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Ontario Business Improvement Areas: Opportunities Gained and Lost

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Ontario Business Improvement Areas: Opportunities Gained and Lost

MPA Final Research Report

Submitted to

The Local Government Program
Department of Political Science
The University of Western Ontario

Mike de Rond
2012

Executive Summary

The Ontario Municipal Act gives businesses the opportunity to raise and spend funds that would otherwise not be available to them. Business Improvement Areas (BIA) are associations of downtown business and property owners who pay a levy into the association based on the assessed value of their space. BIA's have specific boundaries, and each property owner within those boundaries must pay annual dues. The budget collected from those dues can be allocated to beautification of the BIA, promotion of the BIA and its businesses, and special events run in the area.

The degree in which BIA's take advantage of this opportunity varies considerably. This report develops indicators which are appropriate measures of whether a BIA is thriving or squandering their opportunity for increased exposure, and as an extension of that, increased profits. These indicators were used to judge five BIA's and one business association located throughout the Durham Region.

This report finds that, with the exception of the Port Perry BIA, the BIA's of the Durham Region are not taking full advantage of this opportunity. The indicators being used as well as the atmosphere of the Port Perry BIA make it the clear choice as best BIA in this report. The other BIA's do not have the level of interest, intent, or backing from the municipality to rival the downtown that Port Perry has created.

While the indicators used in this report are quality measures of the health of a BIA, the true conclusion of this report is that the biggest determining factor in the success of a BIA are the people in charge of its direction. When a Board of Management works together and puts the collective interest of the membership before anyone's own personal interest, they are placing the BIA in a great position to succeed. Unfortunately, too many Boards in this report are not able to do that.

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Introduction

In 1970, in the Bloor Street West area of the City of Toronto, local business owners noticed that profits were fading, and a few businesses were having to close due to being unsustainable. Rather than wait until that happened to them, a few business owners decided to use their own money and get together to form an association designed to further their interests through streetscape improvements and promotion of the area. At that time, this idea had not been tried anywhere else in Canada. Just over 40 years later, the province of Ontario now has over 280 of these associations, commonly referred to as Business Improvement Areas.

Growing from a group of business owners taking their fate in their own hands, Business Improvement Areas (BIA) are now an important entity in many municipalities' central cores. Interestingly, and mostly due to their relative obscurity in municipal government compared to other issues, BIA's have not received the academic coverage that they are due. More needs to be learned about judging the success of BIA's, so that money can be spent wisely on improving the area, promoting local businesses, and most importantly, improving profits.

This report will take an in-depth look at BIA's. The report will begin by pointing out relevant literature, both Canadian and American, regarding BIA's. Next, a hypothesis and methodology will be laid out describing what the report expects to find, as well as how it will go about obtaining those findings. Finally, an analysis of six BIA's in the Region of Durham will be undertaken to observe whether they are functioning at full capacity, or whether there is room for improvement.

Background

The first section of this report will address background information about Business Improvement Areas, and their intended uses. It is first important to explain the legislation regarding the creation of BIA's, and then move into an analysis of the relevant academic information regarding the topic. As this Literature Review will show, Business Improvement Area academic information mirrors other local government topics in Canada, in that it is very much an under-researched area of government. For this reason, much of the academic information comes from scholars in the United States who use an American context in their writing. While this presents some challenges, Business Improvement Area's in Ontario serve largely the same streetscape improvement and marketing functions as Business Improvement Zones or Districts (BIZ,BID), as they are often referred as, do in the United States. Any differences will be noted and explained.

In the province of Ontario, the provincial government has allowed for the creation of BIA's by a municipality through the Municipal Act. Sections 204-215 of the Ontario Municipal Act lay out the guidelines for business owners wishing to enact an improvement area. Section 204 (1) states,

A local municipality may designate an area as an improvement area and may establish a board of management, (a) to oversee the improvement, beautification and maintenance of municipally-owned land, buildings and structures in the area beyond that provided at the expense of the municipality generally; and (b) to promote the area as a business or shopping area.¹

The rest of Section 204 provides for any other rules and regulations a municipality must follow when establishing a BIA. Of particular note are subsections (2), (2.1) and (3) which allow for a board to be established at the time of creation. "A board of management shall be composed of, (a) one or more directors appointed directly by the municipality; and (b) the remaining directors selected by a vote of the membership of the

¹The Ontario Municipal Act., "S. 204 – Business Improvement Areas" *The Government of Ontario* (2001). http://www.e-laws.gov.on.ca/html/statutes/english/elaws_statutes_01m25_e.htm#BK218.

improvement area and appointed by the municipality.”² Often times a municipality will nominate the councilor of the particular downtown ward the BIA is in, to the board. This serves two functions, in that it keeps municipal council informed of the activities the BIA is undertaking, as well as provides more local policy making expertise on the board. Reasons why a municipality or group of business owners would want to create a BIA will be discussed later in the section.

The next important subsections of Section 204 deals with membership of the BIA and how they are to vote on issues. “Members of an improvement area consist of persons who are assessed, on the last returned assessment roll, with respect to rateable property in the area that is in a prescribed business property class and tenants of such property.”³ As a point of clarification, each business owner or resident gets one vote, which does not change if they own multiple properties in the BIA. This is an important part of the legislation and an often-controversial one within Business Improvement Areas. The subsection does not provide an option for businesses or residents to turn down an invitation to join the BIA, if their business or residency is in the defined boundary. Asking someone to pay into something for which they do not see the benefits will be a contentious issue, no matter the circumstances.

Section 205 of the Municipal Act deals with the allotted budget that the BIA can use. Subsection (1) of the section declares that a BIA’s budget must be submitted to the municipality for final approval, while subsection (2) goes more in-depth as to how the budget can be used. “A board of management shall not, (a) spend any money unless it is included in the budget approved by the municipality or in a reserve fund established under section 417; (b) incur any indebtedness extending beyond the current year without

²Ibid, S 204 (3).

³ Ibid S. 204 (4)

the prior approval of the municipality; or; (c) borrow money.”⁴

Sections 209 and 210 form an important part of the legislation regarding BIA’s. These two sections provide for how a boundary is to be changed, and the required notice to be given to owners and tenants in the improvement area. Section 209 is a brief part of the legislation, and simply describes that a municipality may alter the borders of an improvement area while maintaining the same board that presided over the previous boundary.⁵ Subsection (1) of Section 210 says that before a by-law is passed by municipal council changing the boundaries, notice must be sent to each member of the BIA in the current boundaries, as well as the proposed new boundaries.⁶ It is then the job of the landlord who receives the notice to provide each tenant in their building, who pays into the BIA, with the notice within 30 days. Rather than describe how a by-law changing boundaries can then be passed, the Act describes the circumstances in which the boundaries cannot be changed. The clerk must receive written objections to the boundary change within 60 days, and the objectors must make up one third of the total amount of businesses or residents in the BIA. Should a group against a boundary change be able to organize itself well enough to achieve this, they must meet one more stipulation to prevent the by-law.

In the case of a proposed addition to an existing improvement area, (A) at least one-third of the taxes levied for purposes of the general local municipality levy on rateable property in all prescribed business property classes in the improvement area, or (B) at least one-third of the taxes levied for purposes of the general local municipality levy on rateable property in all prescribed business property classes in the geographic area the proposed by-law would add to the existing improvement area, or; in all other cases, at least one-third of the taxes levied for purposes of the general local municipality levy on rateable property in all prescribed business property classes in the improvement area.⁷

The last parts of Section 210 determine that the clerk has final authority on whether or

⁴Ibid, S 205 (3).

⁵ Ibid, S 209

⁶ Ibid, S 210 (1)

⁷Ibid, S 210 (3).

not the previous terms have been met by those objecting to the boundary change.

The next important step in this section of the report is to consider how a BIA can benefit a municipality. The Ministry of Municipal Affairs and Housing's handbook on BIA's offers a good starting point here. While the handbook is biased towards showing only the theoretical benefits of BIA's, it still gives this report a useful start on possible outcomes of creating one. As the definition of what a BIA should be used for given in the Municipal Act entails, beautification of a municipality is the first effect given. The goal here is to create an aesthetically pleasing atmosphere that brings comfort to people who are within the boundaries of the association. This is done through streetscape improvements, such as outdoor seating, flowers and other gardening arrangements and also by using seasonal decorations.⁸ As an extension to this, revitalization of a downtown could also be an outcome. This would work to not only make the main business district cleaner, but also safer for citizens and tourists who use the area.⁹

While BIA's benefit the atmosphere of the municipality, they are created by business owners who are looking to have stronger community recognition, and to create more traffic at their storefront. While most people immediately think of retail businesses as being the biggest beneficiaries of a BIA, all types of business within the boundaries should benefit from more exposure.¹⁰ Most cost-savings may be realized in a reduction in independent marketing. The administration of the BIA will work to advertise the area as a whole, again, increasing exposure and foot traffic in front of stores. Theoretically, this should also benefit property owners. An owner of a building in a BIA can levy higher rental rates to its tenants, as they know space within a BIA is likely more valuable than

⁸ Ibid

⁹ Ibid

¹⁰ Ibid

similar space outside the boundaries of the improvement area.¹¹

Another important area of legislation where a BIA can operate has to do with special events hosted by the improvement area. This is an opportunity for BIA's to get creative in how they market themselves as well as bring tourists and residents to the downtown area. Examples of events include street dance, music, theatre or dance festival, food fair, arts and crafts exhibition, art studio tour, fashion show, ethnic/cultural celebration and seasonal carnival or parade as well as establishing a local farmers' market.¹² Not being limited in the types of events a BIA can run is important as many BIA's serve different functions and people. For instance, a BIA in downtown Toronto is likely to have more success running an ethnic/cultural celebration rather than a farmers' market. While a BIA in rural Ontario will receive much more exposure with a farmers' market rather than an ethnic/cultural celebration.

Building further on a reduction in independent marketing, BIA's make communicating with important stakeholder groups much easier. As an important academic article used in this section will point out, the Downtown-Yonge BIA in Toronto is home to more than 2,500 different businesses. It is much more prudent for those businesses to advance themselves on consumers through one voice, rather than 2,500 separate ones. Theoretically, this gives businesses, particularly smaller ones, more of a chance to interact with council. Since the BIA represents a relatively narrow interest, most business owners will be looking for similar inducements from the municipality, making one voice for many people much more effective.

Turning now to the academic work on BIA's, Rachel Melzer is one of the leading researchers of BID's in the United States, and has written many articles on the subject.

¹¹ Ibid

¹² Ibid

She notes that, "...BID's emerged as a combined response to structural and market changes in urban downtowns and political efforts on the part of local businesses."¹³ Melzer is making the point that local business owners wanted more control over the area that their businesses were in.

Carol Becker from the University of St. Thomas notes two reasons why BID's may be created. The first is the failure of local government to adequately create an environment where private business can flourish.¹⁴ The second is an economic principle that government is created when private markets fail to respond to a need or problem.¹⁵ These ideas seem to contradict each other, however, the BID being created is a quasi-form of government, which has very different values than the local government. While the BID may be classified as a government, it is first and foremost concerned with the profits of the businesses that make up the improvement district.

Melzer's argument provides more context for a Canadian situation than does Becker's. If we take the handbook published by the Ministry of Municipal Affairs and Housing as a basis for the positive outcomes of a BIA, then it is not so much the failure of local government to provide the right environment, but business owners taking it upon themselves to improve the atmosphere of the area where they make their living. If we accept that as the case, then provincial and local governments are facilitating that happening through the creation of BIA's.

The last area of this literature review is interested in how academics define a successful BIA. A good place to start would be the initial goals of a BIA when it is

¹³ Rachel Melzer, "Finding a Research Agenda for the Many Faces of Business Improvement Districts," *Public Administration Review* 70.3 (2010)

¹⁴ Carol Becker, "Self-Determination, Accountability Mechanisms, and Quasi Government Status of Business Improvement Districts in the United States," *Public Performance and Management Review* 33.3 (2010).

¹⁵ Ibid

formed. Tony Hernandez and Kent Jones completed an interesting study that looked at the transition of downtown Toronto. The part of their study that is relevant to this report is where they outline the goals of the BIA and the indicators they used to measure success. They focused on the Downtown Yonge BIA, which at the time of the study, was the largest in Canada with more than 2,200 businesses being members.¹⁶ The strategic goals listed when the BIA was created in 2001 were to,

...bring more consumers downtown, to continue to keep the area clean and safe, to engage the association's members and leverage their talents and resources to improve the BIA, to make the area alluring – with lights and seasonal decor, notably at Christmas – and give it a clear identity; and to get the word out that Yonge Street has changed, allowing that message to build naturally.¹⁷

To determine whether the BIA was successful in achieving its goals, the authors created a number of metrics to benchmark the performance of the BIA. The performance metrics were divided into three categories; economic, culture and tourism, and environment. Of the metrics created, some general indicators that may apply to all BIA's are; percentage retail sales growth, percentage of vacant properties, pedestrian counts, number of cultural/art events, and investment in street cleaning initiatives.

Hypothesis

Due to the lack of academic studies specifically looking at Business Improvement Areas, there is some difficulty in predicting what this report will find. Ideally, this study would find that BIA's in the Region of Durham are using similar indicators that will be proposed in this report to measure their success, and are showing good results in those indicators. However, this is unlikely to be the case, due to the different circumstances in which BIA's are created and managed.

¹⁶ Tony Hernandez and Kent Jones, "Downtowns in Transition: Emerging Business Improvement Area Strategies," *International Journal of Retail and Distribution Management* 33.11 (2005).

¹⁷ Ibid

A more likely scenario, and the one that forms the basis of the hypothesis for this report is that BIA's in the Durham Region can be doing more than they are to achieve success. Therefore, the hypothesis of this report is that while the Ontario Municipal Act provides many opportunities for businesses to improve themselves, most of the time, these opportunities are squandered or not fully taken advantage of by Business Improvement Areas.

Methodology

The methodology section of this report will cover two important parts about the study of Business Improvement Areas. The first part is a discussion of the indicators being used to judge the BIA's. Each indicator will be mentioned, as well as why it is being used and any limitations it has in judgment. The second area will cover which BIA's are being selected in the Durham Region and why.

To develop the indicators being used in this report, Mike Major, a Manager with the City of Toronto's BIA department, was solicited for his views. Mr. Major has experience in dealing with the over 70 BIA's within the City of Toronto and was able to provide a number of characteristics he would attribute to well performing BIA's. These will be used in conjunction with some of the indicators used by Fernandez and Jones in their study of the Downtown-Yong BIA, as many overlap with each other.

The first indicator that will be used will be the levy rate that businesses within the BIA are charged for membership. The thought behind using this as an indicator of success is that business owners who pay a higher relative tax rate see the benefits to what the BIA is doing on their behalf. On the converse side of that, business owners who believe the BIA is not representing their interests well would likely not be willing to pass a higher levy rate. Due to the levy rate often being a long and confusing number,

the most time-effective and coherent way to present this is average contribution per business. This is not exact in any way; however, it is still useful in telling which BIA's are getting more from their members.

Extending from the levy rate, the size of budget they approve will also be used as an indicator in this study. Clearly, larger BIA's will pass higher budgets than smaller BIA's, however, this is still an important factor to look at. In speaking with Mr. Major, he noted this first when the discussion shifted to indicators of success for BIA's. A BIA that passes a budget of zero, or very close to zero, should be immediately considered to be a poor BIA.¹⁸ Without a substantial budget, a BIA cannot take advantage of the allowances given to them in the Municipal Act.

Further to this, Mr. Major also mentioned, that in his experience, BIA's which use their budget predominately in one area or on one event, tend to not be well functioning BIA's. This relates well back to the hypothesis of this report, in that a BIA concentrating funds in a single place is not taking advantage of the different areas where they can spend the members' money.

Another interesting indicator that Mr. Major was able to provide was to look at the audited financial statements of each BIA, paying particular attention to any management letter attached to the document. Mr. Major explained that professional auditors attach letters to financial statements that indicate where the BIA can improve in their finances. These can be relatively small changes, or quite important and big ones. A BIA with fewer management letters would be considered to be a better BIA than one with a high amount of management letters. The degree of change needed will also be considered. This means that a BIA with many small changes will not necessarily be considered

¹⁸ Mike Major, personal interview, Tuesday June 19, 2012.

worse than a BIA which needs to make one big change. An example of a small, insignificant change identified by Mr. Major was of a BIA in Toronto that had a management letter attached to their financial statement saying they needed to be more transparent in how they were giving their street cleaners a raise in wages.

The fourth indicator that will be used in this study is vacancy rates in the BIA. This, and the indicator that follows, were mentioned by both Mr. Major and Fernandez and Jones in their study. The vacancy rate in a BIA is the amount of space available to purchase or for rent in the improvement area. The thought behind this indicator is that if a BIA is thought to improve a business' profits, then vacancy rates should be declining or close to zero. Ideally, a BIA should have some way to track the vacancy rate in their area over some measure of time. A high vacancy rate, or one that is increasing over time would indicate that business owners do not value the space in a BIA over space in another part of the municipality. Should the BIA nor the municipality track vacancy rates, a major free market analysis firm (CBRE, DTZ Barnicke, etc.) will be used for commercial/retail vacancy rates. It is important to point out that this is by no means a perfect indicator. There are myriad reasons why a business may leave the downtown core for a more peripheral part of a municipality. However, if the BIA is truly well performing, there should be a strong incentive to stay within or move within its limits.

The next indicator that will be used is rental rates in the BIA. Similar to vacancy rates, space within a well functioning BIA should be sought after, and therefore worth a higher market price. The same problems that exist with the vacancy rate indicator exist with this indicator as well. Rental rates are often higher in the downtown core whether a BIA is present or not. However, a BIA exhibiting little change in rental rates from those outside their boundaries, or even having lower rates, would indicate that the BIA is not performing well for the business owners paying into it.

The last indicator that will be used when evaluating the Durham Region's BIA's looks at the number of meetings called by the Board of Management, and whether these meetings are well attended by membership. This indicator comes from Mr. Major as well, as he mentioned that a well functioning BIA will have more frequent meetings, with a higher percentage of business owners in the BIA present.¹⁹ This indicator may be more useful in noting a poor BIA rather than a good one, as poor BIA's are likely to have few or no meetings.

An important note about all of the previous indicators is that they are in no way a perfect way to judge whether a BIA is effective or not. However, in terms of ease of access to information, they are quality measures of a BIA's performance, and collectively will be able to differentiate between a BIA that is squandering their opportunity versus an improvement area that is taking advantage of the allowances provided to them in the Municipal Act.

The first two BIA's that will be studied are both located in the Town of Ajax. The first one is called 'Pickering Village.' The name is somewhat deceiving in that it is a part of the Town of Ajax, not the City of Pickering directly to its west. Ajax is the only municipality in this study with two BIA's being studied, and may provide some interesting comparisons that improve the study.

The second BIA in Ajax that will be studied is known as 'Downtown Ajax.' This BIA is situated in the more traditional downtown of the Town of Ajax, while the Pickering Village BIA is located in the periphery of Ajax. Being the only municipality in Durham with two BIA's, Ajax presents an interesting case, particularly if one BIA is performing markedly better than the other.

¹⁹ Ibid

The third BIA in the Durham Region that will be studied is the Downtown Oshawa improvement area. Oshawa presents an interesting case, in that the City primarily relies on General Motors for employment and spin-off employment. Partly due to the recent recession, and subsequent problems that has caused the auto manufacturing sector, the Oshawa downtown has struggled. Having said that, their BIA has a very informative website, and looks like it will provide an interesting dynamic to this study.

The next BIA that will be studied is 'Discover Port Perry', which is located in Port Perry, the largest town in the municipality of Scugog. Port Perry has a very picturesque downtown core, and has been used multiple times for downtown scenes in major movies. Based purely on visual value, one would certainly determine that Port Perry has the nicest downtown in the Durham Region, if not one of the nicest in Ontario. Should the indicators being used convey this as well, it helps confirm that the correct indicators are being used, as well as provides a good comparator in policy terms for the other Durham BIA's.

The fifth BIA that this study will consider is the 'Downtown Orono' improvement area. Orono is a small, rural municipality on the eastern edge of the municipality of Clarington. This BIA is being picked as a small town BIA, with the hope that some interesting policies or processes may be shown. Small towns in southern Ontario face much different challenges in attracting business and people to the downtown than do larger cities. This study hopes that these challenges will be reflected in use of their budget and other measureable factors.

The last bit of analysis will not involve a BIA, however, the Brooklin Business Association are taking steps to become a BIA. This soon to be BIA was chosen as it

provides an interesting perspective on the perceived benefits of organizing a downtown into a BIA, rather than a private business association. Due to the association being private, a few of the indicators will not be available.

Analysis

The analysis section of this report will lay out what was found when each BIA was studied, beginning with the City of Oshawa's only BIA, Downtown Oshawa. This BIA started as a small strip of King Street (Highway 2) in the downtown core and has expanded numerous times and now includes 222 businesses. Due to the many changes in its boundary, the boundary map has been included as an appendix to this report along with each BIA's boundary. Further background information regarding the Downtown Oshawa BIA was made available by Angela Mittoni, office administrator at the BIA, and David Tuley, manager in the Economic Development Office at the City of Oshawa.

David Tuley tracks vacancy rates inside and outside the Downtown Oshawa BIA every few years, with his most recent rates coming from 2011. In 2011, the vacancy rate for commercial properties in Downtown Oshawa was 11%. This number is impressive when considering that the previous time that commercial vacancy rates were recorded in 2006, the rate was 21% in Downtown Oshawa.²⁰

The following two tables show three commercial retail transactions inside and outside the BIA. The MLS listing number for each transaction has been included as a reference for each lease. For tables, such as the following being used in this report, TMI stands for taxes, maintenance and insurance. This is a fee generally paid by proprietors that lease commercial property. Where the fee is \$0.00, the TMI has been added to the

²⁰City of Oshawa, "2011 Statistics," *Economic Development Services*, (2011).
http://www.oshawa.ca/documents/Downtown_Stats.pdf

net rent to form a gross lease.

Downtown Oshawa BIA Rental Rates						
Address	Date	Size (s.f)	Net Rent (\$/sf)	TMI (\$/sf)	Total Rent	MLS Listing #
73 Bond St. W	Mar-12	2,736	\$7.89	\$10.93	\$18.82	E2283563
15 Simcoe St. N	Jun-12	2,000	\$10.00	\$6.14	\$16.14	E2294268
44-48 Simcoe St. S	May-11	3,300	\$15.00	\$0	\$15.00	E2262839

Oshawa Rental Rates Outside The BIA						
Address	Date	Size (s.f)	Net Rent (\$/sf)	TMI (\$/sf)	Total Rent	MLS Listing #
843 King St. W.	Dec-09	5,058	\$12.50	\$9.95	\$22.45	E1684203
575 Thornton Rd N. Unit 3	Jun-09	2,487	\$15.20	\$8.70	\$23.90	E1598842
300 Bond St. W.	Nov-11	4,090	\$11.00	\$7.00	\$18.00	E1908630

These rental rates show that retail space outside the Downtown Oshawa BIA is more expensive than similar spaces inside the BIA. One of the limitations of this indicator is that the buildings where space is rented in the downtown core tend to be much older than the buildings on the periphery, particularly in the north end where Oshawa has seen rapid expansion in the last three years. Further evidence that indeed the leasing rates outside the BIA are higher than those inside the BIA is seen in the dates of the transactions occurring outside. Due to limitations in data, two of the rental transactions occurred in 2009. This was in the height of the economic recession and it is likely that if the same space was leased today, it would go for a higher amount.

The budget for the Downtown Oshawa BIA was \$143,100 in the year 2011.²¹ According to Ms. Mittoni from the BIA office, the budget has remained the same for more

²¹ Downtown Oshawa "Financials – December 2011," *Downtown Oshawa BIA*. <http://www.downtownoshawa.ca/financials.php>.

than twenty years now.²² An important note is that while the set budget and the one passed by the City of Oshawa is \$143,100, the financial statements going back to 2010 show that they have gone over their budget each year. In 2010 they went \$36,100 over budget and in 2011 they were \$30,000 over budget, further to this, they are forecasting a budget deficit of \$29,250 for the current year.²³ These numbers differ from what is actually being spent significantly, as they only went \$112 over budget in 2010 and came in \$44,000 under budget in 2011. The December 2011 financial statement shows that the reserve fund has just over \$70,000 remaining for 2012, meaning it will be less than \$40,000 for 2013 should the BIA go over budget as they are expecting to.²⁴

The majority of the funds in the budget go to administrative costs, with a total of \$67,700 going towards areas such as salaries and benefits, rent and professional fees.²⁵ This leaves \$75,400 to be spent on beautification, promotion and special events. The Downtown Oshawa BIA combines promotion and special events on their financial statements, with a total of \$69,500 being allocated to be spent in these two areas in 2011. In terms of actual spending, the BIA lowered their administrative costs to \$48,000 and their promotion and special event total to \$35,000.²⁶ On top of that, they only spent roughly \$14,000 of the allotted \$32,000 on streetscape improvements. In total, from the \$173,550 they were planning to spend (\$143,100 budget, \$30,450 from reserves), the Downtown Oshawa BIA actually spent \$98,265.²⁷

Due to the budget being unchanged for more than twenty years, there is no specific way to calculate the levy rate for individual businesses. A measure that is less

²² Angela Mittoni, "Downtown Oshawa BIA Info," personal email July 11, 2012.

²³ Downtown Oshawa.

²⁴ Ibid

²⁵ Ibid

²⁶ Ibid

²⁷ Ibid

exact, but still gives a comparative idea of high versus low levy rates is simply dividing the budget by the number of businesses to get a per business average membership rate. With the Downtown Oshawa Budget being \$143,100, and there being a total of 222 businesses, the average business pays \$644.59 into the BIA annually.

The Downtown Oshawa BIA shows no management letters posted to the unaudited financial statements posted on their website. The last audited financial statement available for public viewing is from 2010, which also has no management letters attached to it. While it is possible the BIA deemed the management letters confidential or not significant enough to include in the online document, this report will assume that the auditing firm *Deloitte & Touche LLP* had no significant problems with their accounting methods.

The bylaw that created the Downtown Oshawa BIA specifies that they must schedule ten meetings per year. For the 2012 year, they have schedule 11 meetings, and already held two additional ones.²⁸ Although attendance totals from member businesses are not taken, Mittoni articulated that, “sometimes we have one or two members who attend, but this is about half the time. As for Board members, this is a volunteer board so there are times when not everyone is in attendance.”²⁹ This sentence indicates that membership attending the board of management meetings is very poor, and often times, no one is present except the members of the board. The last minutes posted on the website are also interesting in that, the chairperson of the improvement area, Gary Vaughan, notes that each month the BIA is having a hard time getting a quorum of the board to meetings. Vaughan goes on to say that having a quorum is integral to the improvement area thriving, and that a discussion needs to be

²⁸Mittoni

²⁹Ibid

had, at a future date, about the lack of consistency in attendance.³⁰

Mr. Tuley also notes that the Board of Management used to have many internal conflicts, which prohibited the BIA from advancing its business. This was fixed, for the most part, with a new Board of Management, which took over at the same time as the new City Council, in December 2010.³¹

The first of the two Town of Ajax BIA's that will be looked at is the Pickering Village BIA. The BIA is located in the central west part of the municipality along Highway 2 very close to the border of the City of Pickering. The BIA was formed in 1993 and its most recent boundary change was in 2006. There are a total of 120 businesses within the BIA.

Unfortunately, there is not a reliable vacancy rate for retail space in the Town of Ajax. Neither the Town, nor the BIA's track this statistic. The Real Estate Firm DTZ Barnicke speculates that at the end of the first quarter in 2012, GTA east vacancy for office and retail space was around 10.3%.³² This rate is an average of vacant space from Clarington to Scarborough, meaning it clearly does not describe differences in vacancy rates inside or outside the two Ajax BIA's. Therefore, vacancy rates cannot be used to help decide whether the two Ajax BIA's are well functioning.

The following two tables show three commercial retail transactions inside and outside the BIA. The MLS listing number for each transaction has been included as a reference for each lease.

³⁰Downtown Oshawa, "May 16th 2012 Board Meeting Minutes," *Downtown Oshawa BIA*.
http://www.downtownoshawa.ca/documents/dobiamay_16th,2012_minutes.pdf.

³¹ David Tuley, "Downtown Oshawa BIA Info," personal email July 11, 2012.

³²DTZ Barnicke "Q1 2012 Office Market Update," *DTZ Barnicke*, May 2012.
[http://www.dtzbarnicke.com/client/JJB/JJB_LP4W_LND_Webstation.nsf/resources/2012+Market+Reports/\\$file/GTA_Q1-2012_Office.pdf](http://www.dtzbarnicke.com/client/JJB/JJB_LP4W_LND_Webstation.nsf/resources/2012+Market+Reports/$file/GTA_Q1-2012_Office.pdf)

Pickering Village BIA Rental Rates							
Address	Date	Size (s.f)	Net Rent (\$/sf)	TMI (\$/sf)	Total Rent	MLS #	Listing
34 Church St. S Unit B	Jul-11	863	\$13.00	\$8.50	\$21.50	E2122459	
109 Kingston Rd. Unit 11	Dec-10	1,000	\$13.80	\$8.40	\$22.20	E1954665	
60 Randall Drive. Unit 1	Feb-08	1,180	\$12.51	\$4.33	\$16.84	E1287019	

Ajax Rental Rates Outside The BIA							
Address	Date	Size (s.f)	Net Rent (\$/sf)	TMI (\$/sf)	Total Rent	MLS #	Listing #
570 Westney Rd. Unit 10	Jun-09	1,287	\$11.50	\$5.69	\$17.19	E1497074	
235 Bayly St. W. Unit 20	May-08	1,128	\$14.88	\$7.09	\$21.97	E1311409	
240 Harwood St. Unit 5	Jul-08	2,870	\$12.00	\$6.50	\$18.50	E1354848	

Overall the rental rates appear to be slightly higher in the Pickering Village BIA than in other parts of Ajax. These numbers may be skewed as Pickering Village is in the extreme west part of Ajax, away from the downtown core.

The Town of Ajax passed the budget for the Pickering Village BIA at their May 10, 2012 meeting. The passed budget for the 2012 fiscal year is \$50,000, which has been the budget each year since at least 2006.³³ Each year the \$50,000 budget requires a level of taxation of the members, which is determined by the surplus from the budget of the previous year. For instance, in 2011, the Pickering Village BIA spent \$49,690 of its budget, leaving \$310 as a surplus for this year's budget. This means that the BIA needs to raise \$49,690 in taxation to meet budget. In 2010, the BIA came in \$1,620

³³ Town of Ajax, "2012 BIA Levy – Pickering Village BIA" *General Government Committee*, May 10, 2012.

under budget meaning the BIA needed \$48,380 in taxation to meet its budget.³⁴

Unlike the Downtown Oshawa BIA, who were consistent year-by-year with their expenditures in certain budgetary areas, the Pickering Village BIA shows some erratic spending in their budgets. The 2012 budget shows just \$2,100 for administrative purposes, however, this does not include the operation of their website. The website costs change year-by-year, but it is fair to estimate administrative and website costs at approximately ten percent of the BIA's budget.³⁵ Except for \$1,000 budgeted for the *Ontario Business Improvement Area Association* conference, the remainder of the budget is allocated to streetscape improvements (\$25,000), special events (\$11,000) and marketing (\$9,500).³⁶

From the years 2006-2010, the Pickering Village BIA spent the vast majority of their budget (between \$30,000-\$37,000 each year) on a Jazz Festival they hold in the spring. The 2011 budget shows a reduced figure of \$11,000 for the Jazz Festival, and it has not been included in the 2012 budget.³⁷ This massive reduction in budget allocation for an event that appeared to be a staple of each year's budget has freed up funds to be used on streetscape improvements in the past two years, with \$25,000 being allocated there each of the past two years.³⁸

The average contribution per business in the Pickering Village BIA is \$416.66 per year. That is derived from dividing the \$50,000 budget by the 120 businesses that inhabit the BIA.

Due to the Pickering Village BIA not publishing any of their meeting minutes, Ms.

³⁴ Town of Ajax, "2011 BIA Levy – Pickering Village BIA" *General Government Committee*, June 23, 2011.

³⁵ Town of Ajax, *General Government Committee*, May 10, 2012.

³⁶ *Ibid*

³⁷ *Ibid*

³⁸ *Ibid*

Wight, planner and staff liaison to the Ajax BIA's, was able to provide their schedule and minutes from the last two meetings. The board of management meets once a month, and generally has good attendance from board members. Both minutes obtained show that a quorum of the board is there to make a decision, if needed, while Judy confirmed that there have been just two meetings in the past year that the board did not have quorum.³⁹ The membership turnout is very small and often non-existent. The March and April meetings from this year combined had two non-board members attend.⁴⁰

The 2011 Audit of the Pickering Village BIA showed two disconcerting conflicts of interest, both involving the Chairperson, Marsha Dooley. The first conflict of interest has to do with the BIA paying the chairperson's husband's carpentry company to repair a sign on the very east side of the BIA. The second conflict of interest pointed out by the auditors happened when the BIA's insurance for a summer event was purchased from an insurance company owned by the chairperson.⁴¹ The auditors noted that a conflict of interest was not declared in either case and that existing procedures, which outline appropriate ways to pay for repairs and buy insurance for festivals, were not followed.

The second Ajax BIA being looked at is the Downtown Ajax BIA. This BIA is different than the others studied in this report, as it contains one very large plaza and just a few peripheral buildings on a relatively small property. There are a total of 110 businesses. The BIA was established more than 20 years ago and is located in the central part of Ajax on the west side of Harwood Avenue, just south of the 401.

Similar to the Pickering Village BIA, there is not an acceptable vacancy rate for anywhere in the Town of Ajax that helps in determining whether the rate is high or lower

³⁹ Judy Wight, personal interview, Monday July 16, 2012.

⁴⁰ Pickering Village BIA, "Pickering Village BIA Board Meeting – Minutes," April 3, 2012.

⁴¹ Pickering Village BIA, "2011 Audited Financial Statement," personal interview with Judy Wight, July 16, 2012.

in the BIA. From a simple walk through of the territory of the BIA, there did not seem to be many vacancies. However, that is by no means a scientific way of determining vacancy rates.

The following two tables show three commercial retail transactions inside and outside the BIA. The MLS listing number for each transaction has been included as a reference for each lease.

Downtown Ajax BIA Rental Rates							
Address	Date	Size (s.f)	Net Rent (\$/sf)	TMI (\$/sf)	Total Rent	MLS Listing #	
66 Harwood Ave S.	Mar-10	1,600	\$18.00	\$0	\$18.00	E1780788	
64 Harwood Ave S	Oct-10	700	\$12.00	\$0	\$12.00	E1941808	
190 Hardwood Ave. S	Jul-10	5,785	\$8.00	\$6.40	\$14.40	E1854416	

Ajax Rental Rates Outside The BIA							
Address	Date	Size (s.f)	Net Rent (\$/sf)	TMI (\$/sf)	Total Rent	MLS Listing #	
570 Westney Rd. Unit 10	Jun-09	1,287	\$11.50	\$5.69	\$17.19	E1497074	
235 Bayly St. W. Unit 20	May-08	1,128	\$14.88	\$7.09	\$21.97	E1311409	
240 Harwood St. Unit 5	Jul-08	2,870	\$12.00	\$6.50	\$18.50	E1354848	

The comparison of rental rates from inside versus outside the Downtown Ajax BIA show that rates outside the BIA are significantly higher than those inside the BIA. A reason this data may be slightly skewed is that the plaza, which contains the vast majority of the businesses in the BIA, is much older than other retail centers in Ajax.

The 2012 budget for the Downtown Ajax BIA has been set at \$25,500.⁴² Since 2006, the budget has not been the same in consecutive years, and has an erratic pattern

⁴²Town of Ajax, "2012 BIA Levy – Downtown Ajax BIA" *General Government Committee*, May 10, 2012.

of increasing or decreasing by small amounts each year. In 2011, the stated budget for the year was \$35,000, however, the BIA spent just over \$3,500 for the year, with the rest of the funds going into a reserve fund.⁴³

The 2012 budget shows that by the far the largest expenditure for the BIA is \$15,000 on maintenance and improvements. The next largest expense is \$5,000 for advertising for the businesses, and interestingly, no funds in the budget allocated towards special events.⁴⁴ The other \$5,000 in the budget is split between office expenses, maintaining a sign that lights up at night and the audit. The budget allocates \$2,500 for a professional audit to be done each year, yet last year, they audited just more than \$3,500 in expenditures. Prior budgets generally mirror these expenditures, and there is no record of any money being spent on special events since at least 2006.

The average each business contributes to the BIA budget for the Downtown Ajax BIA is \$231.82. This number is skewed because of the small size of the property the BIA is on. The average retail space per business would also be lower than other BIA's for this reason as well.

Due to the BIA not having a website, there is no place for a public record of meetings and minutes to be held. Judy Wight was again able to provide details that the BIA has had four meetings in the past three years.⁴⁵ Each year since 2010, the BIA has held their Annual General Meeting (AGM) and no other meetings. At the 2012 AGM, a few business owners in the Downtown Ajax BIA realized that the association was close to becoming extinct, and decided to make a better effort and to meet more often. A board of management with seven new members was voted in and confirmed by the

⁴³ Ibid

⁴⁴ Ibid

⁴⁵ Wight

Town.⁴⁶ Since the new board was appointed, one meeting has occurred, which did not last more than ten minutes as only two board members and none of the membership attended the meeting.⁴⁷

Unfortunately, a copy of the audited financial statement for the Downtown Ajax BIA was not obtained. However, in speaking with Judy Wight, she confirmed that due to the few expenditures by the BIA, there is not much for the auditors to do, thus there has not been any problems.⁴⁸

The next BIA that will be looked at is the Port Perry Business Improvement Association. Port Perry is a small town in the Township of Scugog, one of the three northern Townships located in the Durham Region. The BIA has 120 businesses within its rather small boundaries of two square blocks. The Port Perry BIA, as well as the Scugog Chamber of Commerce, partner to share the administrative costs. Because of this, they are able to employ Kenna Kozak, whose title is Executive Director and General Manager of the Scugog Chamber of Commerce and Port Perry BIA. She was able to answer questions about the BIA.

Unfortunately, a published and accurate vacancy rate for neither the municipality of Scugog nor Port Perry could be obtained for this report. Again, the Real Estate firm DTZ Barnicke estimates the GTA East retail vacancy rate at 10.3%, however, this is far too macro to be used. A walk through of the BIA showed little if any vacancy, while KennaKozak confirmed that it was rare for a retail space to be on the market for more

⁴⁶Town of Ajax, "A by-law to appoint a Board of Management for the Downtown Ajax BIA," By-law # 67-2012, April 23, 2012.

⁴⁷Wight

⁴⁸Ibid

than a couple months.⁴⁹

The following two tables show three commercial retail transactions inside and outside the BIA. The MLS listing number for each transaction has been included as a reference for each lease.

Port Perry BIA Rental Rates						
Address	Date	Size (s.f)	Net Rent (\$/sf)	TMI (\$/sf)	Total Rent	MLS Listing #
257 Queen St.	Sept-11	1,800	\$20.00	\$0	\$20.00	E2199115
181 Perry St.	Nov-08	1,020	\$18.00	\$0	\$18.00	E955047
139 Queen St. Unit L2	Apr-02	1,450	\$11.47	\$2.07	\$13.54	AJ1636

Port Perry Rental Rates Outside The BIA						
Address	Date	Size (s.f)	Net Rent (\$/sf)	TMI (\$/sf)	Total Rent	MLS Listing #
16050 Simcoe Rd.	Old May-11	5,000	\$7.50	\$4.00	\$11.50	E1991664
1525 Hwy 7A	Feb-08	1,567	\$13.78	\$5.86	\$19.64	E1222538
14500 Simcoe	Dec-09	1,215	\$12.00	\$8.00	\$20.00	E1725062

These rental rates show that space inside the Port Perry BIA is likely more valuable than space outside the BIA. Unfortunately, rental rate data in Port Perry is sparse due to its relative distance from Toronto. However, the data shown does indicate that space in the BIA is slightly more expensive than outside, especially if sizable inflation is allowed for the rental rate taken from 2002.

The budget for the Port Perry BIA for the year 2012 is \$145,500.⁵⁰ This budget has been unchanged for the past three years. The BIA projects to spend most of its

⁴⁹KennaKozak, personal interview, Tuesday July 17, 2012.

⁵⁰ Port Perry BIA, "2012 BIA Budget," February 7th, 2012.

money on special events this year, with a total of \$54,000 allocated fairly evenly to seven different events. The only event receiving an investment of more than \$4,000 is the Christmas festival, which receives \$16,000 from the BIA. Ms. Kozak also mentioned that the BIA prefers to partner with various other community groups and corporate sponsors, which helps make events bigger in scope, as well as attracts more people.⁵¹

Second highest of the budget expenses is administration costs, which takes up \$43,000 of the 2012 budget.⁵² As previously mentioned, the budget for administrative costs between the Chamber of Commerce and the BIA is split evenly, meaning the budget for both is about \$86,000. This captures some efficiencies that can be gained by hiring one person for both jobs, and also allows the two entities to pay their administration more. This should, in theory, mean that the administrative help obtained by the BIA is more talented than other BIA's who have a smaller administration budget.

The rest of the budget is defined by expenditures in two areas; marketing and what they refer to as area development, which is the same as maintenance and beautification. The BIA will spend \$15,000 this year marketing the businesses within its boundaries.⁵³ A note in this budget area is that this spending is specifically for the member businesses, and is not to be used on marketing special events.

The BIA also projects to spend \$25,000 on developing the area through beautification improvements. An interesting part of the Port Perry BIA is that they have a Memorandum of Understanding (MOU) which lays out the responsibilities of both the Port Perry BIA as well as Township of Scugog in regard to the Port Perry Downtown. An example of a responsibility set out in the MOU is how and where the flower baskets will

⁵¹ Kozak

⁵² Port Perry BIA

⁵³ Ibid

be hung in the Spring and Summer.⁵⁴ The MOU is very detailed in the processes of the downtown, and adds a significant level of organization that has not been seen in the other BIA's.

The average business pays \$1,212.50 into the BIA each year. This is roughly two times higher than the next highest average business contribution in this study. This shows a willingness to pay more into the BIA as the expected benefits from the association are more than the costs of being a member.

The Port Perry BIA is scheduled to meet one time each month, and has an Annual General Meeting once a year. While the BIA seems to be a little bit behind in posting their minutes to their website, the minutes from earlier this year as well as last year reveal that there is good attendance from the board of management. At no time since January 2011 has the BIA not had a quorum of the board at a regularly scheduled meeting.⁵⁵ The membership attendance appears to mirror the other BIA's being studied, in that it is relatively non-existent. The minutes show a few business owners attending the meetings for specific agenda items, however, for the most part it is just the board members who attend the meetings regularly.⁵⁶

The Port Perry BIA audited financial statement is contained in the same document as the Township of Scugog audited financial statement, as it is done at the same time and by the same firm. Therefore it is unlikely that even if there were problems with the BIA's audit that the management letters from the audit would be included in the online document. In speaking with Kenna Kozak, she mentioned that the

⁵⁴ Port Perry BIA, "Memorandum of Understanding Between Port Perry BIA and the Township of Scugog," (2012), page 1.

⁵⁵ Port Perry BIA, "About BIA – Minutes," (2012) <http://www.discoverportperry.ca/about/about-bia>

⁵⁶ Ibid

BIA had never had any issues with their audited financial statements.⁵⁷

The next BIA being studied is the Downtown Orono BIA. Orono is a small village in central east part of the Municipality of Clarington. The village has no more than a few hundred people with a small downtown area that has 27 businesses. Annette Grey, chairperson of the BIA, did her best to answer questions about the BIA that pertain to this study. As a note, very little in substantial documentation was obtained for the Orono BIA. Documents such as budget, minutes and financial statements were not made available to me by the BIA, and the Municipality of Clarington has no documents pertaining to these on their website.

The consistent issue with finding a correct vacancy rate inside the BIA versus outside is magnified with the Orono BIA. Because of the rural nature of the village, neither vacancy nor rental rates are tracked by major real estate firms who publish this data. From walking around the BIA, it was evident that a few fairly big retail spaces had 'For Rent' signs in their windows. Due to the small size of the BIA, this available space would have a high impact on the vacancy rate, likely meaning that the rate is higher than the 10.3% average of the east side of the GTA.

At first, Ms. Grey was unwilling to release the dollar figure of the BIA's budget, indicating that there seemed to be no benefit from sharing the information.⁵⁸ After a bit more prodding, Ms. Grey confirmed the BIA's budget to be \$6,000, but continued to refuse to provide documentation to confirm that number. The actual amount of money the BIA has to spend fluctuates from year to year, as on top of this, the BIA organizes various fundraisers, which give them more disposable income.⁵⁹ Because of the small

⁵⁷Kozak

⁵⁸ Annette Grey, personal interview, Tuesday July 17, 2012.

⁵⁹ Ibid

budget size, the money is generally spent on one big project, and a few small events each year. As an example, the project for 2012 is the construction of a public washroom in the BIA.⁶⁰ This seems like it may cost more than the budget of the BIA, however, Ms. Grey did not indicate how they were planning to pay for it.

The average contribution per business in the Downtown Orono BIA is \$222.22. Comparatively, this is a very low average contribution rate, and clearly explains why the budget is so low.

The Board of Management of the Orono BIA official has nine members from various businesses in town, as well as one council representative from the Municipality of Clarington. According to Ms. Grey, it is very rare for their once a month meetings to get a quorum of the board, and even rarer for a representative from a membership business to attend the meeting.⁶¹ From this, it sounds like there are about 2-3 people who do the majority of the work for the BIA, while the other business owners, and in some cases, board members, are content to pay their annual dues and have no other involvement in the BIA.

The last downtown being looked at in this report is actually not yet a BIA. The Town of Brooklin, as part of the Municipality of Whitby, is a rapidly growing community in the northwest portion of Whitby's municipal boundaries. For more than thirty years, Brooklin has had an informal business association in their downtown. They are now in the process of completing the proper steps to become a recognized BIA. The analysis of this part of the report will focus on why they are interested in becoming a BIA, and the differences between the current business association and the future BIA.

⁶⁰ Ibid

⁶¹ Ibid

Similar to the problems faced with the other BIA's in establishing a vacancy rate for inside the BIA compared to outside the BIA, the information in Brooklin is simply not accurate enough. Walking down Baldwin St, through the heart of the BIA, very few 'For Rent' signs or empty space could be found. When the business association becomes a BIA, it would be interesting to know whether the actual vacancy rate for the area increases or decreases. In a study about five years from now, this would be a quality indicator of the health of the BIA.

The following two tables show three commercial retail transactions inside and outside the BIA. The MLS listing number for each transaction has been included as a reference for each lease.

Brooklin Rental Rates Inside The Business Association							
Address	Date	Size (s.f)	Net Rent (\$/sf)	TMI (\$/sf)	Total Rent	MLS Listing #	
71 Baldwin St. Unit 1	Mar-10	600	\$12.38	\$5.50	\$17.88	E1979170	
31 Baldwin St. N	Jul-07	901	\$18.00	\$7.50	\$25.50	E1045141	
67 Baldwin St. N	Oct-08	2,000	\$18.00	\$5.84	\$23.84	E1434707	

Brooklin Rental Rates Outside The Business Association							
Address	Date	Size (s.f)	Net Rent (\$/sf)	TMI (\$/sf)	Total Rent	MLS Listing #	
25 Cassesls Rd. E	Apr-06	1,457	\$16.00	\$3.03	\$19.03	E878997	
12 Winchester Rd	Dec-08	3,435	\$22.00	\$0	\$22.00	E1499537	
20 Winchester Rd	Jun-12	2,100	\$25.00	\$8.00	\$33.00	E2325310	

The town of Brooklin has some of the highest rental rates in the Regional Municipality of Durham. This is likely due to the high amount of wealth concentration in the Brooklin Community. As the rates used show, rates inside the current Business Association are roughly the same as the rates outside. Ideally, for the theory

surrounding BIA's, within a couple years after the formation of the Brooklin BIA, rental rates would be noticeably higher in the BIA compared to those outside.

Maria McDonell, manager of the Town of Whitby's Downtown Development Corporation and future staff liaison to the Brooklin BIA, was able answer questions regarding the indicators this report is using, in the context of the Brooklin Business Association. Due to the Business Association having no formal transparency requirements, Ms. McDonell used her own records to factually answer the questions.

One of the interesting things about the Brooklin Business Association is that the membership in the association was voluntary, even though they have registered boundaries. Therefore the budget for each year differs from the year before, depending on which businesses contributed in a given year.⁶² The business association has not passed a budget since 2010, as they have been concerned with the necessary documentation to become a BIA in the last few years, however, prior to that the membership in the association fee was \$100 a business per year. This was a flat \$100 fee, and did not take into consideration the size of space or assessment.⁶³ Legislation forcing everyone in a BIA to pay membership dues that are related to their assessment is a central reason the business association leadership have been pushing for a BIA.

Further to this, when the first BIA budget is approved by the Town of Whitby, it is likely not to allocate many funds towards downtown beautification. Ms. McDonell noted that the municipality has always placed a high importance on the state of its downtowns, and runs many programs designed at keeping them beautiful. Whitby allocates money in its budget for downtown beautification, as well as produces its own magazine (issued

⁶² Maria McDonell, personal interview, Tuesday July 17, 2012.

⁶³ Ibid

twice a year), which promotes the downtown.⁶⁴ This also provides incentive for the business association to become a BIA, as their budget can be used for events and marketing, which are more directly tied to profits than beautification.

Ms. McDonell also reported that the meetings for the association were informally scheduled as well. When the business association was active, meetings were scheduled by the sending out of an email, with a few choices of meeting times, with the most popular selected as the time.⁶⁵ For this reason, attendance was often good, as those who paid the yearly fee had a vested interest in the association, and they were also able to select a time convenient to them.⁶⁶

Since the Brooklin Business Association was not required under law to have their financial statements audited every year, they have not been. Once they are a BIA with requirements to report to the municipality, part of their budget will need to go towards financing a proper audit of their finances.

Conclusions

The conclusions section of this report will first look at what was found in each BIA that was studied, and report whether the BIA is well functioning according to the indicators used. Further to this, a commentary about why they are succeeding, or why they are struggling will be mentioned, as well as other reasons for this which may not be attributed to the indicators. A few comments regarding generalizations of this study, as well as a short critical analysis of the indicators used will end the report.

The Downtown Oshawa BIA is a very interesting case for this report. The

⁶⁴ Ibid

⁶⁵ Ibid

⁶⁶ Ibid

average contribution per business as well as the audited financial statement and vacancy rate indicators show the BIA to be well functioning. However, the rental rates and meetings and attendance show the BIA to be performing poorly. Taking everything into account, this BIA should be considered to be poor in this report, but with the note that they are steadily improving.

The biggest reason why the Downtown Oshawa BIA is considered to be poor performing is due the fact their budget has been unchanged in twenty years. Sheer inflation alone in that period should be enough to see some sort of increase, even if it is small in scale. Further to this, there does not seem to be much commitment from the Board of Management in ensuring the health of the BIA. All the BIA's used in this study are unable to attract general membership to their meetings, however, only Oshawa and Orono have a problem with getting a quorum of the board at meetings. Having a quorum of board members is central to decision making, and really should not be a difficult task to achieve regularly.

The reasoning behind the potential in the Downtown Oshawa BIA is that they have a fantastic website, and a large enough budget (even though it does not increase) that they are able to use it in many ways. As an example, only Port Perry and Oshawa have budgets big enough to hire administrative help, while the other BIA's rely on part-time help from business owners. Having a full-time staff member certainly helps the speed in which BIA business is completed. A change to the Board of Management in 2010 also seems to have given the BIA more life, as both Ms. Mittoni and Mr. Tuley confirmed that the BIA has been brought down by infighting on the board in previous years.

The next two BIA's that this report looked at were both in the Town of Ajax.

Beginning first with the Pickering Village BIA, the indicators do not look favourably at this BIA. The rental rates show that space in the BIA is slightly more valuable than compared with the rest of Ajax, but this is the only indicator with encouraging results. Budget, average business contribution, meetings and attendance, and in particular, the audited financial statement indicators make this BIA quite easily the worst one studied in this report.

Most troubling of the many problems that the Pickering Village BIA faces are the two conflicts of interest that were brought forward as a result of the 2011 audit, both involving the Chairperson. Both instances are real and apparent conflicts of interest, and neither were declared when the expenditures were approved. The combination of these oversights should have been grounds for the removal of the Chair, however, this has not happened yet. The better BIA's in this report have Chairpersons who regard the health of the BIA above their own personal interests. As will be discussed further, this is one of the worst problems a BIA can have.

While the meeting schedule and minutes seem to be consistent with a well functioning BIA, very little seems to be getting done. Unfortunately, the meeting minutes from the June 2012 BIA meeting are not yet available to the public, however, the minutes will show that the Chair voted to tie a vote at 4-4, and then declared the motion as carried. Trying to pass a tied vote shows a fundamental lack of procedural knowledge that the Chairperson of a BIA in a major municipality should be aware of. This also shows a strong bias towards wanting the decision to be carried, rather than being concerned about the will of the members.

The BIA is also limited by the size of their budget and the way they spend their money. They have a comparatively low average contribution per business, and often

see at least 50% of their budget being spent in a single area. As mentioned, they spent no less than 60% of their budget each year from 2006-2010 on the Jazz Festival put on by the BIA each Spring. This leaves little funds to spend on anything else throughout the year. While this has improved, and the Jazz Fest is now run on corporate donations, the budget still shows little variation in spending.

A final problem the Pickering Village BIA faces is that they appear to have fewer retail stores and more offices than the other BIA's. A look at the businesses that advertise on the BIA's website shows that there are an abundance of doctors, dentists, insurance companies etc, which are businesses that do not benefit from increased pedestrian traffic or weekend shoppers. Unfortunately, there is no prudent way to fix this problem, and it may always be an issue the BIA faces.

The third of six BIA's looked at in this report is called the Downtown Ajax BIA. The Downtown Ajax BIA does very poorly in all of the indicators as well, with the exception being they have not had problems with their audited financial statements in the past. This report considers this BIA to be poorly functioning, and places it only slightly above the Pickering Village BIA in the overall ranking.

The main problem for the Downtown Ajax BIA is the sense of apathy that the business and property owners have for the BIA. There is no better example of a BIA in this study where business owners pay their small levy each year, and then spend very little time even thinking about the BIA until their dues are due at the same time next year.

Another problem is that there does not seem to be anyone willing to be the champion of this BIA. Things were looking up when more members offered to be on the Board of Management this year, however, those hopes were dashed when only two of the new board attended the first meeting. There seems to be no appetite for a BIA in

that part of Ajax right now. Unless a small group of people are willing to try and rally business owners around the benefits of a BIA, it may be better for the BIA to disband.

Having said that, this BIA also has potential to be healthy, if a little bit more effort was put in by the business and property owners. Due to its small size, the BIA has an inherent advantage in that it can market itself as a one stop shopping area, for everything one may need. The plaza feature also makes it possible to organize small scale, and inexpensive sidewalk sales to try and increase pedestrian traffic in the BIA.

The fourth BIA studied in this report is the Port Perry BIA. Downtown Port Perry is the epitome of what a BIA in Ontario can be and is easily the best BIA studied in this report. Not only did the BIA do very well in the standardized indicators used for all of the BIA's, the look and atmosphere of the downtown was also superior to the other downtowns in the Durham Region as well.

Much of the success that the Port Perry BIA attains is due to the high amount the member businesses and property owners are willing to invest in the BIA. Port Perry's average contribution per business is almost double that of the next highest in the report. They are also able to maximize their budgets by entering into partnerships with any person or corporation willing to. The use of partnerships allows the BIA to make small contributions to large events, which are usually held near the downtown area.

Another important part of the budget, and again, one they partner on is their ability to hire a full time employee to oversee BIA business on a daily basis. Administrative staff work for both the BIA and the Chamber of Commerce, which eliminates many inefficiencies that having staff in both entities creates, as well as makes it much more cost-effective for both the BIA and the Chamber. The importance of an administrative staff person rather than a business owner making a half-hearted attempt

to organize the BIA after a full day of managing their own business cannot be overstated.

The only factor that slightly tempers the results of this BIA is that the Township of Scugog has a deeply vested interest in the health of Port Perry's downtown. It could be argued that each municipality in this study does or should have the same interest in their downtown, but the reality is that is not the case. One of the satellite offices of the Township of Scugog is located in the BIA, and the Township is also very aware and keen on keeping the quaint reputation the Port Perry downtown has.

The final BIA in this report is the Downtown Orono BIA. This is quite easily the smallest BIA in the report and the one which presented the most challenges in terms of access to information. For the indicators that information could be collected on, Orono showed poor results, meaning they should be considered to be a meager BIA. However, similar to Oshawa, there is potential for the BIA to reverse its fortunes in a relative quick and painless manner.

The main problem with the Downtown Orono BIA is a lack of knowledge from the Board of Management. Speaking to the Chair of the BIA, she was not aware that property owners paid the BIA levy and that they then added the amount to the business owners rent. Her understanding was that the Orono BIA was run by fundraising and the Municipality of Clarington giving the BIA \$6,000 of its annual budget. This shows a fundamental lack of the legislation around the creation and operation of BIA's, and it is something the Chair should be aware of.

Having said that, this lack of knowledge should also be apparent to the Municipality of Clarington, who would be an appropriate source of knowledge regarding legislative details. While the chairperson's repeated attacks on the municipality during

the interview were most likely unwarranted, Clarington could and should provide some more administrative help to the Downtown Orono BIA.

The potential that exists in the BIA can be realized through the small niche market that exists in Orono. Downtown Orono is the home to many small antique stores. A BIA with a single marketing message should be able to attract people with that interest much better than trying to attract everyone, especially to a small town. This is still advantageous for other non-antique retail businesses as well, as any increase in foot traffic in the area should spur on more business, regardless of the type of retailer.

The last downtown that was looked at in this report was not a BIA, but a business association in the process of becoming a BIA. Rather than discuss how the business association fared with the indicators, the more relevant information from Brooklin is why they want to become a BIA and their prognosis for success.

Easily the single most advantageous part of becoming a BIA rather than continuing as a business association is the forced membership to business and property owners within the defined boundaries. A BIA is in a much better position to prepare a sound budget when they know exactly how much they will have to work with; where as a business association has a degree of uncertainty with the volunteer membership on who will pay and how much they will have. A BIA will also allow them to increase their levy of \$100 per year.

The Brooklin BIA has every chance to be as successful as Downtown Port Perry. The emphasis that the Town of Whitby places on its downtown makes it much easier for a BIA to operate successfully. It can be thought of as a bit of a head start on other BIA's, in that the Brooklin BIA will likely not have to spend much on the beautification of the BIA, and can focus more funds in other areas of the budget.

The BIA may also find more success than others due to Brooklin having a high concentration of wealth. Brooklin residents likely have a higher average disposable income than other municipalities, and one of the spinoffs from that could be more money spent in the downtown. It could also mean a willingness to spend more on an item at a locally owned business rather than a big box store.

The indicators used in this study were useful in helping delineate a good BIA from a poor BIA. They are by no means perfect measures, and could certainly be improved upon should another report on BIA's be completed. The first indicator I would change would be to remove the vacancy rate indicator. While the theory behind using vacancy rates as an indicator of a BIA's health is concrete, there simply is not enough information on them, particularly outside the City of Toronto, to use in an academic study.

The second thing that should change, and what is the most important conclusion of this report, is that there needs to be more and better measures of how the people who lead the BIA are affecting it. While the other indicators used in this report are important, there is nothing that influences the health of a BIA more than the people in charge of its direction.

This conclusion was evident in each and every BIA visited for this report. In Port Perry, it was clear the Board of Management was committed to a vision of their downtown, which was shared by the business and property owners. In Pickering Village, the Chair and a few Board members are not in it for the collective good, but rather for their own personal interests, and the BIA is floundering because of it. Downtown Oshawa has shown improvement with their BIA since a change in the Board was achieved in 2010. This is not to say that the indicators of this report have no bearing on

the health of a BIA. However, if more measures of the quality of leadership were used in conjunction with these indicators, this report could have been more conclusive on the factors that relate to the health of BIA's.

The well known saying "a rising tide lifts all boats," provides an appropriate analogy for the end of this report. Every downtown has businesses that are more successful than others. The creation of a BIA has the capacity to bring the more unsuccessful businesses inline with the ones who are flourishing. This is far from a guarantee, as a few of the BIA's in this report prove. However, a BIA certainly creates the opportunity, it is up to the business owners to capitalize on it.

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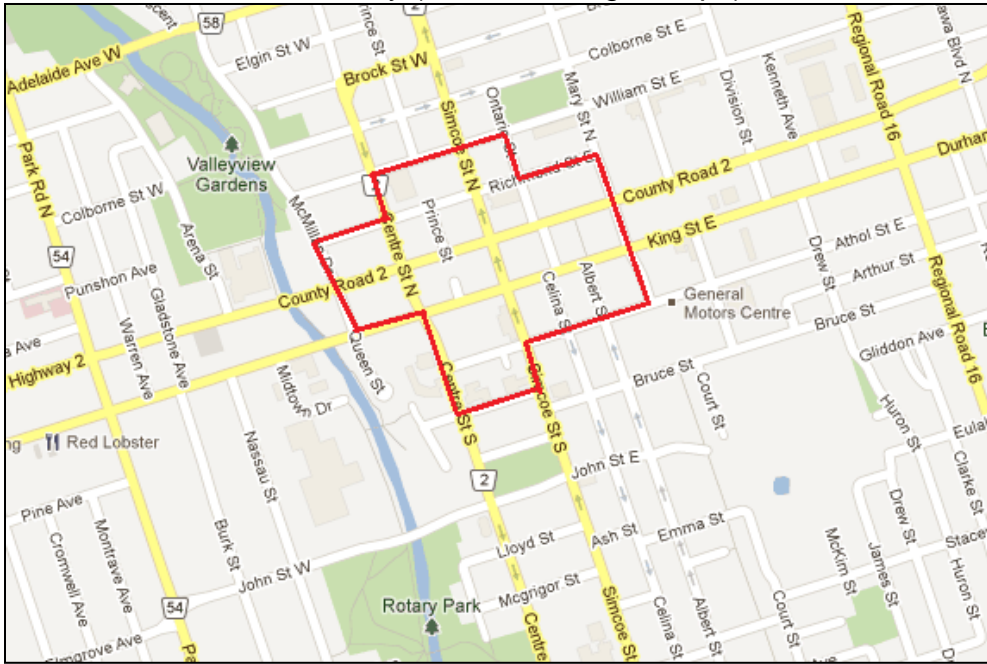
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Appendix 'A'

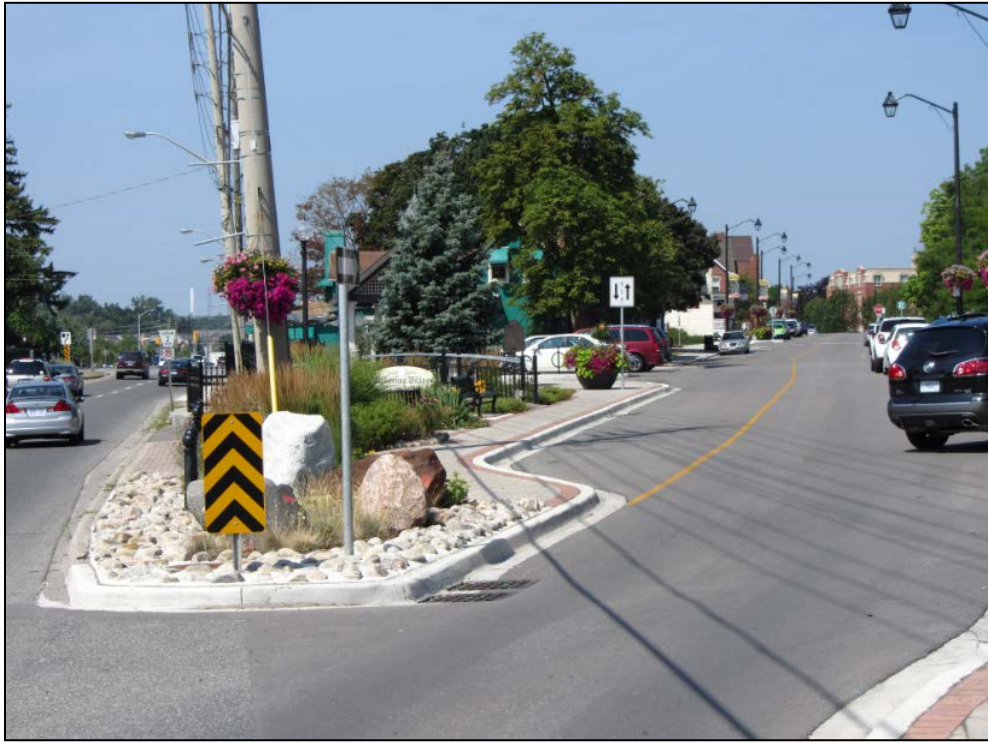
Downtown Oshawa BIA looking west down King St.



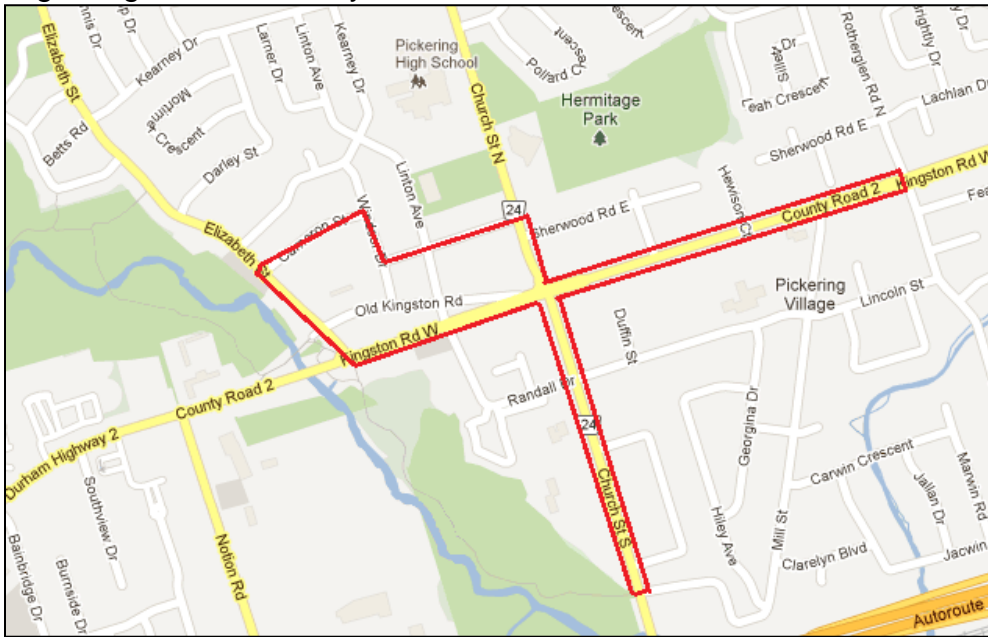
Downtown Oshawa BIA Boundary (Source: Google Maps)



Pickering Village BIA looking west down Old Kingston Rd and Kingston Rd



Pickering Village BIA Boundary

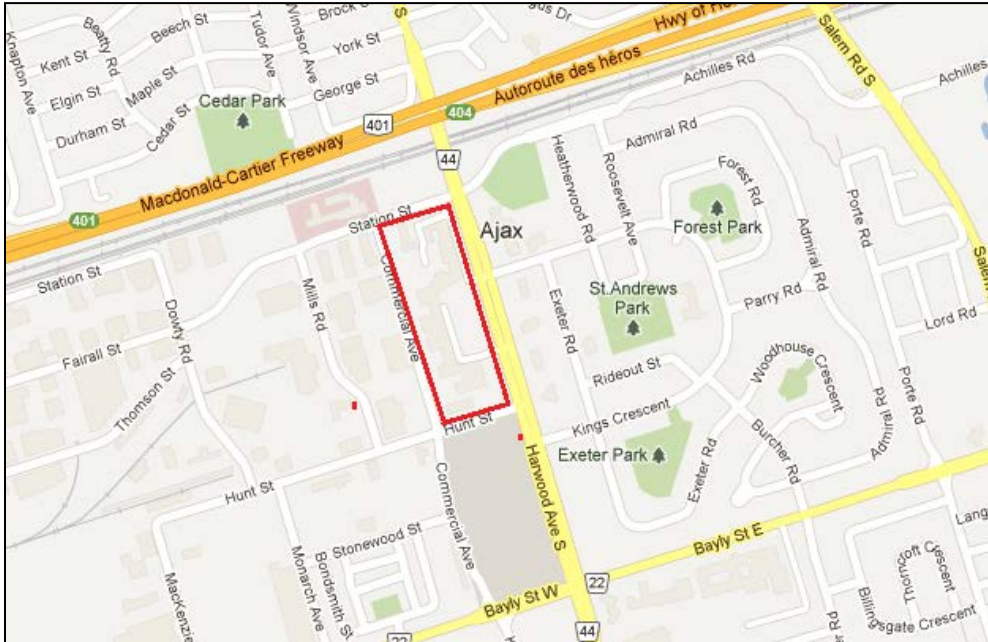


Google Maps

Downtown Ajax BIA looking south



Downtown Ajax Boundary

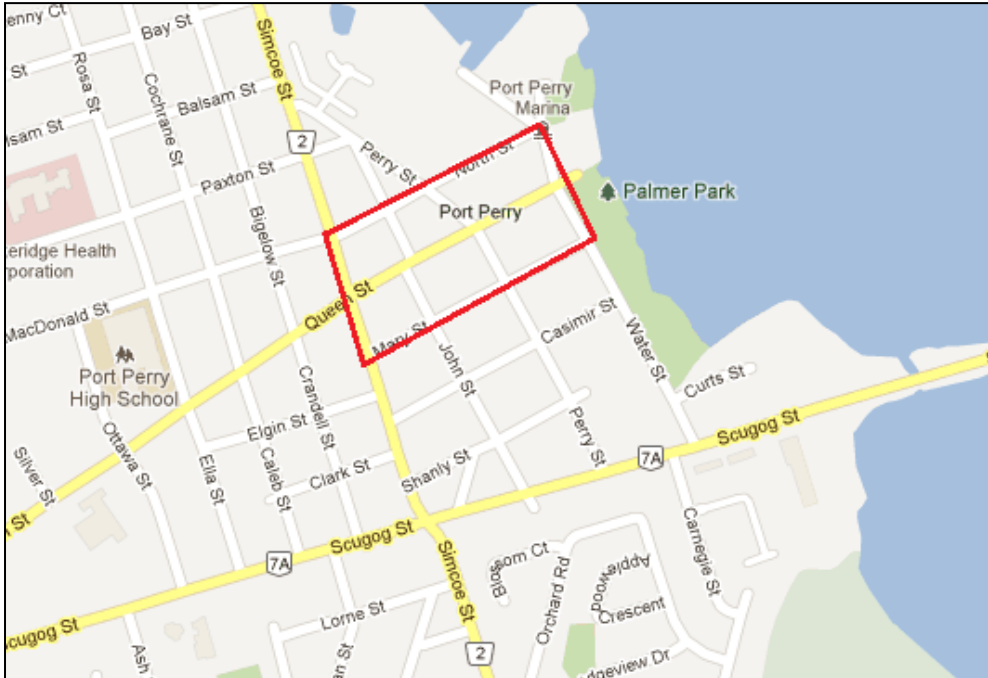


Google Maps

Port Perry BIA looking east down Queen St.



Port Perry BIA Boundary

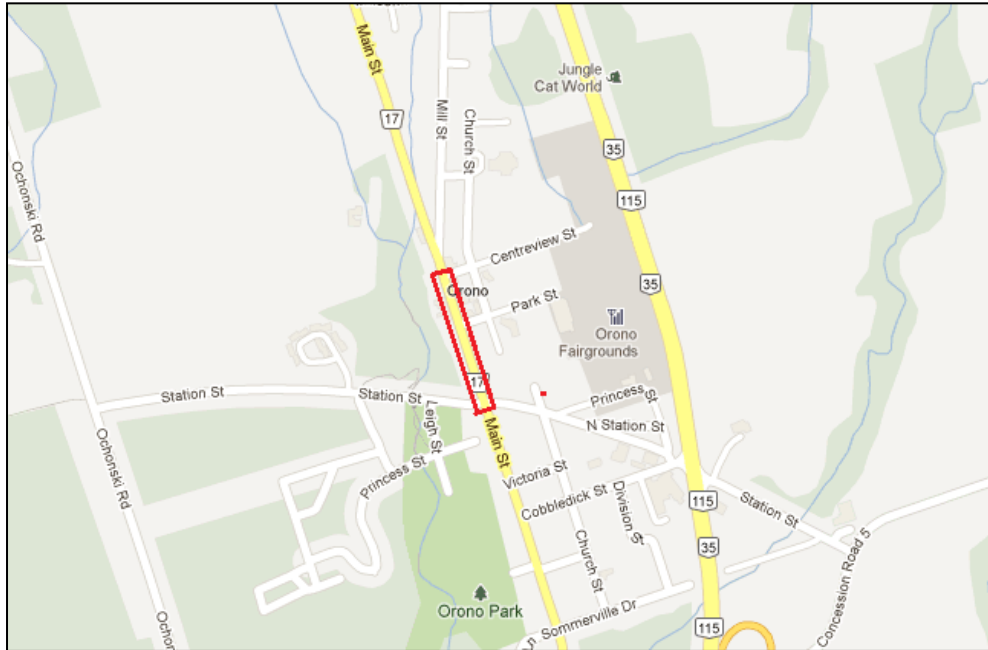


Google Maps

Downtown Orono BIA looking north on Main St.



Downtown Orono BIA Boundary

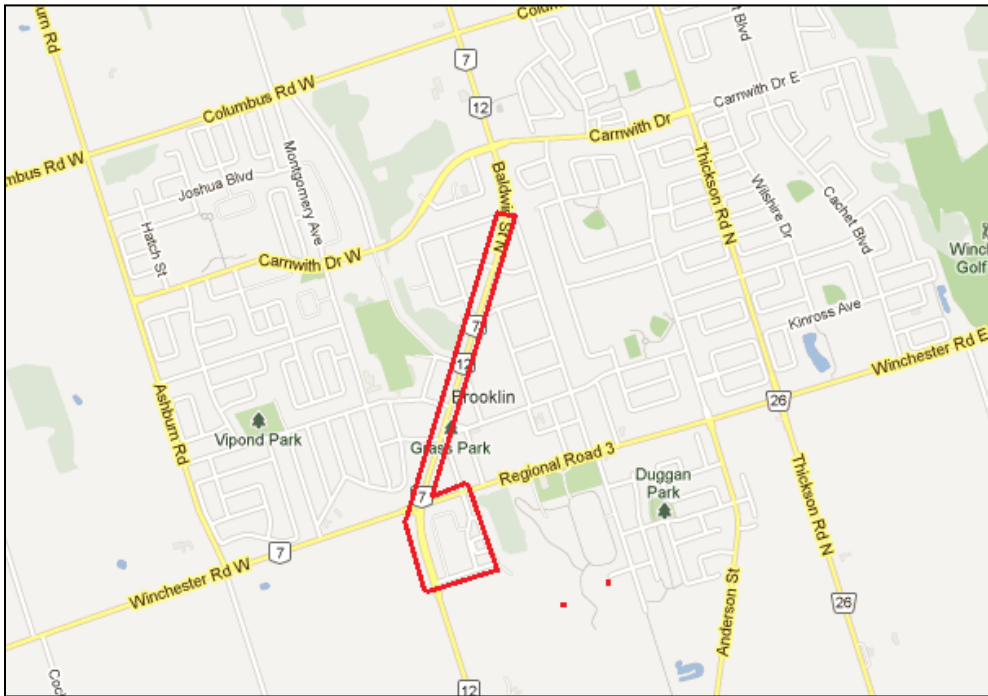


Google Maps

Brooklin Business Association looking south down Baldwin St.



Brooklin Business Association Boundary



Google Maps