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Business Groups Take Different Paths to Winning BIDs

NONPROFIT: Improvement districts work using variety of strategies.

By **CAROL LAWRENCE** Staff Reporter

Three years after the Sherman Oaks business improvement district went dormant in 2009, the impact along Ventura and Van Nuys boulevards was clear.

“It looked terrible,” recalled **Leslie Elkan**, president of the board for the **Village at Sherman Oaks Business Improvement District**. “It was dirty and plants were dying. It took until 2013 to renew (the BID), and we have just done so much ever since. Everything is really flourishing.”

There are about 20 business improvement districts throughout the greater San Fernando Valley region, representing property owners and retail merchants.

But since the Great Recession, they have had to evolve and adapt to new economic realities.

BIDs provide extra services members might not otherwise get, from street maintenance, decorative landscaping and security to marketing and promotional events.

In order to pay for these services, property owners within BID boundaries are assessed a special fee, usually on a square-foot basis, that is collected by the city and turned over to the nonprofit BID’s board. Owners are willing to do this because BIDs have proved to be an effective tool at reducing commercial vacancies and boosting property values.

As city budgets keep dwindling, economic development consultant **Larry Kosmont**, chief executive of Manhattan Beach’s **Kosmont Cos.**, said BIDs have a role to play

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Business Improvement Districts.
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PHOTO BY DAVID SPRAGUE
BID Business: Leslie Elkan in Sherman Oaks.

Contractor Win For Farm Team

INSURANCE: Workers’ comp case benefits self-insured firms.

By **STEPHANIE HENKEL** Staff Reporter

By law, every company in California with employees must have workers’ compensation coverage. Usually that involves buying a policy from a private insurance carrier – a pricey requirement for businesses in risky industries such as construction, security or agriculture.

But there’s another option: Large companies can self-insure. That strategy worked for the state’s big farm labor contractors – until they received a letter from state regulators last year revoking their permission to self-insure, sparking a major legal battle.

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Plant Proposal Powers Down

ENERGY: Developer scales back plan for facility in Palmdale.

By **MARK R. MADLER** Staff Reporter

A Seattle alternative energy company is seeking changes for a proposed \$700 million natural gas power plant it acquired last year in Palmdale as the function of the plant has changed and the value of cooling water has increased.

Summit Power Group is working with the California Energy Commission and the Antelope Valley Air Quality Management District to amend the permits it received for the 650-megawatt cogeneration plant to be built on 50 acres along Avenue M on the border with Lancaster.

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PHOTO BY DAVID SPRAGUE
Fashionista: Cherokee Chief Executive Henry Stupp at Sherman Oaks headquarters.

STEPPING OUT

Shoestores part of Cherokee’s move beyond brands

By **CHAMPAIGN WILLIAMS** Staff Reporter

With the apparel retail sector in a state of flux, **Cherokee Global Brands** is looking for new ways to secure business with store chains and consumers.

The Sherman Oaks brand licensing company took its biggest leap into new markets in October when it acquired **FFS Holding Inc.**, operator of casual footwear retailer Flip Flop Shops.

“Of all of the transactions we’ve done, this is

one of our most proud transactions because we’ve identified something that really fits well into our global strategy,” said **Henry Stupp**, Cherokee’s chief executive.

Cherokee’s move from licensor of brand names to brick-and-mortar store operator comes at a time when established retailers are retooling. This month **Wal-Mart Stores Inc.** announced it would close 269 domestic and international locations this year.

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Nonprofit: BIDs for Renewal Face Challenges

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in maintaining retail corridors.

"I see a long future for BIDs because cities continue to be constrained for funding, and the costs of pensions continue to have an impact on operations because they limit hiring at the city level," Kosmont said. "A lot of this is about operational deficiencies as viewed by property owners and I don't think that's going to get any better."

Flexible strategies

To form a BID, potential members – commercial property owners, merchants or hotel owners – vote publicly either for or against creating a district. Yearly budgets for BIDs usually range from around \$100,000 to about \$1 million, depending on the assessment amounts and number of members. A board of directors, made up of BID members, decide on how to use the assessments to accomplish the BID's goals. For a list of BIDs in the Valley region, ranked by annual budget, see page 9.

The challenge for BID organizers is to sell their vision to property owners in order to create the BID – and then again when it's time to renew the district, or face extinction.

The **Downtown Burbank Partnership** has survived through 14 years and two renewals because it changed strategy on promotional events. About 235 property owners formed the BID to reverse trends of high commercial vacancies and tenant turnovers, said **Mary Hamzoian**, economic development manager for Burbank. Initially, BID members thought that creating and organizing events would prove to be an effective strategy. But Hamzoian said that after years of planning and hosting numerous events to drive traffic to member stores, a survey revealed that the events, such as expensive weekly concerts with swing dancing, failed to benefit all members.

So the BID scaled back funding for the small events and now focuses a portion of its \$690,000 annual budget on four larger, seasonal events that impact both large and small merchants. The big four are an arts festival, a classic car show, a beer festival and an ice-skating rink.

The BID also partners with the city and other organizations to hold even larger events, such as an annual comedy festival and international film festival. In another shift, it cut an ambassador program and put the money into upping the curb appeal of its infrastructure, such as parking structures.

"It's all about being flexible within the confines of the goals and plans that all the property owners have approved," Hamzoian said.

As evidence the strategy has worked, Hamzoian points to the **Yard House**, **Wood Ranch BBQ & Grill**, **Gyu-Kaku Japanese BBQ** and **Five Guys Burgers & Fries**, all of which are new tenants in the area.

"Overall, it's definitely on an upward trend," she said. "We have less than 3 percent vacancy. That does extremely well for us, and our asking rates continue to go up. It's not good for tenants, but good for property owners."

For the **BLVD Association BID** in Lancaster, success came after changing its organizational structure in 2013, when it shifted to a property owner-based BID after 20-plus years as a retail merchant-based BID. The change resulted in the BID's annual budget increasing from \$26,000 to \$263,000 – a spike of more than 100 percent. That's because the money assessed on property owners' square footage is more lucrative than the previous model of taking a slice of the small business license fees, said **Chenin Dow**, a management analyst with the city of Lancaster's economic development division and its representative on the BID's board.

Dow said a budget of \$26,000 was too small for the BID to execute its mission to increase visitors to downtown Lancaster, even after the area underwent streetscape revitalization in 2010.



PHOTOS BY DAVID SPRAGUE

Streetwise: Leslie Elkan, president of the board at the Sherman Oaks BID, called every property owner to secure its renewal.



Beautification: Sherman Oaks BID shut down during the recession but property owners wanting street improvements revived it.

With the larger budget, the BID now coordinates the cleaning and maintenance of the area along with organizing and marketing events such as the upcoming Bacon, Blues and Brews festival scheduled for May 14, Dow said.

As a result of the improving retail traffic, Dow said that 53 new businesses have moved in, rents are rising and commercial property values show double-digit increases.

"I think the augmented services have encouraged businesses to locate downtown," she said. "And certainly the ability to do increased marketing has been valuable to businesses as well."

Renewal challenge

Even with success, BIDs aren't on easy street. They must frequently campaign to maintain support from members when it's time for renewal.

Just ask Elkan at the Sherman Oaks BID, which expired during the recession because its members did not support its renewal. Restarting the BID was nearly as much work as starting from scratch, she explained.

"I called up every single member myself and begged," Elkan said. "It's not an easy process by any means."

Elkan also had to re-file paperwork with the city, and she undertook a similar amount of work when the BID came up for renewal in 2015 – when it was approved for a five-year term. The BID had previously proposed one-year terms because asking for a longer period is a riskier strategy, she added.

"We would've really liked to do 10 years, but if we lost, we would've lost it all," Elkan said. "Some BIDs have been successful with the 10. That would be so much better to have that kind of continuity."

BIDs typically need approval from 50 percent of the land owners within district boundaries, but voting is proportional to square footage. That's where large property owners come in handy, BID representatives said, because two or three together can reach the 50 percent threshold, regardless of how the smaller owners vote.

"You'll get to 50 percent sooner if you have the larger (owners) behind you, but you want

to be able to go to council saying you have the support of both large and small property owners," Burbank's Hamzoian said.

Dow in Lancaster said she starts the renewal campaign a year before election day because she has to track down absentee landlords – another challenge for BIDs.

Kosmont, the economic development consultant, said BIDs can advocate and negotiate with the city on behalf of members on issues such as where hotel shuttles pick up and drop off passengers, square footage for outside dining at restaurants, hours of operation, parking requirements and signage regulations.

Without a BID, property owners or merchants may not have a single, large voice, Kosmont said, as chambers of commerce typically deal more with state issues versus local security and marketing.

"If you're a property owner, you want a centralized voice to help negotiate a better outcome, or an improved outcome, for better expenditures in the area," Kosmont said. "There's so much that can be done."