

Northern BID Group Policy Brief regarding Property Owner BIDs

Introduction

Northern BIDs Group (“NBG”) is a new organisation comprising city Business Improvement Districts in Leeds, Manchester, Liverpool, Newcastle, Sheffield, York and Sunderland. NBG speaks as one on matters of policy of common interest. NBG represents around 7,000 businesses.

We promote the interests of business and communities by creating an environment that stimulates economic growth and attracts inward investment into northern cities. This is at no cost to the taxpayer. Indeed, as independent not-for-profit BID companies, we are subject to a ballot every five years and can be ejected if we are not delivering economic growth and a return on investment for our member businesses.

NBG has delivered millions of pounds of capital and infrastructure improvements together with a range of projects boosting city GVA, tackling youth unemployment and creating jobs and community cohesion. Footfall into our city centres is in excess of 250m people annually.

Newcastle's NE1 Ltd recently received the prestigious EU BID Award 2016, given by the Association German Chambers of Commerce and Industry (DIHK), the first time the award has gone to a non-German BID. The award recognises exceptional results for outstanding private public partnerships.

Property Owner BIDs – legislative issues

Currently only in London can Property Owner BIDs (PO BIDs) be established. This is because the legislation provides that, in order to do so, a first tier Supplementary Business Rate (SBR) must be in place. The only SBR currently in existence is in London and relates to Crossrail. We believe that removing this requirement for an SBR will allow the roll-out of PO BIDs beyond the capital and will unlock significant new private sector investment in English and Welsh regional cities.

PO BIDs are in harmony with the Government's desire to encourage greater economic development throughout the country. The Northern Powerhouse agenda, which is evolving under the new government, is still establishing practical form and an ability to make a tangible difference on the ground. PO BIDs would be a highly visible and

substantive additional support to government policy and come cost, and risk, free to HM Treasury and the taxpayer.

Occupier BIDs have already demonstrated success across England and Wales and varying degrees of impact. In our own northern regions please see these examples from three of our BIDs.

Newcastle's NE1 has:

- Created an early evening economy in Newcastle estimated to be worth £708m
- Secured £3.2m of funding to transform the Bigg Market area of Newcastle which is set to unlock a further £30m of private sector investment
- Instigated and secured funding for the £24.5m Central Station redevelopment
- Begun the process of securing the £20m required to deliver major capital works to the city's Northumberland Street and surrounding area
- Established a unique centre tackling youth unemployment, producing jobs and apprenticeships at a cost of £300 per position
- Delivered the award-winning Newcastle City Marina in six months

In short, NE1 has facilitated major regeneration and infrastructure improvement projects, attracted investment, created jobs, cut through bureaucracy, boosted the economy and enhanced the look, feel and brand of the city, without troubling the taxpayer. NE1 has done this with a staff of seven FTE posts.

Heart of Manchester's BID has:

- Represented the collective interests of around 400 leading retailers in the second biggest retail economy outside of London, delivering this through the management framework of CityCo
- Over 1 million people have visited 'Dig the City', the BID's urban summer garden festival which has also generated over £4m media coverage
- Manchester also hosts the 2nd biggest Chinese New Year celebration in the UK, with last year's events drawing thousands of extra visitors and over £600k of media coverage

CityCo is Manchester's city centre management company and brings together all sectors of the city centre economy. This gives retail strong representation at the heart of cross sector conversations at an exciting time for the newly devolved city region e.g. with £1.5bn being invested into the transport infrastructure and Mayoral elections next year.

Liverpool Commercial District BID has:

- Invested £1.6m in public realm
- Delivered an £80k city centre events programme with funds generated from commercial lettings on the highway

Property Owner BIDs – the opportunity

We believe PO BIDs beyond the capital will allow a further step change in this type of delivery.

Property owners typically have longer-term interests and will therefore favour longer-term redevelopments and regeneration projects, which are often otherwise difficult to fund through tenant contributions. Property owners in the regional cities concerned are primarily locally-based ensuring that development remains within the control of the Local Authority and community.

We believe that there is both an appetite amongst property owners for PO BIDs and that their impact has been clearly demonstrated where they have already been established. Cities with PO BIDs include London and Hamburg, in Germany. In London's West End PO BID, The New West End Company (NWECC), 96% of property owners voted in favour of a PO BID. With respect to The Heart of London, the corresponding figure was 83%. Over its first term, NWECC's PO BID will generate £16m from property owners. This is expected to unlock substantial additional, follow-on private investment. With respect to The Heart of London, the corresponding initial figure is £6m.

Hamburg's PO BID have generated €39m in direct investment from property owners. Looking specifically at their Neuer Wall PO BID, in addition they have secured further private investment in 60% of the areas privately-owned commercial properties.

This resulted in an increase in property values of 24% (2010-2013), a 67 percentage point increase in foreign direct investment, and a 225% increase in commercial rental values (2000-2014) within the PO BID.

As with occupier-funded BIDs, PO BIDs can be established and run with no impact on HM Treasury and have the advantage of moving forward with the democratic consent of all relevant stakeholders; property owners, occupiers and residents.

Local residents and communities will have their say through their elected councils. PO BIDs will be subject to the influence of the local authorities that host them which ultimately retain a veto should any irreconcilable conflict occur.

The local authority veto ensures that the PO BID is aligned to, and in harmony, with all local interests beyond those of property owners, both on establishment and as it begins to deliver. This is in line with current DCLG thinking which states that: "The power to veto is only included to provide a protection to other groups where the scheme proposal is considered by the billing authority to be obviously unfair to, for example, a group of levy payers."

PO BIDs can be implemented quickly using the London template as a model. We have attached a draft clause amending current legislation to allow for the establishment of PO BIDs without the need for an SBR to be in place. The only other substantive proposed change is that a PO BID could be established either within the whole or a part of an existing occupier-funded BID boundary. The draft leaves any further details of the new power to be determined by Ministers by regulations.

In all other regards, the balloting and governance processes already in existence will be mirrored in the proposed PO BIDs legislation. These include a double-lock requirement; in order to establish a PO BID an absolute majority of property owners and a 'financial' majority, by way of an aggregate of rateable value is required.

Draft Amendment to the Regional Growth and Jobs Bill – Property Owner BIDs

1. Property Owner BIDs

- (1) The Secretary of State may make regulations allowing a Business Improvement District to be established by a billing authority on the basis of proposals made by a group of persons who will be some or all of the persons liable to pay the BID levy.
- (2) The regulations must apply the procedure set out in Schedule 2 to the Business Rate Supplements Act 2009 (BRS–BID arrangements), but with such modifications as the Secretary of State thinks appropriate.
- (3) A BID established in pursuance of this section may be (but need not be) established for the whole or part of an existing BID area.
- (4) The regulations must ensure that the purpose of BID arrangements is that set out in section 41(2) of the Local Government Act 2003 (local business benefits).
- (5) Expressions used in this section have the same meaning as in Part 4 of the 2003 Act (Business Improvement Districts).

Policy summary

The effect of this clause is to allow business property owners to propose the establishment of a Business Improvement District. At present, the powers for the establishment of property owner BIDs are linked to the imposition of Business Rate Supplements. This clause provides a free-standing power. Subject to that difference, the clause will apply the existing procedures for the handling of proposals, including control by the local authority and the requirement for a vote within the area that will be affected by the BID.