase, in contrast to those resources destined to support merchants directly. Then, construction times do not respond to business rhythm or timing. It is a shared feeling among business owners

that the program is taking too long to come with tangible results. They think that the progress of the program does not resemble what was presented to them. In addition, they do not know when projects are going to be implemented; no due date has been given to them.

When money comes from the government the processes are slow, then we are tied to this tedious... but we want something concrete, don't go through all the steps. If you speak with street cart people, they say: we need this for today; we need everything for the day before yesterday. There are good and bad things. The good part is that we have all this money, but sometimes also I get lost a little, because there are these participatory meetings, but the people didn't attend, ... if we saw that things are happening faster or with less processes I think all the people will attend. We don't want to take two years in building public restrooms.

– Personal interview, January 11, 2016

The program proposed by on-site-managers considers meetings every week that business owners are asked to attend. Some of them have decided to collaborate on a day-to-day basis and while they still have faith in the program there is an enormous risk of people getting bored and losing faith not only in this program, but also in any other that can come in the future. According to one of the business owners, "well, the timing that we have to go through phases, and the times are long. We have meetings every week, but the program of the project that was presented to us has been slow. We are just working on that, after almost a year. In what is the program itself" (personal interview 1, January 13, 2016).

*Expectations on available resources.* This situation responds mainly to poor information managing, which means information that has not been provided on time, as well as of an information leakage about public resources available. The first misunderstanding is that the assignment of resources is not exactly as it was publicized. The FBC program has an average budget of USD 86,000 (CLP60 millions) per district, but this does not mean each of them would get that amount of funds. As explained by a public official, only USD 57,000 (CLP40 millions) are assigned to each district to implement programs and projects during the first six to twelve

months of the program, the rest of it goes to finance the implementation of this first stage managed from SERCOTEC national office.

A second point of confusion is the resources promised by the program that should come from MINVU, which according to one of the public officials interviewed is the result of an information leakage. According to some newspapers, MINVU would provide USD 1,100,000 (CLP750 millions) to each neighborhood for the construction of urban project improvements. As mentioned when describing funding, MINVU is planning to provide funds up to that amount and only for thirty of the sixty districts. Even more, the money is not currently available, because of two main reasons: first, it is not part of the annual budget and, second not all the projects could qualify based on their social impact. In order for districts to access these resources, MINVU would have to adapt one of their current neighborhood improvement programs or create a new one specific for commercial districts in the FBC program.

*Expectations on the use of resources.* Interviews with business owners and observation during community meetings showed that both districts have different interests in what the resources should be used for. In Barrio Victoria, where public space is relatively in good shape, business owners are more worried about increasing sales, while in Patronato the main concern is to improve the physical environment. (Observations, January 7th and 13th, 2016)

In this case the money invested in the first stage of the program on promotional events has been very important for them. As one of the business owners states, "in first place, I would say the project of emblematic neighborhoods has been a good project. I describe it as a project good to the merchant because it boosts the purchasing and sales of the products that one can made or buy for the public. Then through out all the marketing and communication events about

the neighborhood that have been organized, that helps to get people interest to come to a neighborhood to buy and not going to a retail" (personal interview 2, January 13, 2016).

Sidewalks poor condition, lack of parking spaces and public bathrooms are the main concern in Patronato. In this district street vendors and business and property owners agree in one thing: Patronato needs to create a brand and show it through physical investments; in other words, it needs to have a visual impact. They believe the funds they would receive from the program should be invested in visible actions, not only in defining plans or strategies. They already have a plan, and they see in FBC program the opportunity to start making that plan come true. With this first batch of resources they could show people that things can be done to revitalized the neighborhood, and, with this, recover people's trust and faith in the programs.

One of the street vendors that has actively participated in the publicity strategy thinks the program is mainly thought to improve public spaces, and even as she knows that this is going to benefit mostly the property owners, she still wants better and cleaner sidewalks so her clients are comfortable when buying. A business owner said about the program: "the benefits –in the future, because so far there hasn't been any particularly physical one– is to strengthen the neighborhood physically, visually, because there is a search for strategies in what to invest to improve the public space, because this does not favor the businesses from the door to the inside, it is for the public spaces", and "if the government is going to invest in something physical it should favor everybody, that does not have to disfavor the smallest to favor the big one" (personal interview 1, January 13, 2016).

From the perspective of association and building trust, the major risk is that funds assigned to each district end up in a "*piece of paper*", a report. This seems to be one of the outcomes that will damage people expectations and their willingness to participate in the creation

of a BID, particularly if it depends on the government. Business owners involved are those that at the same time are communicating the government's promises to the people they represent. So far these promises have change in a significant way, so if the results are not as expected, they will also lose credibility and others merchant's trust, which could eventually harm their business relations.

### **Top down approach**

Having the NYC BID model in mind, where the process of BID formation is lead by a business owners' initiative, it is important to understand how the Chilean government is implementing the BID model from a top-down approach since it is an initiative with a very local impact that is financed, promoted and implemented from the national level.

From the interviews in Chile, NYC and informal conversations with experts in the topic, it is possible to identify pros and cons of having a top-down approach. Pros refer mainly to the government showing interest in the empowering of business owners, which according to Carmen Moreno (Skype interview, February 24, 2016) eases the road to create the legal framework and provide public resources needed for the model to be implemented in its totality. Cons are related to the incentives and long-term success of the program –mainly related to economic incentives and selection process–, strategies are not considering different contexts and district conditions, and to the risk of bureaucracy making the process too slow. In addition to these pros and cons, the program also represents the first of its type in Chile, where the lack of experience and more than one governmental institution involved in direct funding, and thus, defining the program can translate into another con, but not necessarily related to the top-down planning approach.



## **i. Institutional Structure**

In order to fully comprehend how the program is being implemented, it is important to first understand how it is organized in terms of governmental organizations, authorities and responsibilities. Although the leading government institution for the FBC program is SERCOTEC, during the definition of the program it was specified that the target would be groups of business owners located in the same district, with this location condition the scope of program change to a territorial one, whose area of work and expertise surpasses the ones of SERCOTEC. The biggest difference between economic and territorial development is the participatory process. SERCOTEC is used to work with economic development policies that target individuals. When involving public space or any instance or context outside the private property of the individual getting support, the process steps into another ministerial jurisdiction, the Ministry of Housing and Urbanism (MINVU). Any project under MINVU's jurisdiction (territorial or legal), which expects to get funding through it, requires a participatory process with a broader spectrum of stakeholders. In response to this, MINVU was incorporated as a partner resulting in an inter-agency collaborative working process. This also meant that other national government department under both ministries as the Housing and Urbanization Service (*Servicio de Vivienda y Urbanización*, SERVIU) in charge of urban projects, and the National Tourism Service (*Servicio Nacional de Turismo*, SERNATUR), also support and have a say in how the program is designed and implemented. These agencies are particularly important when acting at a regional level.(SERCOTEC, 2014a)

In line with the requirements on private-public collaboration defined by the National Urban Planning Policy (*Política Nacional de Desarrollo Urbano*, PNUD), two participatory advisory and supervising instances were created: one National Council for Commercial District Development (*Consejo Nacional de Desarrollo de Barrios Comerciales*) and thirteen

Commercial District Committees (*Comité de Barrios Comerciales*) that were constituted for every region.

Members of the National Council for Commercial District Development are the Minister of Economy, Development and Tourism (who presides over the council), the Minister of Housing and Urbanism, the Deputy Secretary of Regional Development, the Executive Vice-President of the Corporation for Development (Cooperación de Fomento, CORFO), SERCOTEC CEO, and seven representatives of the civil society with proven expertise on the subject designated by the Council President in consultation with the Minister of Housing and Urbanism <sup>10</sup> (Ministry of Economy, Development and Tourism, 2014b). They are responsible for "supporting the formation of the regional Commercial District Committees, and the realization of a registry if districts are at regional level; participating, together with the Regional Commercial District Committees, in commercial districts definition and prioritization, and presenting the list of selected districts to the Ministry of Economy; and finally, promoting and informing about the progress of the FBC program, and determining financial resources to be assigned to the districts once they have presented their development plan." (SERCOTEC, 2014b)

Regional Commercial District Committees members are government officials representing the regional secretaries of the Ministries of Housing and Urbanism and Economy, Development and Tourism (committee chair); regional directors of SERCOTEC and CORFO, representatives of business associations, chambers of commerce, and representatives for regional government secretaries MINVU and SERVIU (SERCOTEC, 2014b). The task of this committee

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<sup>10</sup> At the moment of this thesis, the seven representatives were: Luis Eduardo Bresciani Lecannilier, President of the Council for Urban Development; María Elena Ducci Valenzuela, President of *Ciudad Viva*; Verónica González Gil, advisor of the Santiago Chamber of Commerce and *Comunidad Mujer*; Juan Antonio Señor Ledesma, President of the Bio-Bo Region Retail Trade and Tourism Federation; Roberto Moris Iturrieta, Professor at the School of Architecture, Design and Urbanism at Catholic University; Alejandro Aravena Mori, architect at Diseño/Elemental Chile and 2016 Pritzker Prize; and Patricio Jadue Lama, entrepreneur.

is to strengthen agreements and actions for the commercial districts, while it also has to facilitate and coordinate an efficient private-public management and maintain a balance between productive and commercial, urban and social issues (SERCOTEC, 2015).

## **ii. District selection**

Districts were proposed by the Regional Committee and chosen by the National Council based on requirements defined by the SERCOTEC. The only exception is the case of the Metropolitan Region where each Municipality nominated districts. In this case, 11 from 37 districts were selected to participate in the pilot program. Local governments and regional committees were given fifteen days to fill out applications, and 60 were selected. The identification of districts was made based on the following definition of commercial district: "A commercial district is a portion of city's urban fabric that contains several small enterprises pertaining to commercial activities and which joint functioning foster their commercial attributes; in addition, this enterprises share some specific and particular social, cultural, spatial and formal characteristics, which gives them a unique and recognizable identity within the city." (SERCOTEC, 2014b, p. 1), while the selection criteria were a minimum number of enterprises, number of existing association, and a recognizable district identity.

In this process of selection, the short time available, the lack of information on the location, characteristics of commercial areas, and the loose requirements resulted in a selection of districts that did not fulfill the profile for what the program was designed. Then, for the program's final version, public officials are considering changing both the institutional structure and the process of district selection. According to them, municipalities should be the ones proposing the districts, and with this their commitment, to collaborate with the program, while SERCOTEC should have a record of the existing commercial areas in order to limit the area of

investment. These solutions are still a top-down approach and require more investment to be implemented, even more they would be adding bureaucracy to a process that if it is going to mean a private monetary contribution, should be a bottom-up one. This is when incentives for merchants and other stakeholders involved need to be clear from the beginning.

### **iii. Local government involvement**

Starting from the process of district selection and institutional structure defined for the pilot phase, there is an obvious question to make: what about municipalities? Municipalities in Chile are the most local level of government; they are the institutions that work directly with the neighborhoods, those that regulate zoning, give permits to business to operate, are in charge of services as street cleaning and waste management and pay for most of the public spaces' maintenance. So why are they not part of the plan? Or going further, do Municipalities support the implementation of BIDs in their territory? Today, municipalities are involved in the process because they were invited and the resources coming to the district will also benefit the rest of their territories, but there is no contract or legal obligation.

From interviews, observations, and informal discussion with experts, it appears that Municipalities, more precisely mayors, will not be willing to, first, share power with the private sector in managing the commune and, second, it would be unlikely that they would make a decision to increase taxes because they would be risking losing votes for their re-election. Furthermore, it is possible that they do not want or are not prepared to deal with issues as illegal street vendors, like the case of the Municipality of Maipú that pulled its business district out of the program. Another possible reason is that funding from SERCOTEC can go directly to a group or throughout an operating agent to implement a project, but because it is an institution

that exists to give direct support to merchants, its funds cannot go to the Municipality (personal interview, January 18, 2016).

Finally, the top down approach, even if it shows that the central government is interested and there is political will to make changes, is leaving out key stakeholders like the Municipality and selecting districts that may not have the conditions or interest necessary to complete the program up to the final stage of consolidation. This last issue is key. On-site-managers agree on how difficult it has been to convince people to participate, even with the incentives as they were presented in the beginning –business owners with no defined commitments towards the program. As an example, in the case of the La Chimba, persuading representatives to participate was very hard, and it is not clear if the reason was lack of interest or trust. This shows that, at least the top-down approach to district selection should be reconsidered once the incentives for the final stage are defined. As one of the on-site-managers states: "first, getting to enchant them (merchants in Patronato) was a challenge. Because with the private sector was not that easy. In fact with the Central Vega (one of the four associations in La Chimba) it was very difficult, because only them already have three presidencies inside, with a common administration, but three different chairs, and to enchant them to participate in a program that neither provides that much investment was not an easy work" (personal interview, January 5, 2016).

### **Lack of legal framework for permanent revenues, association and accountability**

There are different reasons why the third and final phase of the program has not been defined. Among them is the fact that a Commercial District is not defined by law, not even basic zoning and construction regulation make reference to the term. However, the stumbling block is the collection of revenues, who would/should pay and how they would/should be collected. The practical obstacle resides, leaving aside theoretic ones, in the fact that Chilean regulations do not

allow collecting taxes previously assigned for a particular purpose. In addition, there is no legal framework that entitles a government institution to collect taxes to be transferred to a privately managed organization; not even if it is not-for profit one. According to a public official, the only possibility within the current regulations would be that municipalities use the cleaning and ornament fee they are allowed to charge to improve and maintain public spaces, but in this case this institution would have to administer the funds. This decision depends on each municipality and for political reasons (risk of losing votes) it is not likely to be implemented (personal interview, January 18, 2016).

At the beginning of the FBC program creation, the BID model was seen by SERCOTEC officials as the long-term goal to reach economic sustainability, where the leading entity is not the government (SERCOTEC in this case), but a private legal association that leads the commercial dynamic of the district using mainly private resources. The role of the government then is limited to a strategic and collaborative stakeholder position, but, because of the absence of regulations to collect assessments from the private sector, the officials in charge of the program design have looked to other experiences. One of them is the Open Skies Shopping Centers ("*Centros Comerciales a Cielo Abierto*") in Argentina. A program encouraged and financed by merchants, which is based on fee payments to finance particular and punctual activities or promotions organized and administered by the local government. According to one of SERCOTEC officers, the goal is to develop the best platforms for business owners to sell their products, model that could be implemented in Chile, for example, by the Chamber of Tourism. The major problem faced by this model, because the source of revenues is voluntary, is the risk of free riders that can damage the trust needed for business districts to succeed (personal interview, January 18, 2016).

Associations and its legal form are key aspects in the implementation of the FBC program. Its role and attributions would be determined by how the program decides to address the revenues issues, in a voluntary or mandatory way. However, they should have common characteristics as being: legally approved, so to have access to public resources; representative of different stakeholders, so they can speak in name of the district; accountable to both contributors and local community, because even if they were to be financed by private resources, the nature of part of their services takes advantage of the public space and/or create externalities, with an impact on the whole community. In addition to this, in order to access to SERCOTEC funds in particular, they should be institutions enrolled/inscribed to pay taxes, even if they are not supposed to pay taxes, this could mean leaving some people outside or a burden for illegal street vendors or small business that today do not properly comply with tax rules.

At the moment of the interviews, SERCOTEC was considering to use one of the different associations that are now created through municipalities, because they are more comprehensive and allow groups to access public funds, they could be either operational like committees or territorial like community boards. However, the type of association needed is a Corporation type. Patronato already tried to form a Corporation that was rejected because even if the statutes included property owners, residents, business owners and street vendors, they were abusive. While you have an anchor store this is always going to happen.

Despite accountability being one of the main issues when analyzing BIDs, it is not something SERCOTEC is considering. One of the reasons is that the program is targeted to business owners and the way SERCOTEC works when providing public funds has a very clear oversight process. However, the fact that the program is collaborative with MINVU and that services to be provided by the BID are most likely to have an impact in the public space, the rest

of the community would also be affected. Therefore, the government should make the associations accountable to the whole community.

### **NYC BIDs and Chile FBC**

When comparing the Chilean FBC program in to NYC BIDs model several differences can be identified (Table 3). From them, it is important to have in mind those that have an impact in the success of the initiative as an economically sustainable one. First, there is a big difference in the planning approach. While NYC model is based on a bottom-up effort with property owners leading and promoting the BID formation, in Chile that role is taken by the National Government; resulting in a top-down scheme. Second, unlike NYC, which has a defined strategy for accessing to diverse and permanent financial sources, the Chilean program does not have a clear proposal. It only identifies public sources, and does not define the protocol to access the funds. Finally, the managing institution in NYC has clear rules that determine who should be part of the BID board and who has the majority of representatives. On the other hand, the Chilean model is aiming to use existing forms of legal association that do not address issues of representativeness and accountability.



**Table 3 - Comparison table between NYC BID model and Chilean pilot project FBC**

NYC - BID	CHILE - FBC
TIME IN OPERATION and INITIATIVE ORIGIN	
<ul style="list-style-type: none"> <li>• Started in 1976 as Special Assessment District (SAD)</li> <li>• NYC approved BID legislation in 1981</li> <li>• Property owners driven</li> </ul>	<ul style="list-style-type: none"> <li>• Pilot phase started in May 2015</li> <li>• National Government driven</li> </ul>
FINANCIAL RESOURCES FOR BID FORMATION	
<ul style="list-style-type: none"> <li>• Private Funds</li> <li>• Grants (Public)</li> </ul>	<ul style="list-style-type: none"> <li>• Public Funds (National Government)</li> </ul>
SOURCES OF REVENUES FOR BID IMPLEMENTATION AND OPERATION	
<ul style="list-style-type: none"> <li>• Tax assessment</li> <li>• Fundraising</li> <li>• Grants (public and private)</li> </ul>	<ul style="list-style-type: none"> <li>• MINVU (for public space improvement)</li> <li>• SERCOTEC (for technical support)</li> <li>• Private funds TBD</li> </ul>
MANAGING ENTITY	
<ul style="list-style-type: none"> <li>• BID board <i>Voting members:</i> Property owners (majority), City elected officials (4), Resident (1), Business owners <i>Non-voting members:</i> Other elected officials</li> </ul>	<ul style="list-style-type: none"> <li>• Business Owners Association Structure and members TBD</li> </ul>
SERVICES PROVISION	
<ul style="list-style-type: none"> <li>• Sanitation</li> <li>• Public safety</li> <li>• Marketing</li> <li>• Capital improvements</li> <li>• Streetscape</li> <li>• Holiday lighting</li> <li>• Others: Social services Business development Miscellaneous programs</li> </ul>	<ul style="list-style-type: none"> <li>• Public space improvement Sidewalk lightning, Urban furniture Minor facilities (as public bathrooms) Pavement Signage</li> <li>• Public space ancillary works Facades recovery Sanitation infrastructure</li> <li>• Business support, marketing and promotional activities</li> </ul>

TBD = to be defined; MINVU = Ministry of Housing and Urbanism; SERCOTEC = Technical Cooperation Service

## CONCLUSIONS AND RECOMMENDATIONS

In the context of New York City Business Improvement District model, the Chilean program is not going to work. Furthermore, when thinking in long-term goals, there is no program at all. The work SERCOTEC has done so far has meant great progress in creating and strengthening associations, but that is not enough. If the FBC program is aiming to work as a BID model, where business owners collectively finance and plan services and activities for the area, then it needs to be completely defined. Incentives, compromises, services to be provided, source of resources, accountability, supervision and government roles should all be clearly defined and communicated.

Three main recommendations are proposed to SERCOTEC as the agency in charge of defining and implementing the FBC program: concentrating efforts in a small number of districts; writing the required legislation to have a local and not national program; and creating a parallel program to promote association.

*Concentrating efforts in a small number of districts.* Knowing resources are scarce, SERCOTEC should use the information gathered during these first months working with the sixty selected districts to choose a few among them, maybe six, to continue with the pilot program. Because the FBC program has been presented as such, a pilot program, effort and resources should be focused in defining the rules, legal framework, and finance model the final program would need to be implemented. Districts selected to continue in the program should be diverse in their location and socioeconomic characteristics, and they should all have a strong association and a local government willing and committed to actively participate in the process of definition and implementation. Needless to say, this change in direction should be as transparent as possible and properly communicated to all stakeholders involved.

*Writing the required legislation to have a local and not national scope.* Commercial districts have an impact at a local scale. Hence, decisions should be made at a local level. Nowadays, resources to finance the FBC program are coming from the National Government, but the aim is to strengthen commercial districts so they reach a point where local associations can permanently finance activities and services in order to sustain the economic benefits and social capital improvements obtained with public resources during the first and second phases of the program. Then, in the long-term, when SERCOTEC steps aside, the major stakeholders would be business owners and Municipalities; the first ones in charge of financing and planning, and the second ones overseeing and authorizing. By writing the enabling legislation and work with the local governments to help them implement the program, the National Government can focus on providing assistantship and additional support to those areas with fewer resources, and it can give continuity to the program that otherwise would depend on changing presidential agendas.

*Creating a parallel program to promote association.* The diversity of contexts among the country's commercial districts shows an important gap in terms of level of association, technical capabilities and access to resources. From the NYC experience, it is clear that a strong association is needed to form BIDs. Therefore, SERCOTEC should create a pre-FBC to help districts to reach a minimum level of association that would allow them to move to the FBC program and succeed as a BID. This previous step should aim to short-term goals since it should show business owners that *"when enterprises that are part of a commercial neighborhood are able to coordinate they can solve common problems and finance good and services of common interest easily"*, just as it was defined in the Productivity and Innovation Agenda (Ministry of Economy, Development and Tourism, 2014a).

Business owners have invested their time by actively collaborating with SERCOTEC for almost a year, in this first effort to implement a BID model, and are most likely to be disappointed with the result promised. For them, for those leaders, the following recommendations have been written.

*Taking advantage of the collective as a power of negotiation.* Even if districts do not get access to the promised public resources, they can still keep working together to improve their districts. Acting like a collective, business owners can have access to better prices in raw materials, supplies, services to promote their business and better financing conditions. As associations they can also have access to several public funding from SERCOTEC and other government agencies to get technical training or access to funds for business improvement. Finally, as a group they have more power to push local government authorities to help them.

*Working with and for the community in the neighborhood.* Associations should work, in the extent of their capacity, to provide services that serve both business owners and residents. The SERCOTEC consultant interviewed identifies two examples: implementing a child daycare center to facilitate parents shopping, or providing delivery services for the elderly.

*Fostering trust.* The key for an association to succeed as a BID is to have the support of the business and property owners, as well as the one from the residents. Organizations should always act in a transparent way to create trust among the different stakeholders, and they should also aim to realistic projects to earn credibility. In this way they would have the support needed to form a BID when the legislation allows for that.

When adapting the Business Improvement District model to Chile, government authorities should consider that it is not enough to believe in the communities and in their knowledge about what is best for them. The definition of the process of participation and the

institutions behind it is crucial. The decision-making and planning process of these organizations –that will represent the community and lead their projects– must be defined, regulated, and closely overseen by the government and by the same citizens that are being represented. The government has to facilitate the availability of public and accessible information, and make sure citizens are aware of their rights and obligations in order to demand accountability to the institutions acting for them.

Finally, in order to have a better understanding of the impact of the program in Chile there is a need for more research to define the right indicators to evaluate its success. Literature on BIDs in NYC explores their impact on property values, crime rates, and increases in sales. Are these the right ones to consider for the Chilean case? What indicators are the most appropriate based on the nature and goals of the FBC program? The impact of private organizations managing public spaces is also a topic that needs further exploration, particularly in the case of Chile where private-public partnerships are mostly used in large urban infrastructure through the concessions model.

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## APPENDIX

### NYC Business Improvement Districts (December 2015)

Name	Borough	Neighborhood	Year of creation	Number of Blocks	Number of Businesses
1 Fulton Mall Improvement Association	Brooklyn	Downtown Brooklyn	June 1976	17	150
2 165th Street Mall	Queens	Downtown Jamaica	July 1978	8	168
3 Jamaica Center	Queens	Downtown Jamaica	July 1979	30	302
4 Union Square Partnership	Manhattan	Union Square	July 1984	32	258
5 East Brooklyn	Brooklyn	East New York	July 1985	78	25
6 Grand Street	Brooklyn	East Williamsburg	July 1985	12	180
7 North Flatbush	Brooklyn	Prospect Heights/Park Slope	January 1986	24	157
8 Bryant Park Corporation	Manhattan	Midtown	July 1986	14	61
9 Washington Heights	Manhattan	Washington Heights	July 1986	27	245
10 Brighton Beach	Brooklyn	Brighton Beach	January 1987	15	310
11 Church Avenue	Brooklyn	Flatbush	January 1987	12	165
12 Columbus - Amsterdam	Manhattan	Manhattan Valley	July 1987	44	188
13 Graham Avenue	Brooklyn	Williamsburg	July 1987	26	180
14 Flatbush Avenue	Brooklyn	Flatbush	July 1988	22	250
15 Grand Central Partnership	Manhattan	Midtown	July 1988	242	826
16 HUB/3rd Avenue	Bronx	South Bronx	July 1988	18	113
17 Myrtle Avenue (Queens)	Queens	Ridgewood	July 1988	32	342
18 82nd Street Partnership	Queens	Jackson Heights	January 1990	8	125
19 Kings Highway	Brooklyn	Midwood	January 1990	28	230
20 Steinway Street	Queens	Astoria	October 1991	10	275
21 34th Street Partnership	Manhattan	Midtown	January 1992	108	539
22 MetroTech	Brooklyn	Downtown Brooklyn	January 1992	95	134
23 Times Square Alliance	Manhattan	Midtown	January 1992	123	698
24 Lower East Side	Manhattan	Lower East Side	January 1993	72	413
25 Fifth Avenue	Manhattan	Midtown	July 1993	38	166
26 Woodhaven	Queens	Woodhaven	July 1993		
27 Garment District Alliance	Manhattan	Midtown	October 1993	95	500
28 Pitkin Avenue	Brooklyn	Brownsville	October 1993	32	180
29 125th Street	Manhattan	Harlem	January 1994	22	197
30 Village Alliance	Manhattan	Central Village	1993	63	397
31 White Plains Road	Bronx	Pelham Parkway	October 1994	7	88
32 Alliance for Downtown New York	Manhattan	Downtown Manhattan	January 1995	450	1062
33 Sunset Park	Brooklyn	Sunset Park	July 1995	52	539
34 Madison Avenue	Manhattan	Upper East Side	April 1996	164	605
35 180th Street	Queens	Jamaica	July 1996	26	27
36 Jerome-Gun Hill	Bronx	Northwest section of the Bronx	January 1997	24	223
37 NoHo NY	Manhattan	East Village	January 1997	54	135
38 Lincoln Square	Manhattan	Lincoln Center	April 1997	84	250
39 47th Street	Manhattan	Midtown	July 1997		
40 Montague Street	Brooklyn	Brooklyn Heights	January 1998	6.25	106
41 Columbus Avenue	Manhattan	Upper West Side	January 2000	30	185
42 86th Street Bay Ridge	Brooklyn	Bay Ridge	October 2001	16	215
43 Kingsbridge	Bronx	Kingsbridge	October 2001	26	183
44 East Midtown Partnership	Manhattan	East Midtown	January 2002	132	818
45 Downtown Flushing Transit Hub	Queens	Downtown Flushing	September 2003	30	500
46 Sutphin Boulevard	Queens	Downtown Jamaica	July 2004	12	134
47 Myrtle Avenue Brooklyn Partnership	Brooklyn	Fort Greene / Clinton Hill	April 2005	40	150
48 Forest Avenue	Staten Island	West Brighton	June 2005	23	120
49 Fordham Road	Bronx	Fordham	December 2004	35	300
50 Long Island City Partnership	Queens	Long Island City	July 2005	22	48
51 161st Street	Bronx	Concourse Village	April 2005		
52 DUMBO Improvement District	Brooklyn	DUMBO	December 2005	98	98
53 Flatiron/23rd Street Partnership	Manhattan	Flatiron District	January 2006	103	409
54 Flatbush-Nostrand Junction	Brooklyn	Flatbush	May 2006	25	185
55 Bay Ridge 5th Avenue	Brooklyn	Bay Ridge	June 2006	40	330
56 Court-Livingston-Schermerhorn	Brooklyn	Downtown Brooklyn	June 2007	68	194
57 Sunnyside Shines	Queens	Sunnyside	September 2007	36	250
58 Bayside Village	Queens	Bayside	October 2007	19	207
59 Southern Boulevard	Bronx	Hunts Point	December 2007	10	150
60 Park Slope 5th Avenue	Brooklyn	Park Slope	June 2008	62	490
61 Belmont	Bronx	Belmont	December 2008	74	320
62 Fulton Area Business (FAB) Alliance	Brooklyn	Fort Greene/Clinton Hill	December 2008	37	207
63 Hudson Square Connection	Manhattan	Hudson Square	February 2009	75	90
64 Bed-Stuy Gateway	Brooklyn	Bedford Stuyvesant	March 2009	28	322
65 Atlantic Avenue	Brooklyn	Brooklyn Heights, Boerum Hill, Cobble Hill	2011	55	400
66 Chinatown Partnership	Manhattan	Chinatown	2011	244	746
67 Westchester Square	Bronx	Westchester Square	2012	19	150
68 SoHo Broadway	Manhattan	SoHo	2013	12	130
69 Hudson Yards/Hell's Kitchen Alliance	Manhattan		2013		
70 West Shore	Staten Island	Bloomfield and Chelsea	2014	15	4
71 South Shore BID	Staten Island	Annadale, Great Kills, Eltingville	2015		0
72 Meatpacking District	Manhattan	Meatpacking District	2015		0

\* Source: NYC Open Data <https://nycopendata.socrata.com/>

### Selected Districts for FBC program pilot stage

Región	Comuna	Nombre del Barrio
01 Tarapacá	Iquique	Barrio Paseo Bulevar Baquedano
01 Tarapacá	Iquique	El Morro
02 Antofagasta	Antofagasta	Parque Brasil
02 Antofagasta	Tocopilla	21 de mayo
02 Antofagasta	Calama	Latorre
02 Antofagasta	Antofagasta	Matta
03 Atacama	Copiapó	Alameda
03 Atacama	Vallenar	Vallenar Centro
03 Atacama	Huasco	Craig
04 Coquimbo	Coquimbo	Peñuelas
04 Coquimbo	La Serena	La Serena Centro
04 Coquimbo	Ovalle	Calle Independencia
05 Valparaíso	La Ligua	Valle Hermoso
05 Valparaíso	San Antonio	Centro de San Antonio
05 Valparaíso	Valparaíso	Calle Bustamante y Plaza Echaurren
05 Valparaíso	Quilpué	Centro de Quilpué
06 O'Higgins	Pichilemu	Calle Ortúzar
06 O'Higgins	San Fernando	Barrio Comercial Terminal San Fernando
06 O'Higgins	Rancagua	Barrio Comercial Santa María
07 Maule	Linares	Calle Brasil
07 Maule	Molina	Calle Quechereguas
07 Maule	Cauquenes	Calle Victoria
07 Maule	San Javier	Calle Chorrillos
07 Maule	Curicó	Feria de Antigüedades Plaza San Francisco
07 Maule	San Clemente	Calle Huamachuco
08 Biobío	Tomé	Explanada
08 Biobío	Cañete	Barrio Centro Cañete
08 Biobío	Antuco	Barrio Los Carrera
08 Biobío	Arauco	Barrio Laraquete
08 Biobío	Chiguayante	Barrio Estación de Chiguayante

<b>Región</b>	<b>Comuna</b>	<b>Nombre del Barrio</b>
08 Biobío	Ninhue	Barrio Comercial Ninhue
08 Biobío	Contulmo	Barrio Centro de Contulmo
09 Araucanía	Angol	Calle Julio Sepúlveda-Avda. Prat
09 Araucanía	Temuco	Barrio Estación
09 Araucanía	Villarrica	Barrio Aviador Acevedo
09 Araucanía	Victoria	Barrio Estación
10 Los Lagos	Osorno	Patricio Lynch
10 Los Lagos	Calbuco	Paseo Comercial Av. Los Héroes
10 Los Lagos	Puerto Montt	Av. Diego Portales
10 Los Lagos	Los Muermos	Bernardo O'Higgins - Manuel Montt
11 Aysén	Coyhaique	Barrio Coyhaique
11 Aysén	Aysén	Barrio Puerto Aysén
12 Magallanes	Puerto Natales	Barrio Natales
12 Magallanes	Punta Arenas	18 de Septiembre
12 Magallanes	Cabo de Hornos	Calle Piloto Pardo
13 Metropolitana	Providencia	Galerías Tajamar
13 Metropolitana	Recoleta	Patronato
13 Metropolitana	Santiago	Victoria
13 Metropolitana	Melipilla	Pomaire
13 Metropolitana	Santiago	San Diego
13 Metropolitana	Maipú	Maipú
13 Metropolitana	Peñalolén	Ictinos
13 Metropolitana	Independencia	Barrio de Las Telas
13 Metropolitana	San Bernardo	José Joaquín Pérez - Centro
13 Metropolitana	Isla de Maipo	Av. Principal
13 Metropolitana	Recoleta	La Chimba
14 Los Ríos	Valdivia	Los Molinos
14 Los Ríos	La Unión	Calle Comercio
14 Los Ríos	Valdivia	Sector Esmeralda
14 Los Ríos	Valdivia	Picarte, Plazuela Berlín
15 Arica y Parinacota	Arica	18 de septiembre, Bolognesi y Thompson
15 Arica y Parinacota	Arica	Calle Baquedano

## **INTERVIEW QUESTIONS**

### **NYC Bids:**

#### **BID staff:**

1. Who were the "stakeholders" involved? In favor / against.
2. Who lead the process of formation?
3. Where you involve in the BID formation?
4. Did you participate in the definition of it conditions? (Boundaries, board members, extra-tax payment definition, board composition, board members, project definition)
5. Did you vote?
6. What was your status when voting? (Property owner, business owner, tenant, resident) (CHECK NYC BID REGULATIONS)
7. What made you support/oppose to BID formation?
8. Were there any proposals when the BID was forming you consider may have been good to implement or study?
9. Did you belong to an association when the process started? Which? Was this group in favor, against or was indifferent? Why?
10. If not, did you and other people form an association to support or fight the BID?
11. How was the participatory process of BID formation? How did citizens learn about the BID?
12. Where the information, community sessions and ballot places accessible to everybody?
13. What material/info was presented to voters to inform them about the BID formation?

14. How is the process to get approval for a change in the BID budget or to approve new projects? How is the community involved in this process?
15. How often board members change? How is the election process? Who has a vote?

## **Santiago, Chile BIDs :**

### **1. SERCOTEC General Office (in charge of defining the program):**

#### Program general description

1. As SERCOTEC what services are you providing now and would provide in the future to the FBC?
2. How was the participatory process of FBC defined for the pilot program?
3. What is the state of art of this process?
4. What are the rules the program defined for the processes of association?

#### FBC implementation

1. How is the implementation of FBC defined in terms of institutionality? Is each FBC going to have an institution that represents its members? If yes, is it going to be a private, public or nonprofit organization?
2. How is the economic sustainability planned? What are the tools, financial and legal, associations have to keep the program going after the five years proposed by the program?
3. How are you planning for the accountability of these institutions?
4. How is a person that is not in the board being represented in the decision-making?

#### Takeaways from the first months

1. How has been community reaction to the program?
2. What is the level of involvement? Is it more or less than what you were expect?
3. What key issues are you planning to change for the official program?

## **2. SERCOTEC neighborhood agent (gestor del barrio):**

### Role

1. What is your role in the implementation of the FBC pilot program?
2. What districts are you in charge of?

### Participatory process

1. Who leads the process of participation?
2. How is the outreach and promotion of the community meetings? What resources you use to inform about the FBC and to invite citizens to be involved?

### Takeaways from the first months

1. How has been the community reactions to the program?
2. Why people support the program? What do they like about it?
3. What are the main concerns people have? What do they not like or are uncertain about supporting the program?
4. Have you encounter pushback reactions or strongly disagreeing opinions?
5. What is the level of involvement? Is it more or less than what you were expecting?
6. How many people actively participate or attend to meetings?
7. Are they residents, business owners, and property owners?
8. What other stakeholders are involved? (Street vendors)

9. What key issues are you considering important for the official program to change?  
(Regarding participatory process, information availability, implementation strategy)

**3. Citizens affected (business owners, property owners, residents, others):**

FBC knowledge

1. Can you describe what is the FBC program?
2. How did you learn about it?
3. Do you know what are the benefits and commitments if you form part of it?

Program opinion

1. What do you like about the program?
2. What you do not like about it?
3. What do you not understand or you think you need more information about?

Participation

1. How many meetings have you attended?
2. How did you learn about those meetings? What resources you use to inform about the FBC and to invite citizens to be involved?
3. Who do you ask for more information or ask to clarify doubts?