



INSPIRED LEADERS  
SHAPING CITIES

IDA  
MEMBER  
ACTION  
SURVEY  
RESULTS

RESIDENTIAL ASSESSMENT  
WITHIN BID<sub>s</sub>

AUGUST 2016

## Residential Assessment within BIDs

*IDA Member Action Survey Results, August 2016*

As downtowns and urban districts become more desirable places, residential development and residents as a district constituency have increased. A recent International Downtown Association (IDA) survey sought to understand current practices of urban management organizations throughout North America pertaining to integrating residential development with existing commercial, office, and retail property management. From the 89 respondents in the survey, general consensus is clear: **residents and residential developments benefit** from business improvement district (BID/BIA) services and are often quite involved with the district management organization.

Over half (**53%**) of the organizations surveyed receive assessments from residential properties. Of those receiving assessments, both **income-producing (86%)** and **non-income producing (77%)** properties contribute. These numbers highly support residential assessment as a normal course of action. Residential assessments as a percent of an organization's overall budget varies and can be high as 50% of the organization's total assessment budget. However, typical residential assessments represent between **10-20% of total assessments in a district**.

Residents are currently active and engaged with local organizations. **72%** of all district management organizations that responded have **residents on their Board of Directors**.

One respondent wrote, *"We have a residential member on the Board to ensure we have the point of view of residential areas. As residential density increases downtown, it's worth knowing the impact of our activities on residents."*

Like commercial properties, residential development does benefit from existing within a BID/BIA. **68% report increased residential rental rates** since the BID/BIA was formed. Residents have become an important constituent over the years, with **75%** of responding organizations reporting that they market their services to residents. Services most frequently marketed towards residents include **beautification (75%)**, **cleaning services (69%)**, **safety and security (66%)**, **events and festivals (65%)**, restaurant and retail attraction (63%), and news and communication (55%). Others include: providing residents with a voice within the governing organization; residents serving as a liaison to a neighborhood association; providing free transit services; general economic development; park maintenance and operations; and increasing residential property values.

State and provincial legislation regarding residential assessments can vary. Most address it one way or another, with **59%** reporting that their **state or provincial legislation** addresses residential assessments. Of these, **19% require** residential to pay into a special service assessment district, **24% explicitly exclude residential** as an option, **14% explicitly include residential** as an option, and close to **43% listed "other"** in the ways the state or province addresses residential assessments.

**A typical strategy is to assess mixed-income, multi-family, or condo units, while excluding single-family residences.** Some of the "other" options within that 43% include:

- grandfathering in existing BIDs that assess residential and not assessing owner-occupied residential in new BIDs;
- excluding owner-occupied units; levying all taxes uniformly;
- including all properties unless they are exclusively residential;
- levying a business tax on home-based businesses;
- determining assessments locally;
- excluding primarily residential zoned districts;
- assessing residential properties at \$1/year;
- treating residential separately from business;
- excluding single-family residents, but including multi-family homes;

- excluding single-family uses;
- assessing residential projects of 10 units or more (both apartments and for sale);
- assessing condos or rentals, not single-family;
- assessing apartments or rental units, but capping assessments at \$100/year if owner-occupied;
- statewide assessments of commercial a40% of FMV, while residential (condos or houses) assessed at 25% of FMV;
- prohibiting the exclusion of residential properties;
- providing owned residential units a 40% discount on assessment rate; or
- relying on case law precedent at the circuit court level for a standard.

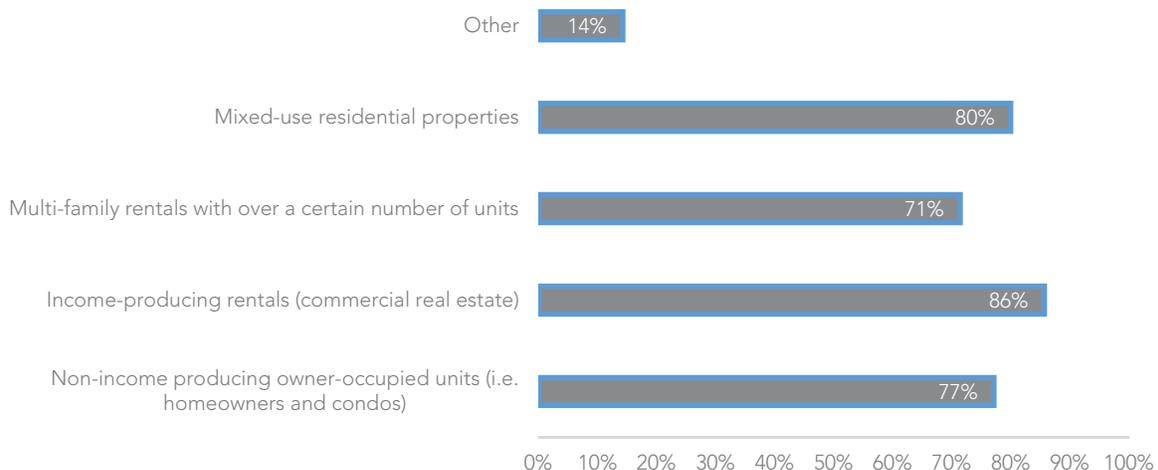
Of the 41% of **organizations whose state or provincial legislation does not address residential assessments**, approximately one third reported "other" options such as: a special charge formula; treating residential the same as other assessments; assessing those with a business license to rent residential properties, not the properties themselves; categorizing apartments as commercial; applying millage to all real property except public, irrespective of use; or utilizing an authorization petition, incorporated into contract with the city.

There is a **general consensus that residents and residential properties benefit from BID services**. Survey respondents remarked that residential units reap the benefits of being within a BID and therefore should be included in assessments. One compared the process to that of an HOA, marketing the benefits in a similar fashion. Others noted that if residents paid even a nominal amount, the local BID could do so much more for the residential environment. In general, responses revealed that the overall success of managed downtown districts are dramatically impacting residential property values in a positive way. One response stated, "With more residents living in your downtown, which is a huge positive, more services are required by the BID to ensure a clean, safe environment for the residents at off-normal downtown business hours." Another continued, "For a mixed-use community (ours is split 50/50 commercial/residential) it's imperative to have both sectors participate for competitiveness and long-term sustainability of the BID and the neighborhood."

*"A significant portion of BID work makes the urban district a place for the community to live, work, and play."  
—Survey Respondent*

### Summary Chart: Types of Residential Properties Assessed

Types of Residential Properties Assessed  
Source: IDA Member Survey 2016, N=35)



## Summary of Findings:

- 53% of organizations receive residential assessments of some kind.
- Of those receiving assessments, both income-producing (86%) and non-income producing (77%) properties contribute.
- Typically, residential assessments represent between 10-20% of total assessments in a district.
- 72% have residents on their Boards of Directors.
- 59% report that their State addresses residential assessments (one way or another) in legislation, while 41% report that their State does not.
- 68% report increased residential rental rates since the BID/BIA was formed.
- Services most frequently marketed towards residents include beautification (75%), cleaning services (69%), safety and security (66%), events and festivals (65%), restaurant and retail attraction (63%), and news and communication (55%).
- A typical strategy is to assess mixed-income, multi-family, or condo units, while excluding single-family residences.
- Residents and residential developments benefit from business improvement district (BID/BIA) services and are often quite involved with the district management organization.

## Additional Survey Comments:

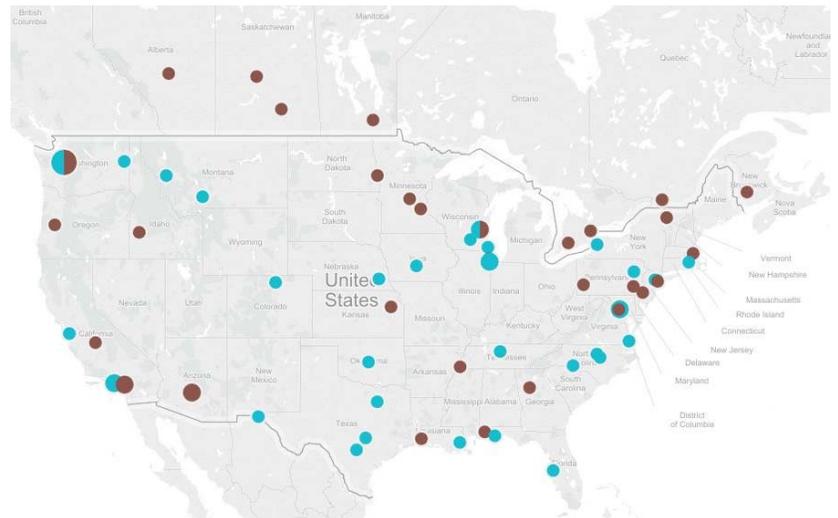
- We will address residential assessments at such time as we re-do our ordinance; they benefit and should be included in supporting the programs.
- We offer owner-occupied residential rebates, so a single home whose owner lives in the structure can get his BID assessment back, once he has shown proof of taxes (and thereby BID assessments) have been paid. This does not apply to condominiums or rentals.
- We essentially treat residential the same as commercial. All property owners are assessed 1% of property value.
- To be clear, apartment complexes are assessed, but single family are not. We engage with all residents even though some aren't assessed.
- They benefit greatly for our work and efforts, but do not pay one dime to offset our costs and no legislation exists for them to do so. We can ask residential groups and condo boards for donations, but this is voluntary.
- There has been discussion that residential units that operate as a business such as apartment / rental complexes should perhaps be included in assessments since they operate as a business and benefit from BID services and programs
- The overall success of downtowns now is dramatically impacting residential property values in a positive way. To think residential properties are not receiving any "direct" services is very short sighted and disappointing.
- Our board decided to keep the exemption for homesteads and the first \$500,000 in order to retain the commercial owner's as primary constituents.
- Our BID is very restrictive in its service model but we are working to change that.
- Our 2005 BID renewal legislation provided for residential assessments, however, the recession hit at the time these assessments would have gone into effect, so the decision was made against implementation. The subsequent 2012 BID renewal did not provide for residential assessments.
- Large commercial apartment/mixed use properties in our BID pay a large portion of our annual budget, they also benefit from our thriving downtown district which attracts residents to the area, allowing them to have higher occupancy and rates.
- It is our belief that if residents paid even a nominal amount - the local BID/BIA could do so much more for the residential environment.
- it is an ongoing conversation, as a business improvement district its somewhat of a challenge when issues arise between residential concerns and nightlife, cleaning etc., and because they are not

assessed the cost with programs is on the businesses, however the residents are customers as well so it's a fine line between who and what interests are best and who to blend the two together

- I believe residential units must be included as they reap the benefits of a BID as well. There should be no opt-out once geographic bounds are determined, other than making non-profits voluntary.
- For a mixed-used community (ours is split 50/50 commercial/residential) it's imperative to have both sectors participate for competitiveness and long-term sustainability of the BID and neighborhood.
- Even though all properties pay the downtown assessment, the state legislation of allowing a \$75,000 Homestead exemption reduces the tax significantly. The exemption only applies to home owned properties, not investment property.
- Commercial property such as apartments or other rental units is taxed at the commercial rate. If the residence is owner occupied, the assessment is capped at \$100/year. Residents obviously benefit from BID services, so I believe they should be assessed - even if it is a token amount. A good argument is to compare them to HOA (or equivalents) dues.
- BIDs cannot levy the BID Tax on single family uses, only on residential projects of 10 units or more - both apartments and for sale.
- A significant portion of the work we do is to attract and retain residential development. The work we do makes downtown a place for our community to live, work and play.

### Survey Methodology Notes:

While the survey originated from a need to inform policy discussions in Wisconsin, the initial results are valuable for all as IDA begins to benchmark approaches to residential assessments, representation, and value delivery. IDA received 89 valid responses in 2016 to its member action survey on the topic of residential assessments within improvement districts. Respondents represent 7 provinces in Canada and 30 states in all 4 US Census regions. 63% of respondents represent a Business Improvement District (BID), while other organizations represented included similar types such as BIA, BIZ, SSA, CID, PID, SSD, Local Government, etc. The following map represents North American respondents. While the IDA survey aims to be as objective, reliable and valid as possible, it is not a scientific survey. Limitations include the issue of self-reporting, reliance on only an online survey, small sample sizes, and the challenge of only reaching those organizations on the IDA list-serv. Also, topics around advocacy may bias those who respond, one way or another. This survey will remain open and these results will continually be updated to include future responses. Visit [downtown.org](http://downtown.org) to be kept informed of the latest results and information. For more information, please contact IDA Director of Research, Cole E. Judge at [cole@downtown.org](mailto:cole@downtown.org).



Map: Does your organization receive assessments from residential properties? (Blue: Yes, Brown: No)