

BUSINESS IMPROVEMENT DISTRICTS (BIDs) **Hannah Loizos, Centre for Cities - October 2005**

Executive Summary

By October 2005, twelve BIDs had passed a yes vote since November 2004, five of which are in London. This is a small number, but is predicted to rise. The first UK BID was in Kingston upon Thames and the most recent was in Bristol. There have been four unsuccessful votes in Liverpool, Maidstone, Altham and Runnymede. (For a full list of both successful and non-successful votes, see Appendix 1).

A BID allows local businesses to agree to pay a supplement levy on their rates bill to obtain additional services to those provided by the Local Authority, to improve the local trading environment. Money is usually spent on "crime and grime" initiatives such as additional security, street "cleaning and greening".

Approval of a BID has to meet two tests: a majority of those businesses voting (not all the businesses in the area) must vote yes, AND those voting in favour must represent a majority of the rateable value of all businesses voting.

Once a BID is passed, all businesses have to pay it - unlike voluntary Town Centre Management Schemes. Exactly who pays will be made clear at the time of the vote and all affected ratepayers will have the opportunity to vote on the BID proposal. If the proposal passes the vote, the local authority will collect the levy and distribute funds to the BID.

A BID can last for no more than five years, and will either be dissolved at the end of its term or will go back to vote. After the proposal is approved businesses identify the specific issues for attention and draw up a detailed plan which includes delivery guarantees, performance indicators and a management structure.

Below are the key points from a 'yes' vote case study (Birmingham) and a 'no' vote (Liverpool). More details are available in Appendices 2 and 3, as well as an example of a proposed BID in London Bridge, in Appendix 4.

Birmingham Broad Street – an example of a BID 'yes' vote

Turnout: 65%, Support of those voting: 92%, Support by rateable value: 97%

- Offices and pubs/bars/clubs make up almost 70% of the levy raised by this BID
- Charitable organisations in receipt of mandatory charitable relief from rates will receive an 80% allowance
- The estimated budget from levy contributions totals £337,000 in the first full year (April 06 to March 07)

Liverpool City Centre – an example of a BID 'no' vote

Turnout: 37%, Support of those voting: 51%, Percentage by rateable value: 47%

The vote failed for the following reasons, mainly around consultation and leadership:

- Lack of personal contact with individual businesses
- An over-reliance on written communications and documents
- The lack of a strong existing city centre partnership

A second ballot is now underway, and will be completed on 20 October.

INTRODUCTION

What is a BID and how did they develop?

A Business Improvement District (BID) is a precisely defined geographical area of a town, city, or another commercial district where business / non-domestic ratepayers have voted to invest collectively in local improvements - in addition to those delivered by local government.

Borne out of Town Centre Partnerships (TCPs), the concept was originally set up in Canada (Toronto), but took off in the US in the late 1970s. UK BIDs have the same aims as US BIDs: to combat declining retailing and commercial activities in older, inner-city neighbourhoods or other areas where businesses need to improve the trading environment.¹

The first round of BID ballots was in London, starting with Kingston upon Thames, whose successful vote was announced in November 2004². There are now 12, and this number is expected to rise. (For a table detailing the dates and locations of the recorded BID ballots to date, see Appendix 1.)

In Southwark, as well as the proposed London Bridge PLP BID (see Appendix 4), Waterloo Quarter Business Alliance is proposing a BID (which covers some Southwark businesses, but is predominantly in Lambeth). Peckham town centre & possibly Camberwell town centre could also be moving towards a BID over the next few years.

What services do BIDs provide?

Security: A key problem in maintaining anti-crime measures has been the inability to generate sustainable funding. BIDs could be an important tool for tackling retail crime, as well as more general crime. The British Retail Consortium (BRC) views BIDs as an excellent opportunity for local businesses, in partnership with the police and other stakeholders, to invest in local anti-crime initiatives.³

Cleanliness & environment: A second element of improving the public realm and retail offer is the standard of cleanliness and the quality of the environment. Once baseline service delivery has been agreed with a local authority, BIDs should aim to improve cleanliness as a top priority. Investments in the physical environment, including streetscape and infrastructure may also be important, depending on the location.⁴

Marketing: Promotion of an area can generate footfall through branding, advertising and events to raise awareness of the retail centre and create a recognised identity. BIDs are expected to place significant emphasis on increasing the profile of retail centres.⁵

Local Government relations: For retailers another benefit of a successful BID could be the opportunity to have effective dialogue with local government across a range of issues. BIDs could improve the relationship between businesses and local government, by creating feelings of trust and shared aims and objectives.

¹ www.ukbids.org

² www.ukbids.org

³ <http://www.brc.org.uk/defaultnew.asp>

⁴ <http://www.brc.org.uk/defaultnew.asp>

⁵ <http://www.brc.org.uk/defaultnew.asp>

A BID will provide services and facilities that are additional to and that interact with existing local authority services. The location and chosen boundary of the BID will determine the amount of money that can be raised and the range of services it provides.⁶

WHO, WHERE, HOW MANY, HOW MUCH...

Who can set up a BID?

Anyone who pays non-domestic rates, owns property or can claim to represent a group from a particular area will be able to set up a BID. A Board representing relevant stakeholders from the area will control the BID with a strong business representation. Other relevant stakeholders would include the local authority and property owners where they have chosen to contribute to the BID.⁷

How does the voting work?

*Approval of a BID has to meet two tests: a majority of those businesses voting (not all the businesses in the area) must vote yes, AND those voting in favour must represent a majority of the rateable value of all businesses voting.*⁸

M.G Lloyd et al, 2003⁹ argue that the check this imposes is essentially in favour of larger businesses, who, even if a minority may be able to effectively veto BID proposals. Small businesses would possess no such veto.

Where can a BID exist?

A BID can exist in any location where the local business community wishes to collectively invest to improve their business environment. This can include town centres, commercial office developments, business and industrial parks, business parks and market towns, but so far all the majority have been in town centres (Runnymede, Surrey was a district wide BID proposal and Altham, Lancashire was an Industrial estate. Both failed the vote).¹⁰

How many BIDs are there and how many more are on the way?

There are currently 12 BIDs out of a total of 22 official pilot sites in England and Wales that received Government support channelled through the Association of Town Centre Management (ATCM). Their purpose was to inform best practice for the creation and development of BIDs.

In addition to these sites, approximately 50 other locations, including several in London, have expressed an interest in developing a BID.¹¹ Nobody currently holds a definitive up to date list (the ODPM is currently updating their work on BIDS). However, the ATCM has a list that it believes is as comprehensive as possible (See Appendix 1).

In Southwark, as well as the London Bridge PLP BID, (see Appendix 4) Waterloo Quarter Business Alliance is proposing a BID (which covers some Southwark businesses, but is predominantly in Lambeth) - if this is approved it will go to ballot in

⁶ <http://www.retailbids.org.uk>

⁷ <http://www.retailbids.org.uk>

⁸ www.althambid.co.uk

⁹ International Planning studies, Vol.8, No.4, 295-321, November 2003

¹⁰ <http://www.retailbids.org.uk>

¹¹ <http://www.retailbids.org.uk>

Feb 06. Peckham town centre & possibly Camberwell town centre could also be moving towards BIDs over the next few years.¹²

How much do BIDs cost?

There is no uniform rate for the BID levy as the size of the BID will depend on the location and the range of services it intends to offer, however it is usually about 1% and there is always a ceiling.

Each BID will determine its own levy and charging structure, which will be included in the business plan and subject to consultation prior to the vote. It is likely that most BIDs will calculate the levy with reference to the ratepayers' rateable value. A BID can choose to exempt or offer discounts to certain categories of ratepayers, such as charities. It is also possible for other stakeholders to contribute financially to a BID. Property owners, local authorities, and regional development agencies are examples of key stakeholders who have an interest in the economic sustainability of communities and are likely to be involved in the funding of BIDs.¹³

Questions 1-4 below are answered exclusively by Nick James, BRC

1. What are the reasons behind the location of BIDs, both in different cities and within these cities?

BIDs are business-funded so they focus on business districts. The most practical use for the BID mechanism is to channel money into public realm improvements. Retailers have most interest in the public realm, as their businesses are dependent on footfall. Shoppers are more likely to use a shopping location that is perceived to be clean, safe and readily accessible. Retail districts (including entertainment and leisure areas) are the main focus of most BIDs, for example Birmingham Broadstreet (Appendix 2), which is mostly made up of bars and restaurants.

2. What are the main causes of successful or unsuccessful votes on BIDs?

Most BIDs are evolving from existing Town Centre Partnerships (TCPs) where a track record of delivery and engagement already exists.

The most common reason for unsuccessful votes on BIDs, for example Liverpool (Appendix 3), are simply that the proposals were inappropriate or were not desirable for whatever reason. Where votes have failed (Liverpool, Maidstone, Altham and Runnymede), businesses have not been convinced of the benefits over costs. In some cases this has been because businesses have been insufficiently engaged and the BID proposal has been led by the local authority.

The problems with Liverpool were all about engagement. In Birmingham the BID team developed a proposal in consultation with local leisure trade and some retail. In Liverpool, despite having some retail board members, the engagement with local businesses was not there. This was the same in Maidstone and Runnymede.

3. What are the reasons for - and the strengths and weaknesses of – BIDS predominantly being located in thriving areas?

¹² Email from Kerry McClland, Southwark Council, Interim BIDs advisor

¹³ <http://www.retailbids.org.uk>

It is not necessarily the case that BIDs are located in less successful areas. The unique features of London have meant that many BIDs have come through in the capital, but outside of the city there are many less prosperous areas with BIDs e.g. Coventry, Bedford.

The 'second wave' of BIDs, due this autumn, features proposals in areas that would not be regarded as 'thriving'. However BIDs are probably likely to get off the ground faster in prosperous areas, as property owners and retailers will seek to protect their investment and ensure continued returns in the most profitable areas. They also have more readily available money to spend on such interventions.

4. What are the early signs on the sustainability of BIDs?

It is too early to say, but BIDs may have serious potential as they have had great success in the US. BIDs tend to favour thriving business districts and not declining retail markets because they are currently a voluntary tax and quite marginal. The business community does not want to send a message to the government that this could be the future.¹⁴ However, BIDS may take off as they fit with the ethos of community engagement - they seem to work well with regeneration programmes in 'town centre' areas, though perhaps more so once an area has seen some initial improvements through regeneration programmes.¹⁵

¹⁴ Dermot Finch meeting with Rachel Burns, BRC, June 2005

¹⁵ Email from Kerry McClland, Southwark Council, Interim BIDs advisor

APPENDIX 1: BIDS voting table

This can be viewed at: <http://www.ukbids.org/upload/public/attachments/3/results.pdf>

APPENDIX 2: Birmingham Broad Street – a case study of a ‘Yes’ vote for a BID¹⁶

Turnout: 65%, Support of those voting: 92%, Support by rateable value: 97%

Key points

- Offices and pubs/bars/clubs make up almost 70% of the levy raise by this BID.
- Charitable organisations in receipt of mandatory charitable relief from rates will receive an 80% allowance.
- The estimated budget from levy contributions, totalling £337,000 in the first full year (April 06 to March 07) will be allocated as follows:
 - Environmental Enhancement **£70,000**
 - Communications/PR & Marketing **£66,000**
 - Broad Street BID Manager **£50,000**
 - Management/Administration **£20,000**
 - Safety and Customer Care **£116,000**
 - Investment **£15,000**

The successful “Ballot for a Broad Street BID in Birmingham” took place between 18 April and 26 May 2005. It has won the highest ‘yes’ vote in the country to date.

What was the proposal?

The top 10 components of the proposal were as follows:

1. A Broad Street manager - locally based and answerable to businesses
2. Marketing programmes - new events, activities and attractions
3. Communication and PR - positive profiling and media coverage
4. Street wardens - who know the area, get the job done
5. Lighting and gateway features - exciting, animated, brighter
6. Additional street cleaning - daily washing of pavements and removal of gum
7. Safer business area - radio link, enhanced police liaison
8. Floral dressing – seasonal horticultural displays
9. Investment support - lobbying, promoting, regeneration
10. Business led partnership - working with businesses, for businesses

Why did it go through?

According to Nigel Peardon, BIDs Project Director at Birmingham City Council, it succeeded because it was *well prepared, business led, and there has been and continues to be good communication all the way through the process.*

How will the money be raised?

The levy will be raised from the following sectors, at these percentages:

- 39% offices
- 29% pubs/bars/clubs
- 11% NEC (National Exhibition Centre)

¹⁶ www.broadstreetbid.com

- 8% hotels
- 4% leisure
- 4% shops
- 3% restaurants / cafes
- 1% banks
- 1% car parks

The BID is committed to serving the whole area, but Broad Street itself provides the principal focus for much of the visitor activity, particularly in relation to the evening economy. The BID levy structure reflects this, and is being applied to the rateable value of each rateable property as follows:

Core area

- Pubs, bars, clubs, casinos - 2% of rateable value per annum.*
- All other businesses including hotels, restaurants, leisure and conference centres, offices, shops, car parks -1% of rateable value per annum.*

Outer area

- All business categories - 0.5% of rateable value per annum*

**The BID levy will be applied to rateable values as at 31st. March 2005 using the 2000 rating list values and sector definitions used by the Valuation Office Agency*

All areas

- Business premises with rateable values below £10,000 will be exempt from the levy in the BID's first term.
- Charitable organisations in receipt of mandatory charitable relief from rates will receive an 80% allowance.
- No exemptions will be granted for void or partially empty premises.
- The BID levy will be increased each year by the annual inflationary factor for local non-domestic rate bills as calculated by the Government.
- Birmingham City Council will be responsible for billing and collecting the levy on behalf of the BID and have agreed not to make a charge for this service.
- The costs of developing the BID Proposals, the BID campaign and the ballot will not be met from the BID levy but from funds set aside by the Birmingham City Centre Partnership.

Additional funding will be sought to supplement the base budget from the following:

- Voluntary contributions
- Grant income
- Commercial income/sponsorships

The level of funding from these sources can be expected to vary from year to year. An initial annual £40,000 income based on voluntary contributions from property developers has been included.

What will the money be spent on?

The estimated base budget from levy contributions, totalling £337,000 in the first full year (April 06 to March 07), will be allocated as follows.

- Communications/PR & Marketing **£66,000**
- Safety and Customer Care **£116,000**
- Environmental Enhancement **£70,000**
- Investment **£15,000**

- Broad Street BID Manager **£50,000**
- Management/Administration **£20,000**

APPENDIX 3: Liverpool City Centre – an example of an ‘No’ vote against a BID

Turnout: 37%, Support of those voting: 51%, Support by rateable value: 47%

What was the proposal and how did it develop?

The BID was initiated by property owners (shopping centres) who approached Liverpool City Council in 2002. The City Council decided to investigate and ultimately support the proposals for a BID. The main driver was the large retail-led development, the Paradise Street project at the edge of the existing City Centre, which had been granted planning permission.

The plans were based around improving services in 3 areas: safety/security; cleansing and environment; marketing and promotions.

Why didn't it go through?

The vote narrowly failed for the following reasons:

- The lack of personal contact with individual businesses
- An over reliance on written communication and documents
- The lack of a strong existing city centre partnership on which to build the BID
- Issues surrounding the large amount of development works being undertaken in and around the city centre causing disruption for businesses and customers
- The April 2005 rates revaluation, which increased retail business rate costs quite significantly in the city centre

What is happening next?

A second ballot started on 21 September and will run through to 20 October. This time there is an improved plan, an increased number of businesses on the BID Board, and the team has spoken to many more businesses overall.

APPENDIX 4: London Bridge, Southwark – a case study of a possible future BID

What is the proposal and how did it come about?

The London Bridge BID proposal was initiated by Pool of London Partnership (PLP) in autumn 2004. Since 1996, PLP has been providing representation & major capital & revenue investment within the Pool of London area, investing over £100m during this period. The London Bridge area is a distinct business area within the Pool of London. PLP's improvement programme is coming to an end soon and the London Bridge BID aims to sustain the improvements made over the last 8 years.

When is the vote happening and what are the chances of success?

Ballot papers will be dispatched later this month (October) and the last day of voting is 14 Nov. The campaign seems to be going well, but as with Bankside, it is impossible to call it - it could go either way.¹⁷

¹⁷ Email from Kerry McClland, Southwark Council, Interim BIDs advisor, but more info at PLP's BID website: www.plpbusiness.co.uk