

# Placemaking and Revitalization through Business and Tourism Improvement Districts in Albania

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## Keywords

Albania, business improvement district, economic development, public-private partnerships, tourism improvement district, urban regeneration.

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## Abstract

*As a form of a public-private partnership with local authorities, the business improvement district (BID) is created when most businesses or business property owners agree through balloting to manage a delimited commercial area with prior authorization by the local authority. The district is managed through a non-profit organization that provides additional public services such as security, maintenance, infrastructure improvement, and marketing, to improve decaying commercial and residential areas. BIDs have been praised as engines for urban development, filling the need gap between the public and private sector by providing entrepreneurial local public management and augmented public services for socioeconomic revitalization. The business improvement districts (BIDs) and similar forms of a public-private partnership, as a new mechanism for urban renewal and economic development, have emerged in North America five decades ago and quickly adopted in many cities worldwide.*

*Since 2011, the model has been applied in 8 districts in Albania, contributing to improved business life, infrastructure improvements, and enhanced general public services. This time is considered long enough to offer insights regarding their evolution and transformative effects. This study aims at exploring the adaptation of the business improvement district (BID) model in urban areas in Albania and, at the same time, point out its characteristics, operational and functional activities, accountability, and contribution to business development and area revitalization.*

*The methodology used in this study adopts a qualitative method, including a case study approach to data gathering. Primary data sources include semi-structured interviews with BID association members, administrators, and consultants in Albania, businesses, local government officials, and lawyers. This study will contribute to a more robust contextual understanding of the establishment and effectiveness of BIDs in developing economies.*

*The findings presented demonstrate BID's transformative role for area regeneration, economic and social development. Furthermore, this study provides additional insights regarding the effects of development organizations' involvement in this public-private partnership model for area regeneration. The results have important implications for Albania's public and development policies and provide practical lessons for practitioners in these fields. Furthermore, it contributes to the international literature on BIDs, including evidence of this model applied in a developing economy.*

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## Introduction

The BID (Business Improvement District) and TID (Tourism Improvement District) are relatively new international models of public management, locally embedded through securing private capital to accommodate local specific demand related to area renewal (Peyroux et al., 2012).

Historical records show that the first model of a Business Development Zone was implemented in Toronto in 1970 to fund a commercial district's renewal. In the following decades, the model has expanded to several cities in Canada and other countries such as the United States (Mitchell, 1999), South Africa (Didier et al., 2012), Germany (Michel and Stein, 2014), the United Kingdom (Cook, 2009) and lately Denmark (Richner and Olesen, 2018) and Sweden (Valli and Hammami, 2020) as a new mechanism of urban revitalization and social-economic development (Billings and Leland, 2009; Gopal-Agge and Hoyt, 2007; Hoyt, 2003). The model is almost the same across the world; a flexible form of governance that allows its participants to autonomously operate and craft solutions to improve their lives in a single area. Thus, creating a more attractive destination offer for tourism, leisure, shopping, living, doing business. Being entirely local, the model helps prioritize initiatives and solutions that directly affect the community. The collective contribution of the businesses in the BID/TID area allows for better services in the area such as sanitation, security, and marketing.

The BID model's long-term impact is creating sustainable mechanisms that improve the commercial value of the area by enhancing its assets and marketing it to the general local public and visitors. Sustainable impact of the model is ensured by actively involving the local community, businesses, and the Municipality as actors of development.

BIDs have been operating in Albania since 2011, as an initiative of the Albanian- American Development Foundation. Their immediate impact is reflected in the daily turnover of businesses, higher employment rates, increased number of visitors, increased property value and new business investments. This paper focuses on the application of this international model in the Albanian context and its transformative role for area renewal, economic and social development.

The article is divided into five sections. First, the BID model definition and origin will be discussed through a literature review. Second, it analyses the implementation of the BID model across Albania. Third, it examines in further details the characteristics of the Albanian model. Finally, it discusses some relevant BID projects' outcomes and impact indicators prior to summarizing this article's conclusions, limitations, and directions for further research.

## Introduction to BID concept - A literature review

There is no universal definition for a business improvement district (Becker et al., 2011) because the very nature of a BID is to be adaptive and flexible to serve each district as needed by stakeholders (Hoyt, 2003). The model definition varies depending on the region or country's regulation and other conditions. Business Improvement District (BID) in the USA, Business Improvement Areas in Canada (BIA), Urban Improvement District (UID), Neighborhood/Housing Improvement District (NID and HID) or Innovation areas in Germany, same concept with local variations that despite different nominations are still recognizable and consistent (Eick, 2012; Stalevska and Kusevski, 2018). Business Improvement District (BID) is the most used terminology to denominate the model and its characteristics.

Regardless of its variations in terminology, there is some agreement in the literature on the model's general characteristics. The district can be a public-private partnership in a geographically defined commercial area, authorized by local and state governments with a mandatory fee structure, collected by local authorities, often called BID levy. BIDs are established through a ballot of those who will be expected to pay the levy, business occupiers, or property owners. The district performs traditional BID services such as capital improvements, additional cleaning, area security, and marketing (Becker et al., 2011; Hoyt,

2003) that do not intent to substitute public services but are complementary or supplementary. Their emergency is generally connected to revitalizing decaying urban areas, increasing area footfall, improving the general conditions of the businesses operating in the area, and increasing their respective turnovers.

This neoliberal urban governance approach has been seen as a new trend in decentralization policy efforts and a shift in urban entrepreneurialism involving more urban governance actors (Grossman, 2008; Peyroux et al., 2012; Stalewska and Kusevski, 2018; Ward, 2006). These partnerships allow the public sector to enjoy more entrepreneurial traits while allowing the private sector to utilize the public authority to achieve socioeconomic revitalization (Grossman, 2008), creating a synergy between each sector's elements. There is a lot of evidence showing that the model has played an essential role in area revitalization. The impact is created by providing services and responding to local challenges more effectively by empowering and strategically advancing business and retail (Gopal-Agge and Hoyt 2007; Levy, 2001), destination promotion, and marketing. The ability of BIDs to attract funding for community development projects and services while bypassing many of the bureaucratic regulations placed on the public sector (Ziebarth, 2020) created an attractive development instrument that contributed to economic development and job creation. BID impact has also been related to increased property values (Morçöl et al., 2010) and higher financial returns for property owners.

The introduction and spread of the model are subject to conditions and factors such as the area socioeconomic context, population size, entrepreneurial and commercial traditions (Costela-Sánchez, 2018; Eick, 2012). Other factors that influence the introduction of the model are the political context, supporting legal framework, availability of governmental funding, and the commitment of different actors such as the public, the private, or third sector that support the process. (Costela-Sánchez, 2018; Gopal-Agge and Hoyt 2007; The Means, 2013).

Despite its recognized impact in the local context where it has been applied, critics express concerns about potential spill-over effects. The model has raised a few questions and critics regarding its impact on issues such as democracy and proper representation in the managing boards, limited accountability, inequality in the delivery of public services, or over-regulation on public spaces (Gopal-Agge and Hoyt 2007; Lewis 2010; Mitchell, 2008; Stalewska and Kusevski, 2018). Other critics are also concerned about the potential effects of exclusion and gentrification by moving social problems elsewhere rather than solving them (Valli and Hammami, 2020).

Most of the studies originate from the North American and British experience (Cook, 2009; Gopal-Agge and Hoyt 2007; Lewis 2010; Mitchell, 2008), and there is little evidence of applying this model in developing countries and emerging economies. To date, there has been no academic study of the application of the BID model in Albania, that covers all model aspects, characteristics, impact, and potential implications. This article contributes to spreading knowledge on BIDs to fellow researchers, public authorities, business associations, development organizations and the general public through an in-depth case study research in a developing economy context.

### **The Context: Implementation in Albania**

The Albanian-American Development Foundation (AADF) has been instrumental in initiating and supporting first business improvement districts (BIDs) and tourism improvement districts (TIDs) initiatives in some of the main urban and touristic areas in Albania.

AADF's BID/TID projects include two essential components. First, decaying urban areas undergo an infrastructural improvement that provides a significant facelift to all buildings and public spaces. Central and local government entities collaborate during this phase, providing support and additional funding. The BID model's initial focus was on cities' main avenues with a later shift on areas with historical and cultural values, such as old bazaars and historic neighborhoods. The goal was to turn them into vital,

thriving tourist destinations. The second component of the project develops local capacities to manage the area successfully in the long run., including business development services. To this end, a local businesses' association is formed. The respective Municipality enters an agreement to transfer the BID levy collected by the businesses in the BID area to the association. An elected board, including representatives from the AADF and the Municipality, is chosen to oversee activities and budget implementation. The BID association provides additional services to strengthen local businesses and make the area more attractive for new investments, such as matching business grants for investments, capacity building services for businesses, place marketing, and networking with similar local or international organizations.

Large-scale capital investment in the public infrastructure that has taken place in these pilot BID/TID areas has typically preceded any efforts to establish BID organizations. It has missed the chance in this way to use the promise of capital investment to raise interest and secure participation and engagement from the private sector at an early stage (The Means, 2015). However, the second component of the projects including business development funds, and local government transfer to the association have been seen as a strong incentive in later stages to increase the private sector's engagement in area management.

In June 2020, the trajectory of BIDs in Albania took an interesting turn toward the introduction and approval of the BID legislation that institutionalizes the BID structure, regulating their creation and functionalities, also providing them with a long-term, sustainable funding mechanism. According to the BID law, business improvement districts, as public-private partnerships, can be initiated by the business owners in a specified geographically commercial area through a BID prospect that should be authorized by the Municipality and then voted positively through a ballot by 50% of the BID participants. The BID has a limited mandate of 3 or 7 years, after which it should be re-voted by its members, in order to renew its BID status. The BID does not substitute the local government public services, but it has more of an enhancement role, providing additional or complementing services such as area security, infrastructure improvement, cleaning and maintenance, area marketing, and beautification. All the BID participants should pay a mandatory fee called BID levy, which was previously agreed in the BID prospect and is collected by local authorities. The managing board includes business representatives that make the majority for decision-making, representatives from local government and strategic development partners with an overseeing role regarding program and budget implementation.

### **Methodology**

The case study research methodology helps explore a phenomenon through different data sources, with various lenses to reveal multiple facets of the phenomenon, considering a specific context (Baxter and Jack, 2008). According to Yin (1991), the case study method was found appropriate to understand the "why" and "how" used here to explore the establishment process of the BID, its antecedents, and impact.

A descriptive approach was used while building argumentation based on relevant theories and guiding data gathering and analysis. On the other hand, the study includes in-depth research regarding different actors' behaviors, experiences, and the impact of their interrelationships in the model to get new insights and strengthen knowledge in the research area, making it of exploratory nature (Robson, 2002).

The methodology used in this paper includes a qualitative research design, with a case study approach to data gathering aiming to develop a more robust contextual understanding of the establishment, operation, and performance of BIDs. In-depth knowledge of the context and the impact of the BID has been obtained through semi-structured interviews with varying BID actors, such as association members, administrators, business owners, local government officials, lawyers and consultants in eight BIDs in Albania, The interviews explored the history and motives for BID formation;

the management structure and mandate; the operational details of each BID, including the nature of the services provided and the plan of activities; the strategies used in area management and the positioning of the BID in relation to the local government; challenges, and the impact in the BID areas.

Other sources including notes during the field visits and informal meetings, review of other relevant documents (BID project reports, planning and policy documents, entrepreneurship magazines, and BID websites) were used to complement the interview data and enable data triangulation. Other documents such as existing international literature on BID functionality and legislation, articles, and conference proceedings have been reviewed. Empirical material regarding the BID formation process, BID members, organizational form, geographical boundaries, and business structure has been obtained through BID reports, AADF project reports, BID websites, and respective municipalities.

The study included four areas of inquiry: Why and how were the BIDs established? How do they operate? What is their impact on area revitalization? What are the pre-conditions for the success of the model?

### Findings

Eight BIDs have been founded in Albania since 2011. They have emerged in similar social-economical contexts, with slight urban differences. The Albanian-American Development Foundation (AADF), a development organization, initiated and supported the establishment of the first BID models in Albania. The first BIDs setup was authorized by Albania's Council of Ministers, followed by a cooperation agreement between the AADF and the respective municipalities. The BID organizations were founded later on by the businesses in the areas after public presentations of the model.

The initial focus of the BID model was on cities' central commercial avenues as it is in the case of the BIDs in Shkodra, Korça, and Berat. Later on, the focus shifted on areas with historical and cultural values, such as old bazaars (TID Kruja, TID Tirana, TID Korça, TID Gjirokastra) and historic neighborhoods (TID Vlora). Most of these areas were facing similar socio-economic problems, such as decaying public infrastructure, inadequate public services, weak destination marketing. Nevertheless, these areas showed high economic potential. While locals and visitors naturally visited the city centers and old bazaar commercial areas, TID Korça (Korça Bazaar) and TID Vlora (historic neighbourhood) were marked as vulnerable areas with a low footfall, abandoned and decaying housing, and business premises, and they, also suffered from some security issues.

BIDs operate through a non-profit association of business members with oversight from an elected board of representatives with a three-year mandate. The Municipality and the AADF have their representatives on the managing board, with an oversight role regarding budget expenditure and operations management. The associations operate based on an approved finance and operations manual. According to these manuals, there is an annual financial reporting requirement to the General Assembly of the association regarding revenues and expenses, budget, and activities realization. Quarterly reports are also obligatory to inform the board members. The BIDs and TIDs operate based on a yearly plan of previously agreed activities and approved in the association's General Assembly meeting, ensuring a communal democratic decision-making process regarding the association's activity.

Data from AADF evaluation reports show the following BID/TID model performance indicators for eight areas and more than 900 businesses (AADF, 2019):

- On average, there is an increase of over 110% of visitors in all revitalized areas.
- Data from reports show a 70% increase in commercial property value reflected in higher property prices and rents for square meters.
- Local businesses report a 75% increase in business earnings after AADF's intervention.
- Increased business satisfaction towards public service by 130%.

- For every \$ 1 committed by AADF, businesses have joined the area improvement initiative by upgrading their businesses by \$ 2.

BID management plans specify in detail the entire process of BID management and development, including services offered, branding and marketing, management structure and the specific role of all stakeholders involved. These management plans helped to clarify the association's position, improved its efficiency and helped to discipline the BID stakeholders' behavior.

The intervention in infrastructure improvement and the area's promotion locally and internationally have contributed to an increase in the number of visitors. Today BID/TID areas are the most visited areas by tourists in the respective cities. Infrastructural improvement of public spaces and facades; improved business premises and services through the grant program and business capacity building programs; sanitation and safety of the area; and other beautification elements added value and improved the lives of residents, visitors, and tourists.

BID organizations' activity contributed to the overall improvement of business turnover, quality of services, and business sustainability. In TID Kruja, the artisans have been supported with specialized consultancy services to improve their entrepreneurial skills, product designs, and marketing. As a result, they have produced more than 300 new product prototypes and learned new techniques. Businesses in BID Shkodra, TID Kruja, TID Korça, BID Berat, TID Gjirokastra have been supported with interior design projects to improve their premises and business offer. This has corresponded with a higher number of visitors and higher turnover.

Destination marketing is another powerful instrument used by the BID/TID associations to increase the area's attractiveness. Distinctive branding and marketing techniques include logo, colors, symbols, signage boards, businesses accessories, media communication and events. All these elements also create a sense of belonging and collaboration. Events organized in these areas served as a magnet for attracting visitors and tourists, complementing and improving the area's tourism offer and social and cultural life. Statistics from project reports show an increase of 70-150% in the footfall due to promotional events organized in the BID/TID areas.

One of the model's evident contributions is its effectiveness in building partnerships and lobbying with the relevant authorities to enable quality public services tailored to the businesses and community needs. The BID model also empowers the business owners in the area by providing them with an instrument to contribute to area management. Their influence is significant since they represent the businesses' broad interest in the specified geographical area.

While there is enough evidence on the BID model's positive outcomes, BID administrators and consultants have reported some internal issues. Lack of involvement by residents and the wider public, weak membership or engagement in TID Kruja and BID Berat, and delays on municipality transfers for the association create financial instability for the model. The first two issues have been addressed through a more active role of the managing structure in engaging the local communities and businesses. On the other hand, the new legislation on the BID model that regulates its funding mechanism will ensure the financial sustainability of the model. BID associations are also testing other instruments to secure economic sustainability by offering paid services such as a skating rink and a scenic train trip in BID Korça. However, there is no evidence of their success yet.

### **Discussion, Conclusion and Implications**

Despite concerns between scholars, there is a general consensus regarding the essential role of the BID in placemaking and revitalization by responding more effectively to local challenges, and empowering and strategically advancing the business and retail sector (Levy, 2001; Gopal-Agge and Hoyt, 2007). Destination promotion and marketing of the area have also played an important role in converting

BIDs in vibrant commercial centers. Despite its recognized impact on improving public services and offering a better response to local challenges, some scholars have attributed the success of the BIDs as to a failure of the local municipal government in providing such services (Briffault, 1999). While BIDs contribute to additional public services, they cannot be regarded as the primary service provider or a substitute for the local government. BIDs should be viewed as an essential instrument of collaboration on mutual issues, creating ties between local communities and the local government.

BID members and stakeholders notice improved area attractiveness, better business climate, higher estate values, improved public services, and a sense of security. This improvement was based on collective action, higher engagement of the private sector in area management, addressing the issue of the free riders, provision of additional private funding for public improvement, disciplining BID member's behavior, and policy partnerships with local government. The engagement of an external, independent and credible actor, such as development organizations, strengthens the trust in the public-private partnership and other stakeholders' involvement. These development organizations could act as a catalyzer that brings together all the strategic stakeholders of the model. It provides balance in the management and cooperation between the public and the private, making sure that the voice of the broader community is heard. Their contribution is specifically crucial in developing countries, characterized by a generally low level of trust between actors and weak public engagement culture.

Few elements remain critical for this model's success: An active engagement of the private sector and local government in communal decision-making for area management is essential for BID model to work. A business-critical mass is necessary to ensure the model's economic sustainability in terms of levies collected. Furthermore, a healthy financial situation of the BID organization would also guarantee the appropriate instruments and mix of services to increase the impact and influence of the BID on the area.

By analysing the impact of the BID model in area transformation, these study results have important managerial implications for Albania's public and development policies. It offers practical lessons from introduction of the BID model in the Albanian context. The findings presented demonstrate BID's transformative role for area renewal, economic and social development, contributing to the discussion on BIDs with evidence from an emerging economy. The study provides additional insights regarding a development organization's involvement in the public-private partnership for area regeneration and its effects in the model.

### **Limitations and further research**

This research's limitations stem from this study's inability to identify BID entities not initiated or related to AADF. In future research, a quantitative approach can be employed to identify the impact of the model on different stakeholders, including property owners that were not part of this study. Furthermore, a comparative case study approach including BIDs in other developing economies would contribute to the literature on BID.

From a business management perspective and firm-level research, it would also be interesting to analyze the role of different BID features and social capital in terms of business performance. These features can include the business position in BID management, BID organizational structure, intra-business, and business – local government relationships effects in firm's performance.

A more in-depth investigation should be done regarding the legal transformation process of the existing BID organizations to comply with the recently approved BID legislation. Furthermore, the new BID entities' emerging under the BID law should be investigated. Moreover, further research is required to provide solutions for BID organizations to ensure financial sustainability and create more impact.

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