

CLES Bulletin is a topical summary of an issue which has recently emerged. Its aim is to provide a pithy précis of the issue, thus creating a quick and easy to read document which directs to more detailed material, if required.

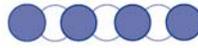
**CLES Bulletin No. 28  
Business Improvement Districts**

# CLES BULLETIN



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## Introduction

Business Improvement Districts (BID's) are a partnership between local authorities and local businesses to provide additional services or improvements to a specified area.

The first English BID has started this month following a pilot process that began in January of 2003. They are designed to improve the economy of a local area. They are in essence a voluntary tax that local businesses pay to fund improvements to their locality. The money raised is typically spent on combating crime, providing a clean, attractive environment and promoting the local economy. BID's are primarily though not exclusively found in retail areas where businesses have a clear interest in improving the appearance and safety of an area.<sup>1</sup>

## From across the Atlantic

Business Improvement Districts (BID's) were introduced in Canada in the 1970s but have been most commonly adopted in the USA during the 1980s and 1990s. They vary widely in terms of scale, budget and role and have the advantage of being easily tailored to fit local conditions. They have in more recent years developed across the world and can be found in places like Austria, Belgium, France, Japan, Australia, New Zealand, South Africa and now England.

The Department of Urban Studies and Planning at the Massachusetts Institute of Technology (MIT) has studied the role of BID's and BID-like organisations internationally.<sup>2</sup> In the US a great deal of research has been undertaken into the BID model, which has evolved into different things in different places. Some have confined their roles to providing clean and tidy streets while others have employed street security services, run events programmes and marketing campaigns, provided tourist information, business advice services and even estate agent services to prospective residents. Some have even provided job vacancies on their websites.

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<sup>1</sup>Symes M & Steel M (2003) Lessons from America: the role of Business Improvement Districts as an agent of urban regeneration, [Town Planning Review](#), 1 July 2003, vol. 74, no. 3, pp. 301-313(13)

<sup>2</sup> See <http://web.mit.edu/11.204/www/webportfolio/BID/>

In the US, BID funds have been used to promote urban living and develop residential areas within cities, that have in turn contributed to the development of the night-time economy. In cities like Denver and Philadelphia, BID funds have contributed to an urban renaissance with previously nine to five office districts having been transformed into vibrant 24hr economies.

The most ambitious BID's in the US have acted as property developers, buying and repairing empty or abandoned buildings for sale or lease. Business Improvement Districts in the US have evolved into organisations that may take on almost any role in regeneration and place marketing.

American BID's have encompassed many bits of the responsibilities held by regeneration agencies and government departments in the UK. The introduction of the BID model in the UK will potentially add another tool to the regeneration kit bag.

## English BID's

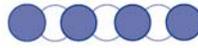
In April 2001 the government announced their intention to introduce Business Improvement Districts in England. Further details were set out in the White Paper – *Strong Local Leadership – Quality Public Services*<sup>3</sup> that was published in December 2001. The Government stated in the White Paper that it wanted to see councils and businesses working together to improve local conditions. As part of this they promised to legislate for Business Improvement Districts (BID's) to be established 'in any area where they are backed by the majority of businesses'. The government have defined the English BID as a 'partnership arrangement through which local authorities and the local business community can take forward schemes which will benefit the local community, subject to the agreement of ratepayers'.<sup>4</sup>

There is a great deal of flexibility as to where BID'S can be located and the projects that BID resources can finance. They needn't be limited to retail areas and examples of initiatives quoted in the guidance include; CCTV, rapid responses to graffiti and litter, better local training, improved transport services and tourism.

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<sup>3</sup> Strong Local Leadership – Quality Public Services, ODPM, December 2001, [www.odpm.gov.uk](http://www.odpm.gov.uk)

<sup>4</sup> Draft Guidance on Business Improvement Districts, ODPM, [www.odpm.gov.uk](http://www.odpm.gov.uk)



What BID's spend their money on is entirely up to them, this allows individual business communities to tailor the spending of resources to specific, local priorities. As a result 'no two BID's are exactly alike because each is an experiment in public administration for a particular environment'.<sup>5</sup>

Legislation clearing the way for Business Improvement Districts to be set up was introduced by the Government in September of this year. Once the BID has been voted for it has a lifespan of five years and any further proposals have to be reaffirmed through a vote.

### UK Pilots

On the 21<sup>st</sup> January 2003, 22 locations were selected as BID pilot areas in England. Almost 100 towns and cities applied to be part of the BID's process. A short list of 53 was drawn up and 22 were finally selected.<sup>6</sup> The Association of Town Centre Management and the ODPM took the lead in the pilot programme to develop the structures required to run a BID in England. The pilots have obtained the practical experience needed in the English setting to validate the ODPM guidance that has accompanied the BID legislation.

### Legislation - lessons learnt from America

In drawing up legislation for BID's in England, lessons have been learnt from the failures identified in US BID's. These range from lack of initial enthusiasm to infighting between business members. However, the main lessons that can be learnt from the US experience of BID's surround the initial setup processes, structures and legislation itself.

There has tended to be an aversion to Government funded initiatives from the business sector, in both the US and the UK. Many businesses do not have a great deal of enthusiasm for public sector led initiatives, they 'simply do not believe that they would be given any

real say over how the money [is] spent'<sup>7</sup>. Symes & Steel<sup>8</sup> from their research have pointed out that the first step to forming a successful BID is to persuade local businesses to join, by emphasising the fact that all the funds raised will be spent within the BID. A clause in the legislation for English BID's allows for the levy to be set at different levels (not just rateable value) in different cases which potentially could allow businesses some negotiation on the amount they contribute and therefore develop a BID structure that can work in a specific local environment, where otherwise it may have failed.

Getting the legal and administrative processes right in setting up a BID are a key to success. Legal and administrative processes have been a major cause of failure in the US context. Different BID's have worked with different processes across the US, one common cause of failure has been in the distribution of voting rights to property owners and not the tenants. Property owners will obviously have vested interest in anything that will improve the local area, however there is nothing to prevent the costs being passed onto the tenants in higher rents, tenants who may have opposed the formation of the BID in the first place. However, in the UK all non domestic ratepayers (tenants) or property owners (where the property is not let) contribute to the BID.

Many US BID's have been subject to infighting that has resulted in costly legal action or even closure. The majority of disputes come between small businesses and larger organisations that share the same town-centre or high street. Many US BID's were setup so that the level of financial contribution was reflected in the voting process, often leaving small businesses outweighed by larger firms.

The voting system for BID's in England has been designed in a way that allows all businesses to have an influence over the allocation of funds. Interests of large and small businesses are protected through a 'dual key' mechanism, which requires a successful vote to

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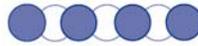
<sup>5</sup> Mitchell J (1999) Business Improvement Districts and Innovative Service Delivery, New York, Pricewaterhouse Coopers

<sup>6</sup> For a full list of the English Pilot schemes see <http://www.ukBID's.org/cat.asp?cat=129>

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<sup>7</sup> Ashcroft (2000) Changing cultures and building shared ownership, *Local Economy* 15, 256-61

<sup>8</sup> Symes M. & Steel M (2003) Lessons from America: the role of Business Improvement Districts as an agent of urban regeneration, *Town Planning Review*, 1 July 2003, vol. 74, no. 3, pp. 301-313(13)



have a simple majority in terms of both votes cast, and the rateable value of votes cast.

## **BID setup process**

A BID can be proposed by non-domestic ratepayers, property owners (freeholder, mortgagee or lessee), corporate or non-corporate bodies or a local authority. A consultation process with the business community and any other interested parties is setup to identify the significant issues faced by local businesses. This process feeds into the development of a business plan, which once developed and approved by the local authority, undergoes further consultation, followed by a vote which decides if the BID is either created or rejected.

In central London, a BID proposal has been put together by the New West End Company, a voluntary Business Improvement District (BID). Figure 1 shows the processes stage by stage that have been followed in the case of the New West End Company. The Company's purpose is to work in partnership to revitalise London's West End, to improve the experience for visitors, residents and the workforce and to 're-assert the district as the worlds premier shopping and leisure destination'. The Company is funded entirely by the business community who have invested approximately £1.6m annually over the past three years.

## **Kingston First**

The first full Business Improvement District (BID) in England was established this month in Kingston upon Thames, London. Kingston First had previously been run as a pilot, funded by the London Development Agency but it has now become the first elected BID in the country following a referendum on the proposal. On the 16<sup>th</sup> of November 2004, 66% of votes cast, were in favour of the BID and those votes in favour represented two thirds of the total rateable value of properties for which votes were cast. The Kingston upon Thames BID is due to go live on January 1 2005.<sup>9</sup>

Private polling revealed that the establishment of the Kingston BID was pushed through by the votes of mainly small and medium sized businesses and

### **Figure 1 – Timetable for New West End Company Setup process.**

- Business Plan consultation with business community - July-September 04
- Property Sector Operating Agreement - July-November 04
- Westminster City Council Service Level Agreement – August – October 04
- Completion of Business Plan – October 04
- Presentation of Business Plan to Westminster City Council - October 04
- Launch of BID Business Plan – October 04
- BID symposium event – October 04
- Retail consultation – September – January 04
- Formal notification to Westminster City Council of election – December 04
- Vote – January – February 05
- If successful, commencement of BID – April 05

Source: [www.newwestend.com](http://www.newwestend.com)

offices.<sup>10</sup> Many of the major retail chains operating in the area were resiting the establishment of the new tax.

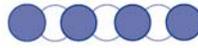
A 1% BID levy will more than double current annual town centre expenditure on works and services in Kingston upon Thames. The scheme will see small shops contribute a levy tax of around £2.80 a week, while the largest stores will pay around £67 a week. It is estimated that this 1% levy on every business's rateable value will generate £4 million in funding over the BID's 5-year life. This will more than double the current annual expenditure in the town centre.

Although Kingston is a vibrant town, visitor numbers have been falling and research has shown current services are not meeting expectations. Visitor numbers have been falling steadily since 1998. Research by Kingston First has shown that customers, residents and businesses feel the current retail environment does not reach today's expectations.

Kingston First aim to increase the number of visitors to the town centre by 1 million over the five year lifetime

<sup>9</sup> For more details on Kingston First see <http://www.kingstonfirst.co.uk/>

<sup>10</sup> Kingston is first to vote for a BID, Ben Walker, Regeneration & Renewal, 19<sup>th</sup> November 2004, p5



of the BID, returning visitor numbers to the 19 million per year attracted in 1999/2000.

## **Conclusion**

In the American experience BID's have been successful, with their numbers growing year on year. The English equivalent has been able to learn from the mistakes made over a substantial period of time, and what has developed is a legislation that will encourage the take up of Business Improvement Districts in towns and cities across England. BID's are now set to become an important part of the regeneration of our urban areas and perhaps the saviour of the declining British high street.

For more information on this topic please contact:

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## **Food & Regeneration - the essential ingredients**

14<sup>th</sup> December, The Resource Centre, 256

Holloway Road, London, N7 6PA

*in association with New Start and Social Enterprise Magazine*

Food now figures prominently on government agenda's. The key objective of this conference is to develop the debate around regeneration and food policy and its role in neighbourhood renewal along with some more practical examples of what is happening on the ground. The conference specifically will address;

- ⊙ how to create more equitable access to affordable, healthy food
- ⊙ opportunities for creating employment and investment in deprived areas
- ⊙ the role of social enterprise's in the food and regeneration agenda
- ⊙ the linking of health, nutrition and diet with food policy and regeneration
- ⊙ the impact of food deserts and the alleviation of food poverty
- ⊙ the benefits of local food production/retail in regeneration