EMPOWERING REGIONAL CENTERS THROUGH COMPULSORY COOPERATION AGREEMENTS

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Abstract

According to the central places concept, regional centers are economic, social and cultural poles and vital components for providing and supporting surrounding rural areas. However, many of these municipalities see themselves confronted with loss of residents and depreciation of purchasing power, latter in large part due to increasing competition with large-area retail agglomerations on the outskirts of major cities. Often this leads to an incapability of maintaining their functionality. This article gives an account of the situation of regional centers in Lower Austria and introduces the emergent Business Improvement District (BID) concept, commonly used in economic downtown revitalisation, as a possible framework for future small-town-development. The BID model is constituted as a public-private-partnership between municipalities and local property owners and/or traders and based on self-taxation and compulsory agreements. Therefore it provides various innovations in relation to currently used models, like a solid financial basis while an appointed planning horizon, self reliance and identification to name but a few. This paper discusses advantages and disadvantages of Business Improvement Districts and points out factors for a possible implementation in holistic small-town development.

Keywords: regional development, retail, public-private-partnership, Business Improvement Districts, urban development

Introduction

Against the background of unbalanced and polarised spatial development, manifested in shrinking periphery rural areas and booming suburban areas, polycentric concepts gain in importance. Also the European Union emphasises a polycentric development strategy within the European Spatial Development Perspective (ESDP) of 1999 [1] and thereby underlines the importance of small and mediumsized towns: „In a polycentric urban system the small and mediumsized towns and their inter-dependencies form important hubs and links, especially for rural regions. In rural `problem` regions only these towns are capable of offering infrastructure and services for economic activities in the region and easing access to the bigger labour markets. The towns in the countryside, therefore, require particular attention in the preparation of integrated rural development strategies“.

Actually, a major challenge for small towns lies within the interaction of demographic change and the maintainance of economic functionality. Due to the ongoing outflow of mainly younger people, the population within their own administrative borders as well as in catchment areas is decreasing and ageing. Thereby also customers and purchasing power get lost and subsequently rural areas become more and more unattractive for commercial and service enterprises. Additional, structural changes in retail affect small towns negatively, such
as business concentration and expansion of retail space, development of shopping centres at suburban sites, internationalisation of retailing, increasing amount of retail chains as well as changes to consumer behaviour and the willingness to cover longer distances for shopping and leisure.

To hold against this development trends, small towns have to map out strategies to maintain their functionality and attractiveness, to keep their importance as central places for their own population as well as for people living in their catchment areas. Existing initiatives for city-center revitalization, e.g. city marketing organizations or merchant’s associations, show various deficits in organization, achievement of objectives, stable involvement of local actors and funding. Moreover most of these initiatives do not offer an integrative approach, meaning they neither take into account all relevant stakeholders nor all dimensions of urban functionality.

Literary overview

The entrance to this study builds upon two principal facts: The neglect of small town specifics within urban research on the one hand and the demand for alternative cooperation patterns within the context of urban Governance on the other hand.

Both in urban research and policies, small towns still receive a lack of attention. Elsasser and Bühler-Conrad [2] criticise therefore, that small towns have no lobby. This reflects the fact, that innovative approaches in town development are mainly discussed within urbanly context, not meeting the singularities and specific situations of small towns embedded in rural areas. Anyway, small towns equally experience the necessity of taking selective measures for maintaining their functionality and attractiveness. Maybe they do even more, as they do not only suffer social and economic loss within their own administrative borders but additionally they are affected by the thinning of surrounding rural catchment areas. Therefore, integrative steps for inner-city development are needed, which are not only focused on retail maintenance and strengthening but also establishing empowerment strategies „that build on and reinforce authentic participation ensuring autonomy in decision-making, sense of community and local bonding, and psychological empowerment of the community members themselves“[3].

The second basis of this work ties up on this demand for integrative approaches to holistic urban development. Future organisation of spatial development is changing towards intensive cooperation between public authorities and society [4]. In this context we refer to the concept of Governance, which „is concerned with creating the conditions for ordered rules and collective action ... including agents in the private and nonprofit sectors as well as within public sector“ [5]. This is particularly noticable on local level, as the commune represents a direct interface between state and society on the bottom level of the political system. The changing role allocation between public and non-public actors becomes manifest in various bilateral cooperation agreements. But what can rarely be found in urban cooperation initiatives is the collaboration between all of the three main stakeholder groups: the public, private enterprises and citizens. However, a palmful of arguments argues for such trilateral cooperation agreements. For instance, Sinnings definition of Governance [6] accentuates the collaboration of these three groups of actors and especially emphasises the important role of private citizens as second private cooperation partner for public authorities besides private investors. Moreover, urban development is closely related to both: social and economic development. Therefore it seems to be obvious to include specific interests of all relevant stakeholders in a holistic way, as success, particularly in small-town revitalisation, will be depending on the satisfaction of needs, both of citizens and economic actors on the long run.
One very successful concept for downtown revitalisation, which was first introduced in Canada in the 1970’s, currently conquers the European area: the model of Business Improvement Districts (BIDs). BIDs are to be classified as public-private partnerships. They are primarily found in retail areas and implemented as clearly defined (downtown) areas, where property owners and/or merchants voluntarily tax themselves for a limited period, to fund an improvement association with the objective of enhancing their municipal and commercial environment. A BID is normally initiated by committed locals and constituted by a majority decision of those to be taxed in a defined area. The local government collects the special taxes or fees, and then transfers the funds over to a founded BID organisation to use it on it’s own authority [7]. The BID organisation then finances various services such as security services, improvement of streets and pedestrians, extra sanitation, street cleaning, marketing and advertising as well as creation of park areas and parking facilities [8]. BIDs are often called “a powerful combination of ingredients – business self-interest and vision, together with public financing unencumbered by urban politics”[9].

Various aspects of the Business Improvement District model show important advantages in comparison to existing instruments of downtown revitalisation in Austria:

- Financial means are assured during a fixed project period, what enables the BID organisation to employ permanent BID staff and/or scientific consulters and ensures the realisation of projects.
- Due to the compulsory cooperation agreement, all collaboration partners are bound to the BID initiative during the appointed time period. All of them are committed to pay the extra fee. This eliminates the typical free rider-problem: businesses that are happy to benefit from the improvements made to an area but simply do not pay.
- BIDs can be aligned to various demands and key aspects, concerning targets and the use of financial means, what makes them adaptable to individual conditions.
- The idea of BIDs offers a statutory framework for activities. Functions, duties and responsibilities are uniquely defined and assigned to according actors.
- Further essential aspects of BIDs are self-interest, self-committal and initiative of concerned actors, what usually increases identification and affiliation to a project.

The aspects of compulsory agreement and the free-riders eliminated, as well as self-interest and self-initiative seem to be particularly suitable for implementation in small-town development, as these directly might affect local/regional bondage. But BIDs also show some facets, which call for further development, to meet a more integrative understanding of Governance as well as the increasing appreciation of citizen involvement, as agreed in Local Agenda 21 programs. Such as the limitation of cooperation partners to public authorities and private investors, leaving aside citizens interests, coupled with a certain privatisation of public space, as well as a lack of holistic orientation of revitalisation activities to name but a few.

Within the context of small-town development, the needs of merchants, service providers and citizens are exceedingly related, as supply and satisfaction of needs of both, providers and demanders, are directly interdependent. Local/regional campaigns against decreasing demand and outflow of purchasing power will not be effective enough by intervening merely on supply side (like common marketing measures and merchants associations) Its rather important to maintain the demand side through strengthening local/regional bondage by raising awareness and creating possibilities for citizen involvement at an early stage.

This scientific work builds upon the basic advantages of the Business Improvement District model, but intends to include the element of citizen participation and aims at designing a base frame for a trilateral, holistic approach to small-town development, focusing especially on the institutionalisation of participation processes.
Material and methods

Theoretical fundamentals for this study were acquired by statistical evaluations, a profound exploration of scientific literature and the analysis of different case studies. Based on the findings, a base frame for a trilateral, compulsory cooperation agreement was designed.

As a next step, qualitative interviews will be conducted to concretize the model with expert knowledge in the fields of economic and retail development, downtown revitalisation, context related intermediary organisations and citizen participation. Thereafter a broad empirical acceptability survey will be run in two regional centers of Lower Austria, which was chosen for exploration region due to its unique vicinity to the Vienna metropolitan region. The selection of centers will be based on relevant socio-economic statistical data, mainly referring to demographic aspects like loss and aging of population as well as to purchasing power retention. Within this two communities a three-step-analysis will be investigated: Each of the three groups of cooperation partners will be questioned concerning possibilities and borders of implementation, willingness of involvement, attendance to pay dues but also to contribute qualitative input (time, ideas,...), application fields and difficulties they see.

Results

In Lower Austria, eight of 22 districts registered a decrease in purchasing power retention between 1997 and 2006 (average -3.6%), although purchasing power was increasing during the same time (average +13%) [10]. All of them are located in so called peripheral regions far off Vienna metropolitan region (the districts are Zwettl, Lilienfeld, Scheibbs, Waidhofen/Thaya, Waidhofen/Ybbs and Melk). In marked contrast we find those districts surrounding Vienna gaining in purchasing power retention up to +16%. This loss of capability to keep purchasing power within the own administrative area is even more considerable for the respective district administrative centers (average –8.5%, each more than -6%). These centers (3.002 – 11.817 residents) also show very poor values in absorption of purchasing power (mid and long-term demand) and coverage within their catchment areas. On the average, nearly 70% of sales areas are not located within city centers anymore. This trends are also visible in vital statistics: While the total population of administrative centers in Lower Austria was increasing by 7.7% average between 1991 and 2006, the aforesaid eight centers only registered an increase by 2.6%. Population forecast predicts an average decrease of -3.2% (maximum -13.2%) until 2031 [11].

In 2008, empirical acceptability surveys will be conducted in two of these administrative centers. Accordingly, the results of the investigation are used for evaluation and alignment of the trilateral cooperation model. Overall result will be the proposal for a new form of cooperation in holistic downtown development, already co-designed by possible future users, to improve acceptance and practicability.

Discussion

The analysis of statistical data on Lower Austria shows, that a real need for action, aiming at maintaining their functionality and attractiveness, exists in a couple of administrative centers. By taking a closer look on existing instruments of downtown revitalisation it becomes obvious, that almost no model offers a holistic approach by including all relevant stakeholders at same eye level. The results of this study will show whether a
trilateral and compulsory cooperation agreement would be accepted by all collaboration partners, which field of applications would be thinkable and how such cooperation agreement would have to be organized. This investigation also complies with the “self-initiative”-component of the model suggested on a meta-level, as it intends to allow a bottom-up procedure already in designing the rules and configuration of the cooperation proposal.

**Conclusion**

According to the central places concept, regional centers are economic, social and cultural poles and vital components for providing and supporting surrounding rural areas. Due to demographic and economic development trends, many regional centers have to face the mounting challenge of maintaining these functions. To retain and revitalise small towns it prospectively might not be enough to apply sectoral support programs. The future of lively small towns will rather be a question of whether it succeeds to create local/regional bonding, awareness and cohesion, and to encourage identity building processes as well as to initiate learning processes and democratic participative management.

**References**


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