

# DOES GOVERNANCE MATTER? THE CASE OF BUSINESS IMPROVEMENT DISTRICTS AND THE URBAN RESURGENCE

*Richard Schragger\**

## I. INTRODUCTION

At the turn of the twenty-first century, the problem of urban economic development has elicited a kind of entrepreneurial, market-oriented response from city leaders. The driving assumption is that cities are competing with one another and with the suburbs for residents, firms, and consumers.<sup>1</sup> According to many policymakers, cities can only compete with other places by creating a market-oriented environment that is responsive to both consumer and resident desires.<sup>2</sup> Indeed, a central preoccupation of the turn-of-the-century city has been to provide particular consumption amenities to a highly mobile and increasingly demanding populace.<sup>3</sup> In particular, cities have sought to attract individuals with high incomes and high levels of education. The argument has been repeatedly made that cities that create attractive and inviting areas in which to live, shop, eat, and recreate will win the competition for that demo-

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\* Professor of Law, University of Virginia School of Law. This Article is based on remarks given at the Symposium on Business Improvement Districts and the Evolution of Urban Governance held in January 2010 at the Earle Mack School of Law at Drexel University. Many thanks to Risa Goluboff for comments on previous drafts, to Nathaniel Popkin for useful conversations, and to Richardson Dilworth, the Drexel University Center for Public Policy, and the Earle Mack School of Law for organizing and sponsoring an excellent conference.

1. See generally CHANGING CITIES: RETHINKING URBAN COMPETITIVENESS, COHESION AND GOVERNANCE (Nick Buck et al. eds., 2005); URBAN COMPETITIVENESS: POLICIES FOR DYNAMIC CITIES (Iain Begg ed., 2002); DOUGLAS WEBSTER & LARISSA MULLER, URBAN COMPETITIVENESS ASSESSMENT IN DEVELOPING COUNTRY URBAN REGIONS 1 (2000), available at <http://info.worldbank.org/etools/docs/library/166856/UCMP/UCMP/documents/competitiveness.pdf>. But see Richard Shearmur, Editorial, *Of Urban Competitiveness and Business Homelessness*, 29 URB. GEOGRAPHY 613, 614 (2008) (“[E]xcept in cases dealing with the competitiveness of very specific economic activities . . . urban competitiveness is indeed a discourse rather than a concept grounded in any economic theory . . .”).

2. See, e.g., Edward L. Glaeser, *The Death and Life of Cities*, in MAKING CITIES WORK: PROSPECTS AND POLICIES FOR URBAN AMERICA 22–30, 60 (Robert P. Inman ed., 2009).

3. See *id.* at 23–25.

graphic and will ultimately do better economically than cities that do not.<sup>4</sup>

The business improvement district (BID) is the poster child for this approach to urban development. A BID is a specially designated area within a city where businesses and property owners pay additional taxes that in turn pay for district services and improvement.<sup>5</sup> First appearing in significant numbers in the early 1990s, BIDs are now a fixture of American cities and many cities abroad.<sup>6</sup> The name says it all: the BID's animating purpose is to improve the collective product of a defined portion of the city. In most cases, BIDs have been tasked with cleaning up and improving the central business districts in declining post-industrial cities. The BID is intended to make those areas more competitive with the suburban shopping mall by investing in public safety, street furniture, sanitation, lighting, infrastructure, promotion, and advertising.<sup>7</sup> While there have been relatively few studies of their effectiveness, it is fair to say that many policymakers and most politicians believe that BIDs have played an important role in central city revitalization.<sup>8</sup>

Is this belief warranted? Certainly many downtown business districts are doing better now than ten or twenty years ago. Indeed, though sometimes overstated, there is now significant evidence that cities generally are seeing their fortunes rise after a long period of decline<sup>9</sup>—and this applies to both central business districts and other neighborhoods.<sup>10</sup> Professionals seem to be returning to the cities,<sup>11</sup> urban populations are stabilizing,<sup>12</sup> real estate values are up,<sup>13</sup> and urban development is becoming popular.<sup>14</sup> Prior to this recent economic downturn—the full effects of which are yet uncertain—there was a reversal of fortunes, not for all cities, but for many that

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4. *Id.* at 27–29.

5. Richard Briffault, *A Government for Our Time? Business Improvement Districts and Urban Governance*, 99 COLUM. L. REV. 365, 368 (1999).

6. JERRY MITCHELL, *BUSINESS IMPROVEMENT DISTRICTS AND THE SHAPE OF AMERICAN CITIES* 3 (2008).

7. Briffault, *supra* note 5, at 462–64.

8. See MITCHELL, *supra* note 6, at 73.

9. Richard C. Schragger, *Rethinking the Theory and Practice of Local Economic Development*, 77 U. CHI. L. REV. 311, 323–24 (2010); see also Michael Storper & Michael Manville, *Behaviour, Preferences and Cities: Urban Theory and Urban Resurgence*, 43 URB. STUD. 1247, 1251–60 (2006).

10. See Storper & Manville, *supra* note 9, at 1248.

11. See *id.* at 1254.

12. *Id.* at 1248.

13. *Id.*

14. *Id.*

had been written off, especially the “old, cold cities” that had been losing population to newer cities in the Sun Belt.<sup>15</sup> Philadelphia is one of those cities: it has seen its population stabilize and its real estate values go up.<sup>16</sup> Other cities have experienced similar, sometimes slow, but notable, upward trends. There has been something of an urban resurgence over the last twenty to twenty-five years.<sup>17</sup>

Have BIDs had anything to do with this urban resurgence? This question is part of a larger inquiry about the causes of local economic growth and decline. The problem of economic development has been at the heart of urban policy for as long as there have been cities; in the modern American era it has been a central concern since the early twentieth century and the beginning of the decline of the great industrial cities.<sup>18</sup> A central task, perhaps *the* central task, of local government scholars and policymakers is to recommend policy innovations that can generate more economically vibrant cities. But what makes cities prosper or fail? And to what extent have innovations in urban governance contributed to economic development?

The mayor of New York City, Michael Bloomberg, has argued that “BIDs are a proven example of how private/public partnerships can promote economic development.”<sup>19</sup> If that is so, we should be able to learn something about the relationship between urban

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15. Edward L. Glaeser & Joshua D. Gottlieb, *Urban Resurgence and the Consumer City*, 43 URB. STUD. 1275, 1275 (2006); cf. Ingrid Gould Ellen & Katherine O'Regan, *Reversal of Fortunes? Lower-Income Urban Neighborhoods in the US in the 1990s*, 45 URB. STUD. 845, 866 (2008) (finding strong evidence that “an urban resurgence of sorts did take place in the 1990s and that it extended to the lowest income neighborhoods” but that higher-income neighborhoods did not experience it). See generally Storper & Manville, *supra* note 9, at 1247–54 (commenting that resurgence occurs in existing cities and suburbs).

16. For data showing population stabilization and real estate appreciation, see THE PEW CHARITABLE TRUSTS, PHILA. RESEARCH INITIATIVE, PHILADELPHIA: THE STATE OF THE CITY, A 2010 UPDATE 1 (2010) [hereinafter PHILADELPHIA, THE STATE OF THE CITY], available at [http://www.pewtrusts.org/our\\_work\\_report\\_detail.aspx?id=57931](http://www.pewtrusts.org/our_work_report_detail.aspx?id=57931) (follow “2010 Update” hyperlink). For data showing three-year estimated median real estate value in Philadelphia increasing from \$117,500 in 2007 to \$130,400 in 2008, see U.S. CENSUS BUREAU, 2006–2008 AMERICAN COMMUNITY SURVEY 3-YEAR ESTIMATES (on file with author), and U.S. CENSUS BUREAU, 2005–2007 AMERICAN COMMUNITY SURVEY 3-YEAR ESTIMATES (on file with author).

17. See Glaeser & Gottlieb, *supra* note 15, at 1275; Storper & Manville, *supra* note 9, at 1247–54.

18. See generally GUIAN A. MCKEE, THE PROBLEM OF JOBS: LIBERALISM, RACE, AND DEINDUSTRIALIZATION IN PHILADELPHIA (2009) (describing Philadelphia’s various efforts to combat the job loss crisis caused by deindustrialization).

19. MITCHELL, *supra* note 6, at 6 (citing Press Release, Michael R. Bloomberg, Mayor of N.Y.C., Mayor Michael R. Bloomberg Signs Legislation Creating Forest Avenue Business Improvement District (Nov. 29, 2004), available at [http://prtl-prd-web.nyc.gov/html/sbs/html/pr/112904-forest\\_ave.shtml](http://prtl-prd-web.nyc.gov/html/sbs/html/pr/112904-forest_ave.shtml)).

governance and economic development—and between institutional innovation and the urban resurgence—by studying BIDs. If, however, BIDs do not seem to be a cause of the urban resurgence, we might begin to wonder about the oft-presumed causal relationship between urban governance and economic development. Indeed, if BIDs are an unlikely contributor to cities' renewed popularity, that conclusion might call into question the more general claim that governance makes a difference to urban prosperity.

This Article begins by providing some background to the debate about BIDs, suggesting that BIDs have played a less significant role in urban governance than either proponents or detractors have sometimes asserted. It then makes some tentative efforts to describe the connections between BIDs and the urban resurgence in places like Philadelphia, arguing that those connections are not particularly robust. Finally, the Article suggests caution when attempting to draw causal connections between governance and economic outcomes. It is not at all certain that good governance matters to local economic growth. Other factors may be more significant. If that is so, then the current competitive model of city growth and decline that seems to dominate thinking about urban policy is far too simplistic.

## II. THE GOOD, THE BAD, AND THE REALITY

I begin by looking at the general arguments for and against BIDs. The positive story told about BIDs is that they devolve governance to the consumers of municipal services and solve collective action problems.<sup>20</sup> Property owners in a BID pay some additional taxes, which are used for projects that improve the public spaces in the district, targeting investments to the specific needs of the particular neighborhood. This is beneficial, for it means that property owners get the services they want and need and do not pay for services they do not want or need. Moreover, this can free up general city tax revenues for other city purposes.

The BID also enables individual business owners to coordinate their activities, set standards for design, make capital improvements, and adopt promotional activities that accrue to the benefit of

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20. See Leah Brooks, *Volunteering To Be Taxed: Business Improvement Districts and the Extra-Governmental Provisions of Public Safety*, 92 J. PUB. ECON. 388, 388-89 (2008); Ingrid Gould Ellen, Amy Ellen Schwartz & Ioan Voicu, *The Impact of Business Improvement Districts on Property Values: Evidence from New York City* 3-6 (N.Y.U. Furman Ctr. for Real Estate & Pub. Pol'y, Working Paper No. 07-01, 2007).

the district members.<sup>21</sup> Often a BID's primary task is to improve public safety by employing private security and by coordinating enforcement with the municipal police.<sup>22</sup> BIDs also often augment a city's sanitation services by employing additional street cleaners.<sup>23</sup> Because cleanliness and public safety are the main components in creating attractive and inviting spaces for the public, BID efforts help to draw more shoppers, residents, and firms into the district. This generates benefits for the district's business owners and, in turn, for the city as a whole.

Moreover, according to proponents, BIDs provide expertise and resources that cash-strapped local governments may not be able to provide.<sup>24</sup> And, for those skeptical of urban politics, BIDs provide a means to avoid the political infighting and corruption, or incompetence, that may afflict municipal government.<sup>25</sup> As the quotation from Bloomberg illustrates,<sup>26</sup> there are many who think that BIDs are an example of successful public-private partnerships. By privatizing some municipal service provisions, the BID can, to an extent, bypass the municipal unions and political bosses, can be insulated from the vagaries of local politics, and can accomplish goals that the municipality cannot.

It is this latter quality of BIDs that has given rise to some criticism. The negative story told about BIDs is that they foster inequality, oppress those with less political or economic clout, and shift political and economic resources away from the city as a whole and toward particular areas of the city. For critics, the privatization of municipal government is not cause for celebration, but cause for concern.

According to critics, BIDs generate a number of bad effects.<sup>27</sup> First, BIDs create a patchwork of districts, some of which receive good services and some of which receive poor ones. Receipt of basic municipal services like policing and sanitation thus turns on where one happens to live or where one's business is located.<sup>28</sup> Second, as BIDs proliferate, property owners will be less inclined to pay for services

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21. Briffault, *supra* note 5, at 394–95, 404–08; Ellen et al., *supra* note 20, at 15.

22. Briffault, *supra* note 5, at 398–99; see Brooks, *supra* note 20, at 389–90, 402.

23. See Briffault, *supra* note 5, at 395–97.

24. See *id.* at 401.

25. *Id.* at 411–12.

26. See *supra* text accompanying note 19.

27. I have discussed these arguments at some length previously. See Richard C. Schragger, *The Limits of Localism*, 100 MICH. L. REV. 371, 444–59 (2001).

28. See *Kessler v. Grand Cent. Dist. Mgmt. Ass'n*, 158 F.3d 92, 116–17 (2d Cir. 1998) (Weinstein, J., dissenting); Schragger, *supra* note 27, at 449.

(such as public education) that do not directly benefit them, and cities will be more inclined to shirk their own service responsibilities, as BIDs take over those responsibilities.<sup>29</sup> As those who already pay BID assessments generate political pressure to lower municipal taxes, basic city services will decline. BIDs thus threaten the redistributive role played by municipal taxation.<sup>30</sup> Third, control of BID boards primarily rests with property owners, not residents or elected representatives of the city as a whole.<sup>31</sup> Thus, as BIDs take on more and more municipal responsibilities, fewer and fewer of the city's residents will be represented by those exercising power.<sup>32</sup>

These critiques go to the structure of BIDs and their potential effects on the political economy of the city. BIDs have also been criticized for their specific policies, such as their street order-maintenance strategies.<sup>33</sup> Some have accused BIDs of trying to push the homeless out of particular areas of the city or of displacing crime from the BID area to neighboring areas.<sup>34</sup> Many also fear that BIDs promote gentrification and the displacement of existing residents or small businesses, or, in the case of large-scale BIDs, pursue their own development interests to the detriment of current residents.<sup>35</sup>

So what have we seen? Has the good or bad occurred? Certainly, BIDs have engaged in particular programs that have generated criticism. There are ongoing debates about BID policing and development strategies. But descriptively, neither the good nor bad stories capture the role BIDs play in municipal government, which turns out to be relatively minor.

Indeed, many BIDs are quite small operations, employing one or two full-time managers and garnering annual assessments of between \$200,000 and \$400,000.<sup>36</sup> Most have quite limited ambitions.

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29. See Schragger, *supra* note 27, at 449.

30. See Kessler, 158 F.3d at 113-14 (Weinstein, J., dissenting); Briffault, *supra* note 5, at 466-67.

31. See Briffault, *supra* note 5, at 412.

32. See Kessler, 158 F.3d at 127 (Weinstein, J., dissenting); Schragger, *supra* note 27, at 444-59.

33. See Briffault, *supra* note 5, at 400 n.209 ("The relative autonomy of BID security forces may exacerbate the discretion problem endemic to so-called 'quality of life' policing.").

34. See Kessler, 158 F.3d at 122 (Weinstein, J., dissenting); Briffault, *supra* note 5, at 402-03, 456.

35. Briffault, *supra* note 5, at 474-75.

36. See Jill Simone Gross, *The Aramingo Avenue Shopping District: Stakeholder's Bridge or Border Divide?* 3 DREXEL L. REV. 171, 186 (2010); Jerome Hodos, *Whose Neighborhood Is It Anyway? The South Street/Headhouse District*, 3 DREXEL L. REV. 193, 193 (2010); see also Ellen et al., *supra* note 20, at tbl. 1.

Often a BID's first goal is to increase the assessments successfully collected from those in the BID zone.<sup>37</sup> A common follow-up goal is augmenting city services by deploying some additional sanitation personnel or by hiring a few additional security personnel.<sup>38</sup> Many Philadelphia BIDs, for example, struggle with relatively low budgets and look more like marketing arms for local businesses rather than quasi-governmental agencies that provide significant capital improvements or services.<sup>39</sup>

There are some downtown BIDs, like those in Manhattan and Center City Philadelphia, that are relatively large, both in area and budget.<sup>40</sup> But even the biggest BID budgets are dwarfed by city budgets.<sup>41</sup> This is not to say that these larger BIDs do not play an important political or economic role in the city, but only that their relative positive or negative effects are somewhat limited. Certainly, the threat of a BID takeover of city services or the business flight from redistributive taxation seems overstated. What may not be overstated is the issue of representation. The biggest and most powerful BIDs have the backing of the biggest and most powerful economic and political actors: large universities, commercial real estate interests, and large corporations.<sup>42</sup> A BID with those backers seems to be able to influence the services and development agenda for the district, though, again, exactly how much is a real question. Even absent a BID, these actors are central players in urban politics.

Thus, BIDs are not revolutionizing the city, either in the ways proponents have asserted or in the ways that critics have charged. Municipal government has not been supplanted in a serious way; privatized government has not taken over. Nevertheless, BIDs do raise questions about their political make-up and influence. More importantly, BIDs raise questions about their role in improving urban fortunes. If BIDs have worked, even within their narrow com-

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37. See Jonathan B. Justice, *Moving On: The East Passyunk Avenue Business Improvement District*, 3 DREXEL L. REV. 227, 228 (2010).

38. See Gross, *supra* note 36, at 192; see also Ellen et al., *supra* note 20, at tbl.3.

39. See Richard M. Flanagan, *Manayunk Development Corporation: The Search for Sustainable Gentrification and a Parking Spot*, 3 DREXEL L. REV. 139, 139 (2010); Thomas J.B. Cole & Seth A. Grossman, *The Chestnut Hill Business Improvement District: Learning from Other BIDs*, 3 DREXEL L. REV. 125, 129-30 (2010).

40. MITCHELL, *supra* note 6, at 67; see, e.g., *Kessler v. Grand Cent. Dist. Mgmt. Ass'n*, 158 F.3d 92, 112 (2d Cir. 1998) (stating the budget for the Grand Central District); Gökтуğ Morçöl, *Center City District: A Case of Comprehensive Downtown BIDs*, 3 DREXEL L. REV. 271, 271 (2010) (stating the budget for the Center City District).

41. See Briffault, *supra* note 5, at 376, 464.

42. Cf. Morçöl, *supra* note 40, at 277-78; Ellen et al., *supra* note 20, at 15.

pass, we should celebrate them. If they have not worked, we have to ask what purpose they serve.

### III. BIDS AND THE URBAN RESURGENCE

So, have BIDs worked? This Article uses “worked” in a relatively narrow sense, referring to whether BIDs have contributed to local economic growth. As noted above, some cities (and some downtown business districts) have seen their fortunes rise in the last twenty years. BID designers were trying to stem the decline of the central business district, and, if one looks at some central business districts today, one might conclude that those BID designers succeeded. But is this the case? Has good management of downtown business districts at least in part contributed to cities’ rising economic fortunes?

#### A. Crime Control

Let’s look at some possible hypotheses.<sup>43</sup> The first possibility is that cities, in part through BIDs, helped bring crime and street disorder under control, which in turn led to the renewed popularity of downtowns. A primary goal of BIDs has always been to promote public safety, as security tends to be their biggest budget item.<sup>44</sup> BID proponents regularly cite data showing drops in crime in BID jurisdictions.<sup>45</sup>

We have to be very careful about this claim, however, for three reasons. First, crime declined in the 1990s throughout the United States—in all cities—and has generally been declining since.<sup>46</sup> Some have credited broken-window policing policies<sup>47</sup>—which target street disorder—with the decline, but experts now discount the ef-

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43. Parts of the following discussion are taken from Schragger, *supra* note 9, at 325.

44. MITCHELL, *supra* note 6, at 84–87; Briffault, *supra* note 5, at 396 n.183.

45. MITCHELL, *supra* note 6, at 98–99.

46. Phillip J. Cook, *Crime in the City*, in MAKING CITIES WORK: PROSPECTS AND POLICIES FOR URBAN AMERICA 297, 300–02 (Robert P. Inman ed., 2009). See also Schragger, *Rethinking*, *supra* note 9, at 325 for a discussion.

47. See William J. Bratton, *The New York City Police Department's Civil Enforcement of Quality-of-Life Crimes*, 3 J.L. & POL'Y 447, 448–50 (1995); James Q. Wilson & George L. Kelling, *Broken Windows: The Police and Neighborhood Safety*, ATLANTIC MONTHLY, Mar. 1982, at 29, 31–32; see also Brief for Petitioner at 14–15, *Chicago v. Morales*, 527 U.S. 41 (1999) (No. 97-1121) (“The ‘Broken Windows’ thesis is that crime is most effectively combated when the police can address signs of visible disorder—including loitering—that destabilize communities and stimulate the commission of more serious crimes.”). For a discussion of the *Morales* decision, see Schragger, *supra* note 27, at 378–79.

fect of those strategies.<sup>48</sup> It is possible that a higher rate of imprisonment has led to less crime, but that possibility is also uncertain.<sup>49</sup> Indeed, as one criminologist has observed, no expert predicted the decline in crime in the 1990s and it remains “something of a mystery.”<sup>50</sup> Experts have not pointed to improvements in local governance as a reason for the drop in crime, and some have pointed to factors well beyond any city’s control, such as the legalization of abortion in the 1970s.<sup>51</sup> The decline in crime in the 1990s “made most any intervention look good.”<sup>52</sup>

Second, there have been only a handful of studies of the crime reduction effects of BIDs, and they present a mixed picture. One study finds that crime rates in BID blocks in Philadelphia are less than rates in non-BID blocks but does not provide any evidence of causation.<sup>53</sup> A different Philadelphia study finds no link between BIDs and violent crime but provides some evidence that BIDs may deter property crimes.<sup>54</sup> That study also finds, however, some evidence that crime might simply be displaced outside of BID boundaries.<sup>55</sup> A third study finds a more robust connection between BIDs and crime reduction in Los Angeles, but it too suffers from causation problems.<sup>56</sup>

The challenges of identifying causal connections are very difficult to overcome. Recall that BIDs are not randomly assigned; they are a product of local social and political forces.<sup>57</sup> Thus, “communities that adopt BIDs are likely to differ systematically from those that do

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48. See Cook, *supra* note 46, at 301–02.

49. See *id.*; Steven D. Levitt, *Understanding Why Crime Fell in the 1990s: Four Factors That Explain the Decline and Six That Do Not*, 18 J. ECON. PERSP. 163, 163–67 (2004).

50. Cook, *supra* note 46, at 301.

51. See Levitt, *supra* note 49.

52. Cook, *supra* note 46, at 297.

53. MITCHELL, *supra* note 6, at 99; Lorraine M. Hoyt, *Do Business Improvement District Organizations Make a Difference? Crime in and Around Commercial Areas in Philadelphia*, 25 J. PLAN. EDUC. & RES. 185 (2005); Lorraine M. Hoyt, *Collecting Private Funds for Safer Public Spaces: An Empirical Examination of the Business Improvement District Concept*, 31 ENV'T & PLAN. B: PLAN. & DESIGN 367–80 (2004); Ellen et al., *supra* note 20, at 9.

54. Ellen et al., *supra* note 20, at 9; Victor Calanog, *Business Improvement Districts: Crime Deterrence or Displacement? Essays in the Economics of Development Strategies* (2006) (unpublished Ph.D. dissertation, University of Pennsylvania) (on file with the University of Pennsylvania Library system).

55. Ellen et al., *supra* note 20, at 9. See generally Calanog, *supra* note 54 (explaining the unintended and negative outcomes which occur as a result of a community’s attempt to promote economic development).

56. Brooks, *supra* note 20, at 388–406; see Ellen et al., *supra* note 20, at 10 (describing the methods employed in Brooks’ study of the connection between BIDs and crime in Los Angeles).

57. See Ellen et al., *supra* note 20, at 1.

not.”<sup>58</sup> This means that any study seeking to draw a causal connection between BIDs and crime levels is going to have trouble distinguishing the effects of a BID on crime from the effects of something other than the BID on crime. For example, the characteristics of the neighborhood that chose to adopt a BID might be more important than the BID itself.<sup>59</sup>

Third, and finally, it is not certain that crime rates affect local growth rates. European “old and cold” cities have resurged but did not have a crime epidemic in the first place.<sup>60</sup> And the growth in Sun Belt cities cannot be attributed to crime reduction.<sup>61</sup> One might conclude from this evidence that crime rates have little effect on the ultimate growth or decline of cities, or on particular parts of cities. We know that cities have become safer, but it is not clear that this increased safety has contributed to the urban resurgence. And, even if public safety did contribute to recent city growth, it is far from clear that any policies adopted by cities, or by good BID managers, enhanced it.

### B. Improved Amenities

If public safety is not a central contribution of BIDs, perhaps aesthetic improvements are. One common argument is that BIDs make urban downtowns more inviting by repairing the streetscape, cleaning up the trash, controlling disorderly persons, or improving the retail products being sold there.<sup>62</sup> Making certain business corridors more attractive is a central goal of BIDs.<sup>63</sup> If BID efforts have resulted in a tangible urban revival, then we can say that there is some causal relationship between BID governance and the urban resurgence.

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58. *Id.* at 9.

59. JOHN MACDONALD ET AL., RAND CORP., NEIGHBORHOOD EFFECTS ON CRIME AND YOUTH VIOLENCE: THE ROLE OF BUSINESS IMPROVEMENT DISTRICTS IN LOS ANGELES 79, 90-94 (2009), available at [http://www.rand.org/pubs/technical\\_reports/2009/RAND\\_TR622.pdf](http://www.rand.org/pubs/technical_reports/2009/RAND_TR622.pdf).

60. See Martin Killias & Marcelo F. Aebi, *Crime Trends in Europe from 1990 to 1996: How Europe Illustrates the Limits of the American Experience*, 8 EUR. J. CRIM. ON POL'Y & RES. 43, 45-54 (2000); see also Schragger, *supra* note 9, at 325; Ingrid Gould Ellen & Katherine O'Regan, *Crime and Urban Flight Revisited: The Effect of the 1990s Drop in Crime on Cities*, 68 J. URB. ECON. 247, 257 (2010) (finding that the decline in crime in the United States during the 1990s had little positive effect on overall city growth despite having some effect on reducing urban flight).

61. See Schragger, *supra* note 9, at 325.

62. MITCHELL, *supra* note 6, at 103-04.

63. Briffault, *supra* note 5, at 404.

Certainly some economists have pointed to amenities as the drivers of urban growth.<sup>64</sup> The argument is that cities can attract a highly educated workforce by offering an active, pleasant, and safe street life; good restaurants; and the kinds of recreation that appeal to a new urban aesthetic.<sup>65</sup> This story, however, seems to mistake the results of urban resurgence for the causes. If a city already has a vital urban street life, then it does not have to do anything to get it. Also, city efforts to “create” a vibrant street life seem co-extensive with their efforts to generate economic development; those efforts are not a precursor for it.

The urban resurgence also seems to require more powerful drivers than simply a better shopping experience. Better amenities have been a goal of many cities for at least the last fifty years. Cities have torn down dilapidated downtowns. They have built festival marketplaces; they have closed streets to create pedestrian-friendly markets and then reopened those same streets when the markets did not materialize.<sup>66</sup> They have built waterfront parks, sponsored musical performances, and subsidized cultural offerings. City, state, and federal governments spent billions building highways into the downtown core, and building parking lots for the suburbanites who would use those highways.<sup>67</sup> These efforts have had worse-than-mixed results—in most cases not stemming a steady fifty-year decline.<sup>68</sup> We should be skeptical that cities have finally hit on the right formula with public-private partnerships after prior efforts—many of which were far more dramatic—failed.

In truth, the amenity story might have causation backwards. As urban theorists Michael Storper and Michael Manville point out, places like Hollywood and Silicon Valley had no pre-existing amenities prior to the arrival of the skilled population.<sup>69</sup> They observe that jobs often come *before* people, instead of jobs following people. Cities

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64. See Glaeser, *supra* note 2, at 25–26; Glaeser & Gottlieb, *supra* note 15. *But cf.* Richard Deitz & Jason R. Abel, *Have Amenities Become Relatively More Important than Firm Productivity Advantages in Metropolitan Areas?*, FED. RES. BANK N.Y. STAFF REPS. No. 344 (Sept. 2008), [http://www.newyorkfed.org/research/staff\\_reports/sr344.pdf](http://www.newyorkfed.org/research/staff_reports/sr344.pdf) (observing that it is difficult for any region to change its relative amenity position over a decade).

65. See Glaeser, *supra* note 2, at 25–26; Glaeser & Gottlieb, *supra* note 15, at 1276, 1288.

66. See JON C. TEAFORD, *THE TWENTIETH-CENTURY AMERICAN CITY* 152–55 (2d ed. 1993).

67. See generally ALISON ISENBERG, *DOWNTOWN AMERICA* 171–73 (2004) (discussing the federal government’s involvement in urban renewal).

68. See generally *id.*; TEAFORD, *supra* note 66 (describing the decline of the city throughout the twentieth century).

69. See Storper & Manville, *supra* note 9, at 1254.

can only attract new residents or stem the outflow of existing residents if there are jobs to provide them.<sup>70</sup>

BIDs might induce job growth in the local retail sector by attracting new retail firms to the city. BID efforts might also make the downtown area more attractive to non-retail firms in the regional market for commercial real estate. Certainly, commercial real estate owners think that is the case—they are a leading force behind the creation of BIDs.<sup>71</sup> But we have to be clear about what the firms are getting through the adoption of the BID. BIDs tend to focus on amenities desired by visitors and shoppers, not on amenities for residents *per se*. Thus, any effect on the residential make-up of the city is somewhat indirect.

And again, causation might be reversed. Consider the numerous accounts of how so-called pioneers—gays and lesbians, artists, bohemians—have “colonized” old city neighborhoods in search of inexpensive real estate and a particular urban aesthetic.<sup>72</sup> The initial in-migrants did not come for amenities but generated them once there. These amenities appealed to the next round of in-movers or induced additional amenity provision. Thus, it may be that cheap real estate or specific built environments (for example, loft spaces with exposed brick) have driven urban revitalization. BIDs have little control over the regional housing market or the types of structures available for residential re-use.

One possible way to look at the question of BID impact is to examine property values. If BIDs are providing better or more efficient services to their property owners or commercial and residential tenants, property values within the BID should, theoretically, be higher than property values for similar properties outside the BID. One study of New York City’s BIDs looked at this question and found a statistically significant relationship between BIDs and property values.<sup>73</sup> What is important about the study, however, is that it found that this relationship only existed for the largest BIDs.<sup>74</sup> Most BIDs are small or mid-sized, and the study found no link between property values and BIDs in those districts.<sup>75</sup>

This disjuncture may indicate that something else is going on. The largest BIDs—such as the Grand Central BID in New York or the

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70. *Id.*

71. Briffault, *supra* note 5, at 378.

72. Storper & Manville, *supra* note 9, at 1252.

73. Ellen et al., *supra* note 20, at 31.

74. *Id.*

75. *Id.*

Center City BID in Philadelphia—are quite large, in some cases spanning the core of the city center,<sup>76</sup> already the location of the city's prime real estate. Finding comparable properties outside the BID boundaries is thus by definition quite difficult. Again, as with the crime studies, causation problems abound.<sup>77</sup> Because BID boundaries are not random, there will be salient differences between properties inside and outside the boundaries, and these differences may account for the higher property values. The fact that only large BIDs have an impact on property values suggests that the difference is not a function of the existence of a BID but may instead be attributable to the property's location near the city center, the existence of already high-priced and exclusive real estate, or the predominance of office space at the core.<sup>78</sup>

### C. Other Factors

Of course, BIDs are not the only governance innovation in the city. Federal, state, and city governments, as well as private parties, all engage in numerous initiatives, many of which overlap. This multiplicity of efforts makes it difficult to isolate the effects of BIDs in particular.<sup>79</sup> The overlapping efforts also may mean that it is unfair to demand that BIDs show specific results. Nevertheless, we can ask the larger question of how local government policy innovations affect city economic development. We might conclude from examining the long history of failed policy efforts that causation is tenuous.

Indeed, urban scholars rarely point to better local governance as a factor in the urban resurgence. They instead point to changes in technology, agglomeration effects, transportation costs, demographics, or regional land use patterns. As to the first, scholars argue that the shift from a manufacturing economy to a knowledge-based one has changed the nature of cities.<sup>80</sup> Cities that had been dominated by industry are much cleaner and more attractive now, and they can now take advantage of their waterfronts and expand their green spaces.<sup>81</sup> They can also retrofit industrial spaces for residential use.

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76. Briffault, *supra* note 5, at 367.

77. MITCHELL, *supra* note 6, at 99.

78. Cf. Ellen et al., *supra* note 20, at 28–32 (observing that higher BID budgets might also be a causal factor).

79. MITCHELL, *supra* note 6, at 99.

80. See Storper & Manville, *supra* note 9, at 1254.

81. See *id.* at 1259.

The flight of manufacturing—which decimated urban economies—may be the key to some cities’ more recent successes.

Second, and relatedly, this technological shift may be giving cities a boost because knowledge industries require the kind of face-to-face and cross-industry fertilization that only can occur when firms are in close proximity, i.e., when gathered together in a city.<sup>82</sup> On this account, firms move into cities to gain the benefits of agglomeration; they want to be near other firms and industries.<sup>83</sup> This feature of cities explains why legal, financial, management, technology, fashion, art, publishing, education, and health care firms tend to clump together. It also explains why these firms are paying high rents in Manhattan when they could arguably locate anywhere.<sup>84</sup> There must be significant value to these firms in being close to one another. Only urban environments permit this kind of proximity.

Maybe the resurgence of “old, cold cities” is a product of the dramatic reduction in transportation costs in the late twentieth century. The conventional wisdom often asserts the opposite: that cities become less important as transportation costs go down, since firms and residents can locate almost anywhere.<sup>85</sup> But economic geographers have argued, contrary to expectations, that the reduced cost of moving people, information, and goods might encourage city growth by allowing firms to agglomerate more readily.<sup>86</sup> Every financial firm can now be in lower Manhattan because it is so easy for them to transmit information to their customers all over the world. Because of low shipping costs, firms need not move to get closer to their global customers, and lower transportation costs allow firms to locate where innovation occurs—near other entrepreneurs.<sup>87</sup> Thus, location in cities still matters, but now it matters less because of

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82. I have discussed agglomeration effects in previous work. See Schragger, *supra* note 9, at 319–36; Richard C. Schragger, *Mobile Capital, Local Economic Regulation, and the Democratic City*, 123 HARV. L. REV. 482 (2009).

83. See also Storper & Manville, *supra* note 9, at 1250. See generally MASAHISA FUJITA, PAUL KRUGMAN & ANTHONY J. VENABLES, *THE SPATIAL ECONOMY: CITIES, REGIONS AND INTERNATIONAL TRADE* 1–4 (1999); Masahisa Fujita & Paul Krugman, *The New Economic Geography: Past, Present and the Future*, 83 PAPERS REG. SCI. 139, 140–41 (2004) (explaining that clustering of economic activity has a variety of compositions).

84. See, e.g., Robert E. Lucas, Jr., *On the Mechanics of Economic Development*, 22 J. MONETARY ECON. 3, 39 (1988).

85. See Schragger, *supra* note 9, at 323.

86. See FUJITA ET AL., *supra* note 83; Fujita & Krugman, *supra* note 83. See generally PAUL KRUGMAN, *THE SELF-ORGANIZING ECONOMY* (1996) (analyzing how the self-organization that occurs in objects in the natural world applies to the growth of urban areas).

87. See FUJITA ET AL., *supra* note 83, at 322–25; Fujita & Krugman, *supra* note 83, at 140–42.

transportation costs and more because of the benefits of agglomeration.

Demographics might also be working for cities. Baby boomers are now beginning to downsize, and many have disposable income that they like to spend on cultural amenities.<sup>88</sup> Those amenities have always been in cities because cities are of sufficient size to sustain large cultural institutions.<sup>89</sup> Suburbs and small or medium-sized towns simply do not have the wealth or number of consumers to sustain a first-rate symphony, a significant art museum, or a major league sports team. Those activities require lots of people in relatively close proximity, and cities remain the best place in a metropolitan region for those institutions to locate.

And finally, it may be that city land has become more competitive with suburban land in the early twenty-first century. When the suburbs were built over the last seventy-five years or so, land in the periphery was plentiful, and federal highway monies and inexpensive automobile transportation subsidized the move out of the city.<sup>90</sup> But as metropolitan areas have become built up, new highway-building has stalled and restrictive land-use policies in the periphery have proliferated. As a result, suburban land prices have increased.<sup>91</sup> Regional housing costs in many locations are now quite high. Meanwhile, with the decline of industry, more (and more desirable) land has become available for residential use in the cities. Though there is still plenty of green-field development along the exurban fringe, the regional housing market no longer skews as dramatically toward cheap suburban land. Higher fuel prices and the longer commuting times associated with regional congestion further reduce the city-suburb cost gap.

If these factors—technology, agglomeration, transportation, demographics, and land markets—dominate, then urban decline

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88. See Mike Friguelto, *Understanding Who You're Selling To: If You Don't Know the Difference Between Baby Boomers, Generation X, and Generation Y, It's a Sure Bet You're Missing a Lot of Sales*, MUSIC TRADES, July 2006, at 150, 150; Elaine Misonzhnik, *Sixtysomething: A New Chapter for the Boomer Consumer*, RETAIL TRAFFIC, Nov. 2006, at 25.

89. Trine Bille & Günther G. Schulze, *Culture in Urban and Regional Development*, in 1 HANDBOOK OF THE ECONOMICS OF ART AND CULTURE 1053, 1087–88 (Victor A. Ginsburgh & David Throsby eds., 2006); Andres Duany & Elizabeth Plater-Zyberk, *The Neighborhood, the District, and the Corridor*, in THE CITY READER 207, 210 (Richard T. LeGates & Frederic Stout eds., 3d ed. 2003).

90. See generally KENNETH T. JACKSON, CRABGRASS FRONTIER: THE SUBURBANIZATION OF THE UNITED STATES 172–89 (1985) (discussing suburban development between World War I and World War II).

91. Edward L. Glaeser & Bryce A. Ward, *The Causes and Consequences of Land Use Regulation: Evidence from Greater Boston*, 65 J. URB. ECON. 265, 265–78 (2008).

and ascendance may have relatively little to do with local governance. Douglas Rae, for instance, has written that the mid-twentieth century decline of New Haven was attributable to technological changes and that even the best of mayors or administrations could not have prevented it.<sup>92</sup> Guian McKee has a more nuanced view in his recent book about post-industrial Philadelphia, but he too observes that well-meaning city leaders could not ultimately forestall Philadelphia's industrial decline.<sup>93</sup> By the same token, large-scale economic factors may be responsible for the urban resurgence and may swamp any particular local governance initiatives.

Indeed, as I have already observed, larger BIDs appear to have succeeded in areas of the city already blessed with powerful economic and political actors. Those actors could have abandoned the central business district and—assuming that they act rationally—would have if it was in their interest to do so. That these actors did not exit but chose instead to “invest” could indicate that they anticipated the increasing value of downtowns. The emergence of BIDs in the early 1990s may thus have been an early indicator of the coming urban resurgence, not a cause of it. On this account, BIDs are a *symptom* of rising city wealth, not a *generator* of it.

#### IV. WHAT DO BIDS DO?

If larger forces are at work in the recent urban resurgence, then we may want to rethink the competitive template that continues to dominate urban policy discussions. The assumption that cities are in competition with each other and with the suburbs has two consequences: first, it implies that cities are to blame for their failures to thrive; and second, it reinforces the idea that governing a city is a technocratic enterprise. BIDs are an example of how these ideas come together at the level of policy.

As to the first, the idea that a city's success or failure can be attributed to its own efforts is in part a legacy of the industrializing landscape of the nineteenth and early twentieth centuries. Boosterism embodied the notion that a city could, through force of will, foresight, and good management, grow large and powerful.<sup>94</sup> Chicago could beat St. Louis if its citizens were stronger, better, faster—and if they believed deeply enough in their own future.

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92. See DOUGLAS RAE, CITY: URBANISM AND ITS END 313–14 (2003).

93. See generally MCKEE, *supra* note 18.

94. For a discussion of nineteenth- and twentieth-century boosterism, see WILLIAM CRO-  
NON, NATURE'S METROPOLIS: CHICAGO AND THE GREAT WEST 31–41 (1992).

Decline has to mirror ascent—does it not? If cities can control their destinies, then success, as well as failure, is in their hands. Indeed, the failure of the city has often been viewed as a moral failure. If a city did not succeed, then something was wrong with its institutions, its elected officials, or its leading citizens. We are the inheritors of this moral economy, and it leads us to believe that it is possible to engineer the causes of growth and decline. Just give us good institutions, good leaders, and good policies, and we can make it happen.

Perhaps this belief is what makes BIDs so emblematic of their time. In the late twentieth and early twenty-first centuries, a managerial ethos has come to dominate urban governance.<sup>95</sup> Cities are conceived of as firms competing in the local government services market. Economists explicitly adopt this model, arguing that efficient government is a function of inter-local competition and, further, that efficient government will lead to economic growth.<sup>96</sup>

This conceptual framing contributes to a second idea: that municipal governance is technocratic in nature. On this conception, the nature of cities as political communities is minimized; indeed, the reformist impulse is to suppress politics itself.<sup>97</sup> The rhetoric of entrepreneurship and “best practices” has replaced the concepts of leadership and policy.<sup>98</sup> This impulse is far from new. For over 100 years the goal of municipal reformers has been to constrain politics. When the National Municipal League adopted the council-manager structure in 1915, it intended to make city governance more rational and more akin to the running of a business.<sup>99</sup> Professional managers

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95. See Richard Schragger, *Can Strong Mayors Empower Weak Cities? On the Power of Local Executives in a Federal System*, 115 *YALE L.J.* 2542, 2552–53 (2006).

96. At the core of this approach is an emphasis on Tiebout sorting. Recall that Tiebout proposed that a market in local government services, in which consumer-voters “vote with their feet,” could theoretically generate an efficient allocation of public goods. See Charles M. Tiebout, *A Pure Theory of Local Expenditures*, 64 *J. POL. ECON.* 416, 418–23 (1956); see also WILLIAM FISCHEL, *THE HOMEVOTER HYPOTHESIS* 39–71 (2001); PAUL PETERSON, *CITY LIMITS* 32–33 (1981). The efficiency-growth claim has been made by some economists. For a general treatment, see Lars P. Feld et al., *Fiscal Federalism, Decentralization, and Economic Growth*, in *PUBLIC ECONOMICS AND PUBLIC CHOICE* 103, 103–33 (Pio Baake & Rainald Borck eds., 2007). For a critique of this literature, see Richard Schragger, *Decentralization and Development*, 96 *VA. L. REV.* (forthcoming Dec. 2010).

97. I have made this argument previously. See Schragger, *supra* note 95, at 2552.

98. See *id.*; DAVID OSBORNE & TED GAEBLER, *REINVENTING GOVERNMENT: HOW THE ENTREPRENEURIAL SPIRIT IS TRANSFORMING THE PUBLIC SECTOR* 23 (1992) (suggesting that existing governments can be revamped through entrepreneurial actions).

99. See Harold Wolman, *Local Government Institutions and Democratic Governance*, in *THEORIES OF URBAN POLITICS* 135, 138–39 (David Judge et al. eds., 1995) (citing RICHARD JOSEPH

would run cities, thus insulating good policy from bad politics. The shift towards expertise in the Progressive Era and the current shift towards privatization are similarly motivated. BIDs embody both impulses.

That city agency and technocracy are linked is hardly surprising. The competitive model of city rise and decline serves to empower an administrative/governing class. But in doing so, the framework obscures the complex ways that cities grow and decline and the actual interests that are being served by particular city policies.

First, cities do not form, grow, and decline because they are winning or losing a good governance race. Indeed, the basic idea of “competition” between cities is incoherent.<sup>100</sup> As economic geographers have shown, cities are not a “product” that is sold in the marketplace; cities are an economic process.<sup>101</sup> Where economic activity occurs—i.e., how cities arise and prosper—is often a function of luck, path dependency, or the effects of very small changes in a spatial equilibrium.<sup>102</sup> Many cities start out with similar attributes; that one “wins” the race for development is often a function of the self-reinforcing effects of economic development itself. Cities that are growing continue to grow; areas that are in decline tend to continue to decline. Economic development is both spatially uneven and self-reinforcing.<sup>103</sup> Moreover, urban systems as a whole exhibit certain regularities that do not seem attributable to particular policies.<sup>104</sup> Treating cities as improvable products assumes agency on the part of city officials—it also anthropomorphizes an economic, political, and spatial entity.<sup>105</sup>

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STILLMAN II, THE RISE OF THE CITY MANAGER: A PUBLIC PROFESSIONAL IN LOCAL GOVERNMENT 8 (1974)).

100. See Shearmur, *supra* note 1, at 613–15 (dismissing the idea of city competitiveness as incoherent); see also Schragger, *supra* note 9, at 338.

101. Schragger, *supra* note 9, at 317–18; see also JANE JACOBS, THE DEATH AND LIFE OF GREAT AMERICAN CITIES 241–42 (1961) (discussing the economic and social forces that influence city decline and regeneration).

102. See KRUGMAN, *supra* note 86, at 9, 22–29; see also Schragger, *supra* note 9, at 318–19 & n.31.

103. See FUJITA ET AL., *supra* note 83 (describing urban economic landscapes as “the result not of inherent differences among locations but of some set of cumulative processes, necessarily involving some form of increasing returns, whereby geographic concentration can be self-reinforcing”); Fujita & Krugman, *supra* note 83, at 139, 140–41; see also Schragger, *supra* note 9, at 319 & n.33.

104. See KRUGMAN, *supra* note 86, at 39–43. For example, Zipf’s law for cities holds that the population of a given city is inversely proportional to its rank within the country. *Id.*

105. Schragger, *supra* note 9, at 338–39.

Second, thinking about cities as competitive firms tends to mask the political interests that benefit from particular urban policies. BIDs, for example, are often portrayed as neutral or administrative in nature. But legal institutions, innovations in government, or public-private partnerships are not solely forms of technology that are deployed by professionals toward certain ends. They arise out of a particular political economy, and they represent an exercise in political power. BIDs further particular political and economic interests, and those interests can be good or bad, depending on one's perspective.

What are those interests? If the BID is working as advertised, they are the interests of those who pay the assessments to the BID and populate the BID board of directors. If the BID is not working as advertised, then it might pursue the interests of the BID's professional managers, or a certain sub-set of BID directors—normally the larger and more powerful landowners—or of political actors (like the mayor) who exercise influence over BID operations.<sup>106</sup>

But assuming that BIDs do what their members want (and acknowledging that this is more complex than it seems), we can say that their purpose is to advance the interests of business and owners of real estate in a particular part of the city. This description should be relatively uncontroversial. Though not trumpeted by BID managers (who mostly speak as if BIDs serve the public generally), it is what BIDs are designed to do. The most significant BIDs—the downtown business BIDs (e.g., the Center City District in Philadelphia)—are an example of Harvey Molotch's "growth machine."<sup>107</sup> BIDs represent the deployment of power and resources to further the interests of land-based elites.

And so we return to the debates that we have been having about BIDs since their inception, which are simply versions of a much longer conversation about the relative role of private and public interests in shaping the city. As Richard Briffault has observed, BIDs are not all that different from other mechanisms historically deployed by cities to harness the resources and provide for the needs

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106. For a discussion, see Briffault, *supra* note 5, at 457–60. These are the familiar agency and capture problems that affect all corporate entities. The questions in the business context are whether managers are exploiting the shareholders or whether some shareholders are exploiting other shareholders.

107. See Harvey Molotch, *The City as a Growth Machine: Toward a Political Economy of Place*, 82 AM. J. SOC. 309, 309–32 (1976) (arguing that coalitions of land-based elites drive urban politics in their quest to expand the local economy and accumulate wealth).

of private landowners.<sup>108</sup> The city has always been an instrument of private gain; it exists by function of its successful promotion of private economic interests.<sup>109</sup> The tension between the city's private character (i.e., its role in furthering the interests of businesses, land-based elites, and others who engage in commerce there) and its public character (i.e., its role as a participatory, democratic entity that provides services on an equal basis to all comers) is an on-going trope of local politics. Battles, legal and otherwise, over the public/private line are a hallmark of local government.<sup>110</sup>

Thus, proponents of BIDs have assumed that furthering the interests of business and holders of real estate is good for the city. Both the BID membership and the city want to attract customers, residents, and tenants. Both benefit from sales in the city, from higher property values, and from economic development more generally. BIDs may be able to move more nimbly than wholly governmental institutions to pursue shared objectives. Because BID managers do not have to respond to the wider urban constituency, they can pursue needed but sometimes unpopular policies, and those same managers can avoid sclerotic municipal bureaucracies. And what could be bad about property owners taxing themselves to improve public services, especially when those public services generate significant positive externalities for the city as a whole?

Alternatively, the fact that already powerful downtown interests have produced the most successful BIDs might lead us to wonder whether BIDs are serving a purpose other than economic development for the city as a whole. BID interests and city interests do not necessarily coincide. It is telling, for example, that though Center City Philadelphia shows signs of economic strength, the city's overall unemployment rate is still quite high—7.2% before the recent downturn and 10.6% as of the end of 2009—and its overall poverty rate has recently risen to 24.3%.<sup>111</sup> BIDs have become *de rigueur* for many neighborhoods and commercial corridors—an answer to what

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108. Briffault, *supra* note 5, at 414–20.

109. See, e.g., Schragger, *supra* note 82, at 486–89 & nn.8–10.

110. See, e.g., *id.* at 491 n.21. See generally GERALD E. FRUG, CITY MAKING (1999) (describing the rise of the public/private distinction in local government law); HENDRIK HARTOG, PUBLIC PROPERTY AND PRIVATE POWER (1983) (analyzing the emergence of modern local government law using New York City's institutional history as a case study).

111. PHILADELPHIA: THE STATE OF THE CITY, *supra* note 16, at 3, 7.

ails them. But the BIDs in the periphery (like the city as a whole) seem to have lots of responsibilities and few resources.<sup>112</sup>

A more granular approach to the relationship between city policy and city outcomes should lead us to ask both about what BIDs do and what BIDs do *not* do, that is, the ways in which the existence of certain economically and politically powerful BIDs shifts our focus away from the other ailments of the city. In our metropolitan areas, the cities continue to serve an outsized percentage of the region's minority poor.<sup>113</sup> Downtown rejuvenation does little to alter that spatial reality. And the self-help message that is part of the entrepreneurial urban agenda will do nothing to challenge that.

## V. CONCLUSION

BIDs reflect the continual negotiation between the private and public faces of the city—between private, commercial interests, and public, democratic ones. In Philadelphia, as elsewhere, those interests are constantly being negotiated. The development of BIDs represents the prominence of certain kinds of interests. Those interests might be good or bad; which one they are depends a great deal on one's conception of the city.

This is not to say that BIDs or other innovations in urban governance are only a mirror of existing political and economic interests. Institutions change the shape of political and economic interests. In some cases, they can solve collective action problems, thus generating activity where there was none before; they channel political and professional norms toward certain ends; they set or lower standards that must be met; and they establish new political expectations, whether positively or negatively.

A central question for urban policymakers, however—and the one tested here—is a narrow one: whether certain institutions are capable of generating economic growth. This Article expresses some skepticism about that claim, in part because it is so easy to mistake the particular economic interests of certain groups in the city for the economic interests of the city as a whole. Cities might have become more efficient, more responsive to business interests, and more

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112. See Gross, *supra* note 36, at 190; Justice, *supra* note 37, at 228; Whitney Kummerow, *Finding Opportunity While Meeting Needs: The Frankford Special Services District*, 3 DREXEL L. REV. 243, 249 (2010).

113. See DAVID RUSK, *INSIDE GAME OUTSIDE GAME: WINNING STRATEGIES FOR SAVING URBAN AMERICA* 71–72 (1999); see, e.g., MYRON ORFIELD, *METROPOLITICS: A REGIONAL AGENDA FOR COMMUNITY AND STABILITY* 43–47 (rev. ed. 1997) (focusing on the Twin Cities region).

adept at keeping business inside their boundaries, but my suspicion is that larger economic and demographic trends are at work in explaining why some cities are stabilizing or growing again. That does not mean that governance is not relevant to city health, but only that we should be very cautious when attributing economic outcomes to particular efforts.

Of course, innovations in urban governance are important for many other reasons besides economic development. BIDs likely have a redistributive effect, whether by shifting city resources to firms and residents within the BID or—in the opposite direction—from BID rate-payers to other urban constituencies. It is likely that both sorts of redistribution are occurring. BIDs may have an effect on the location of residents and firms across the city. BIDs may create an administrative class or membership that can effectively pursue its interests within the city. That class may seek particular amenities over others and may encourage city officials to act in certain ways. All of this is important.

Nevertheless, we should be wary about the asserted relationship between governance and growth. We should also be wary of the competitive paradigm that often assumes that connection. In the competitive city, as in all competitive markets, innovation, efficiency, and improvement are supposed to be rewarded. But the city is not a better mousetrap; it is a spatial economic and political reality. It is not susceptible to easy market analogies. We therefore need better explanations for how governance affects city growth and decline before we can make claims about the economic efficacy of particular interventions. That caution holds for BIDs as well as for all the innovations, policy efforts, initiatives, and private-public partnerships that have come before and will come after.