



# BUSINESS IMPROVEMENT DISTRICT IN FLANDERS

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IS BID POSSIBLE IN FLANDERS?



## BID ORIGINS

Business Improvement District (BID) developed in North America in the sixties. At the beginning this scheme was applied to upgrade an abandoned and derelict quarter (city district). The businesses in the district were found willing to pay taxes under the condition that the gained money would be invested in the district and that they have the right to say what investments will be executed.

Worldwide some 1500 BID-structures have been implemented. (source: [www.britishbids.info](http://www.britishbids.info))

United States	450
Canada	350
Australia	185
New Zealand	140
Japan	260
South Africa	40
Europe	225

## DEFINITION BID/BIZ

Although the name varies in the different Countries, the BID concept is always the same. A BID is a delimited zone on a business park or commercial area. Businesses in that area invest together with the aim to create an attractive and safe business environment. A BID (UK: Business improvement district) or BIZ (Dutch: Bedrijven Investerings Zone) is managed and executed by the businesses, they pay a levy to the municipality, the collected money is made available to the association or foundation to execute the activities.

The businesses in the defined area vote for the BID, if at least half of the businesses are in favour, the business plan is approved. This solves the free-rider problem (businesses that don't pay but have benefits from the BID) because the tax has to be paid by all businesses in the delimited area, in this case the city district.

Most of the time the BID area is a city district or quarter, but, in the last years, more and more BIDs for business parks, commercial zones or areas with mixed functions have been implemented.

A BID is limited in time to a period of 5 years. After that a BID should be renewed.

## BID APPLICATION IN EUROPE

In Europe, this BID structure has been applied mainly in the United Kingdom, Germany (Hamburg) and the Netherlands.

In the **United Kingdom** and **Ireland** 184 BID's have been founded, of which 148 in urban areas and 26 in industrial areas (source: [www.britishbids.info](http://www.britishbids.info)). The Winsford BID was the first industrial zone BID and started in 2006 for 5 years and was renewed in 2011 for another 5 years. More information on this BID can be found on the website: <http://www.1-5bid2.co.uk/>. Another example of an industrial zone BID is the brackmills industrial estate founded in 2009 <http://www.brackmillsindustrialestate.co.uk/>. Recently, in **Scotland** (see [www.bids-scotland.com](http://www.bids-scotland.com)) a BID has been approved for Vale of Leven, an industrial zone within the framework of the regeneration of the zone by the West-Dunbartonshire Council, Strathleven Regeneration Community Interest Company (CIC) and Scottish Enterprise. The Scottish Government will invest 20.000 pounds in the BID if the businesses collect 15.000

pounds. More information can be found on the website: <http://www.west-dunbarton.gov.uk/business/regeneration/vale-of-leven-industrial-estate/>

**The Netherlands** have introduced an experimental BIZ (Bedrijven InvesteringsZone) (BIZ) law in May 2009. An evaluation of the law has been done; 112 BIZ-Zones had been implemented until the end of 2011. Based on the positive evaluation of the Law, the Dutch Government has been working towards a permanent law, the law is going to come into effect as from 1 January 2015 (more information on <http://www.rijksoverheid.nl/>).

In **Germany**, on request of the state of Hamburg, a BIZ pilot project was approved in 2003. This project was evaluated in 2004 while Germany also explored examples from abroad. In 2005 the German Government approved the BIZ law: "Gesetz zur Stärkung der Einzelhandels- und Dienstleistungszentren" (GSED) ("Law to strengthen the retail and service centers"), and later modified into "Gesetz zur Stärkung der Einzelhandels-, Dienstleistungs- und Gewerbezentren" ("Law to strengthen the retail, service and commercial centers"), in short the "BIZ-gesetz" ("BIZ-Law"). Other federal States like Schleswig-Holstein, Bremen, Nordrhein-Westfalen, Hessen, Sachsen and Saarland followed the example of Hamburg and implemented the law. Also Baden-Württemberg and Rheinland-Pfalz are preparing the implementation of the BIZ law.

## CONDITIONS TO FOUND A BIZ/BIZ

A BIZ/BIZ can be founded when the following conditions are met:

- The local government approves the BIZ business plan;
- The local government, or the by her authorized third party, organizes a vote;
- All businesses have the right to vote;
- More than half of the businesses in the BIZ area vote in favour and approve hereby the BIZ business plan;
- More than half of the real estate value of the businesses has to be represented by the positive votes;
- There is no minimum attendance threshold;
- The BIZ has a temporary character (mostly 5 years).

## BIZ FEE

In the United Kingdom the BIZ fee is a percentage, mostly 1% extra, on the taxable value of the real estate. Certain BIZ's make the choice that small businesses, non-profit and charitable organisations do not have to pay. In the UK, different from other Countries, it is the tenant and not the owner who pays the fee. BIZ also receives means from public organisations, local governments, owners and adjacent companies.

## FLEMISH CONTEXT

In a BIZ structure the government raises real estate taxes with the businesses in a delimited area. This is in the current Flemish legislation, via real estate tax, the property tax following the cadastral income (federal matter), not possible. The **first problem** is that a tax is general and cannot be applied to a specific delimited area. The **second problem** is that the means coming from the tax cannot directly return to citizens nor companies that have in say in how to use it.

## SOLUTION FOR BID IN FLANDERS

Kortrijk has searched for a solution to create a BID within the current Flemish legislation. A municipality can decide to create a new tax regulation, with at least the following elements:

- The taxable fact (for example practise an economic activity)
- The assessment year(s)
- The designation of the tax payer
- The tax rate and calculation basis (f.e. per m<sup>2</sup>, per appliance, ...)
- The methode of collection
- Other conditions (exemptions of reductions)

With the introduction of new taxes a few guidelines are given, here the relevant ones are mentioned:

- The yield: look at the costs to collect compared to the income à relevant because the collected taxes will go to the BID
- The policy objective
- The principal of equality: equal financial treatment for equal conditions
- Company friendly: mention in advance

## EXAMPLE BID KORTRIJK: VZW HANDELSDISTRICT KORTRIJK CENTRUM

### History

A new shopping centre called “K” was allowed in the city centre. A lot of shop owners were worried about the impact on their sales. Each shopping street had its own commercial committee. To make good agreements with the city of Kortrijk and the shopping centre K the commercial committees joined forces. In that way the need for a BID-structure was born.

### The tax regulation

Since 2009 the tax regulation for the BID was implemented in Kortrijk. This BID tax is a tax on the public accessible commercial space of businesses’s in the city centre of Kortrijk. The tax payers are all commercials, crafts and hospitality industry. Professions, non-commercial activities and commerce’s who practised less than 30 days are exempt. In case of road works, reductions can be granted. The tax is calculated based on the square meter public accessible commercial floor space. The following table shows the tax rates:

10 – 99 m <sup>2</sup>	200 euro	1500 – 1999 m <sup>2</sup>	700 euro
100 – 249 m <sup>2</sup>	300 euro	2000 – 2499 m <sup>2</sup>	800 euro
250 – 499 m <sup>2</sup>	400 euro	2500 – 2999 m <sup>2</sup>	900 euro
500 – 999 m <sup>2</sup>	500 euro	3000 m <sup>2</sup> and more	1.000 euro
1000 – 1499 m <sup>2</sup>	600 euro		

The area where the tax is applicable is defined through a list of streets and house numbers.

### ■ the vzw Handelsdistrict Kortrijk Centrum

The vzw (non-profit association) is managed by 2 directors nominated by the city council, 2 directors on behalf of the city businesses, 2 directors on behalf of the shopping centre K en 3 observers. This majority represents more than half of all public accessible commercial floor space within the BID area.

The board of directors gathers every month. The BID hired a city centre manager in service of the association. The yearly **budget** is about 300.000 EUR: one third is generated through the BID tax, one third is an extra allowance of the city Kortrijk and one third is paid by the shopping centre K. For a lot of businesses nothing has changed: before they paid a fee to the commercial committee, now they pay the BID tax. The only difference is that now also the free-riders have to pay.

The vision of the association is to make the city of Kortrijk the place to be for shopping in the area.

The **strategic priorities** of the association are:

1. To gather insight and try to please the consumer by implementing their wishes and needs
2. To change the reality
3. To change the perception
4. To gather sustainable funds
5. To work together with the city of Kortrijk and its organisations

The **program** of the association is:

1. Promotion and marketing of all retailers
2. Street animation
3. Customer friendliness en purchasing power
4. Performance measurement

More information can be found on the website: [www.shop-in-kortrijk.be](http://www.shop-in-kortrijk.be)

## **NEED FOR BID ON BUSINESS PARKS IN FLANDERS**

The experience in Flanders with business park management learns that some companies are willing to contribute financially and others not. With a BID all companies in the area pay and there is no longer a free rider problem. Most businesses are willing to pay a small contribution (membership fee) to a business park management association that takes care of improved networking between the companies and acts as point of contact towards the government and the neighbourhood. Topics that are high on the agenda are safety and quality, but a business park management association does not collect enough means to do this, and free riders remain a problem. Next to this, the BID structure can be used to implement sustainable measure in the area. In that case extra financial support from the government (PPP – structures, funding, ...) will be necessary.