

California

PROPERTY TAX INFORMATION



*A Business
Improvement District
allows business owners
to approve an
assessment to pay to
increase services and
promote their district.*

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What is a Business Improvement District?

Background:

A Business Improvement District, or "BID", is an innovative revitalization tool for commercial neighborhoods such as shopping malls and regional business districts. Established by law in the late 1980's and early 1990's, BIDs are public/private sector partnerships that perform a variety of services to improve the image of their cities and promote individual business districts. They also carry out economic development services by working to attract, retain and expand businesses.

Business Improvement District Law

In California, there are two separate laws that authorize the formation of a Business Improvement District:

- **The Parking and Business Improvement Area Law of 1989** (Streets & Highways Code §36500 *et seq.*).
- **Property and Business Improvement District Law of 1994** (Streets & Highways Code §36600 *et seq.*)

Both laws enable a city, county, or joint powers authority (made up of cities and/or counties only) to establish a BID and levy annual assessments on businesses within its boundaries. Improvements which may be financed include parking facilities, parks, fountains, benches, trash receptacles, street lighting, and decorations. Services that may be financed include promotion of public events, furnishing music in public places and promotion of tourism.

In addition to the above, the 1994 Act also allows financing of streets, rehabilitation or removal of existing structures, and security facilities and equipment. The 1989 Act allows financing of marketing and economic development, and various supplemental municipal services such as security and sanitation. Neither law allows bonds to be issued by the BIDs.

How is a Business Improvement District Formed?

To form a BID, the city or county will propose a new district by adopting a resolution of intention. Types of improvements and activities to be financed are specified at this time. Then, public notice must be provided and a public hearing will be held. If not protested by a majority of businesses, the BID is established and an advisory board is appointed. Formation of a 1994 Act BID has stricter requirements including the mailing of individual notices to all business owners who would be affected, in addition to public notices published in local newspapers.

Once formed, the BID is limited to those types of improvements or activities that were specified during formation.

How is the Annual Charge Determined?

Business Improvement District assessments must be directly proportional to the estimated benefit being received by the businesses upon which they are levied. Normally these will be assessed annually on County property tax bills. In an area formed to promote tourism, only businesses that benefit from tourist visits may be assessed.

A BID may assess property according to zones of benefit, in relation to the benefit being received by businesses within each zone. No assessments under this law can be levied on residential properties or on land zoned for agricultural use.

How Long Will the Charge Continue?

Business Improvement Districts assess property annually as long as the special improvements and activities are being financed. 1994 Act Business Improvement Districts are limited to a maximum of five years of assessments.

