

Tourism Business Improvement Districts

Introducing Tourism Business Improvement Districts in England

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The visitor economy and a new financial landscape

The context within which the visitor economy is required to operate has changed beyond recognition in the last 20 years. Arguments put forward in recent years about how the industry is encouraged to grow and develop, and how to generate the investment needed to deliver growth have been superseded by a new financial landscape, and a new agenda has emerged which demands that funding models in particular be viewed from a new perspective.

Growth in England's tourism economy since the 1970s has been supported by substantial investment by local and national government in council tourism departments, national tourism bodies, and regional tourist boards, and latterly through the regional development agencies and DMOs. However, this model, based upon heavy public-sector dependency is no longer sustainable, and there is a need to look at alternatives that deliver the level of investment required to meet the growth aspirations of government, VisitEngland, the industry, and destinations alike.

Tourism currently contributes £97 billion directly and indirectly to the UK's economy – 8.9% of UK GDP (Deloitte 2010), and the 10-year Strategic Framework for Tourism in England 2010-2020 published by VisitEngland sets out how stakeholders can work together to deliver sustained growth in value, year-on-year, resulting in an additional £50 billion in expenditure and the creation of 225,000 jobs.

While the challenge of delivering this level of growth should not be underestimated – and the industry is almost certainly operating at well below its optimum level – the benefits that would be derived at both local and national levels in terms of employment, investment, and social and economic benefits to host communities are considerable. The key to unlocking this potential is the delivery of effective strategies at a local and sub-regional level.

Financing the development and delivery of high-quality tourist-related services at a local level, and the marketing and promotion of destinations required to retain visitors from within the UK and attract tourists from overseas, will increasingly depend upon the development of new partnerships based upon innovative funding models.

Tourism business improvement districts (TBIDs) offer one such model and present a real opportunity for the industry. They offer the potential of a step change away from sector support mechanisms which have all too often been reactive and short term in nature, and deliver programmes that are determined on an ad hoc basis, to a sustainable and strategic alternative that is built on genuine and binding partnerships, and have a real business focus.

This publication, based upon research undertaken by the English Core Cities Destination Management Organisations (DMOs) and VisitEngland, has been produced to provide insights into some of the most important issues that will need to be considered by DMOs, local authorities, tourism businesses and other partnerships in developing proposals for TBIDs in England. It highlights some of the key features of TBIDs, identifies the points of difference between the operation of TBIDs and conventional business improvement districts, and guides TBID proposers to the next steps in the process.

This report is a prelude to a more comprehensive document – *“Establishing Tourism Business Improvement Districts in England: An Introduction”* – which discusses the process, challenges and opportunities for a destination. It provides potential TBID proposers with more details on the next steps in the process when considering developing a TBID in England.

An introduction to Business Improvement Districts and Tourism Business Improvement Districts

The origins of Business Improvement Districts and Tourism Business Improvement Districts

Business improvement districts (BIDs) were first piloted in England through a national project in 2003, after which regulations were passed in 2004 permitting their wider establishment. Since then, well over 100 BIDs have been formed in the UK almost entirely focussing on retail and industrial areas, business partners, town and city centres, and the night-time economy.

BIDs have operated in many other countries for over 30 years and there are currently over one thousand in the USA alone, but while BIDs across the world share much in common, it's important to bear in mind that they are all regulated by legislative frameworks that differ from one country to another.

TBIDs were pioneered in the USA throughout the 1990s in response to the concerns of the tourism industry that the receipts raised by public administrations through bed taxes and visitor levies were not being adequately reinvested to support the visitor economy. These concerns coupled with a long acceptance of the benefits of business improvement districts and a desire by businesses to take greater responsibility for the development and marketing of tourism in their areas, prompted groups of hotel operators and other tourism businesses to examine ways in which the business improvement district concept could be developed to meet the specific needs and priorities of the sector.

Since then, many business partnerships across the USA have established TBIDs generating hundreds of millions of dollars which are invested in marketing and promotion, the provision of services to visitors, and supporting for the sector's growth and development.

But TBIDs in the USA differ in one important respect to the way in which BIDs have generally hitherto operated in the UK in that rather than setting a levy that is a percentage of each property's rateable value, they normally raise a levy on each person staying each night in hotels and guest accommodation. Hence TBIDs in the USA, while offering some useful insights into how the concept has evolved, are likely to be quite different in many respects from how TBIDs might evolve in England, but they do nonetheless illustrate what could be achieved and the potential benefits they might deliver.

TBID case studies

- *In 1995, the California state authority established a TBID which raised \$50 million a year for destination marketing. Prior to that in 1992, West Hollywood pioneered the TBID concept that stimulated the formation of over 50 other TBIDs. Currently in California, local TBIDs raise in excess of \$100 million annually for tourism development which has been used to fund national and international marketing campaigns to boost tourism to the state.*
- *In Napa Valley the majority of the local bed tax was retained by the county for public services so with the active support of the hotel sector, a TBID was established to produce a stable source of revenue for tourism promotion based upon a 2% levy hotel bookings which delivered a 750% increase in marketing investment and an annual budget of \$4 million.*
- *The state of Montana has operated BIDs for over 25 years and the Billings Chamber of Commerce, which runs the city DMO, led efforts to develop TBIDs. Hotels now apply a levy if 60% of property owners agree and the DMO manages the TBID which is collected through the property tax. The levy has increased the budget available to the DMO from \$200,000 to \$850,000 p.a.*
- *TBIDs have also been developed in:*
 - **San Francisco** where over \$27 million was generated in 2009
 - **Baltimore** where \$2–3 million was raised to support the work of VisitBaltimore from 2010
 - **Orange County** where a TBID is expected to generate \$9 million for the DMO allowing existing public sector tourism funds to be redirected to the Anaheim Convention Centre
 - **Coronado** where a TBID is expected to generate \$1 million to promote the city nationally and regionally

What are Business Improvement Districts and Tourism Business Improvement Districts?

Business Improvement Districts

A BID is a project developed in accordance with the Business Improvement District (England) Regulations 2004 within which businesses and other stakeholders contribute a levy determined by a prescribed formula, to create a fund to develop responses to impediments to growth, or to improve the trading environment in which they operate.

The way in which the levy is calculated, the nature of the work that the levy funds, and how the project is managed and delivered is set out in a proposal that is the subject of a ballot. The ballot requires both a simple majority, and a majority based upon rateable value of those participating, for it to be carried.

The BID operates for a defined period of time, after which a new proposal must be agreed by the local stakeholders through a further ballot. This ensures the work of the BID remains current and focused on the needs of the businesses it engages.

Most existing town and city-centre BIDs are based upon relatively small, tightly-defined areas and the BID levy is used to fund projects which reflect the priorities of the levy payers. They often aim to deliver projects such as improved maintenance of public areas, enhanced levels of cleanliness, improvements to infrastructure and services, public safety, promotion and marketing.

Once in operation, the levy is collected by the local billing authority (the local council), and is paid to the BID delivery body. All monies raised are managed by the partnership.

Tourism Business Improvement Districts

A TBID is broadly similar to a BID but is designed to directly and specifically support the development of the tourism sector within a destination rather than a cluster of businesses that share a common trading environment.

As in the case of BIDs, the scope of the work programme emerges through an in-depth consultation process that takes place before the ballot, between the TBID proposer, and those businesses and organisations that may have a stake in the TBID as beneficiaries of the increased business levels that the project aims to generate.

TBID programmes, which will be locally determined, are likely to fall into five categories:

1. Sales and marketing campaigns such as advertising, PR, field sales and online marketing.
2. Research such as customer research, business trends, and brand mapping.
3. Business support such as technical advice, training and networking.
4. Tourism services such as visitor services, festivals and events, guiding and information.
5. Capital investment to fund infrastructure projects.

How does a Tourism Business Improvement Districts differ from a conventional Business Improvement Districts?

There probably isn't any such thing as a 'conventional BID', since each is designed to address specific local circumstances, and TBIDs too will each be different, reflecting local priorities, pressures and opportunities. They will be determined locally in every respect – the priorities, the levy, the management and governance.

In many respects, since TBIDs will be developed under the existing legislative framework, they will inevitably also share much in common with established BIDs.

Other important aspects that will be common to both TBIDs and conventional BIDs are:

- The roles and responsibilities of the billing authority (the local authority responsible for collecting business rates).
- The roles and responsibilities of the BID proposer.
- The operation of the ballot and what support is needed for a BID to be approved.
- How the levy will be accounted for and managed.
- The roles and rights of the levy payers.

However, TBIDs are likely to differ from BIDs in several important aspects including:

1. The way the levy is determined –
 - BIDs in England are generally based upon a model whereby all or most businesses within a defined area contribute an annual levy that is usually defined as a percentage of their property's rateable value, but it is unlikely that except in a minority of cases, a TBID would on this basis produce the level of investment required to have a significant impact because the number of businesses contributing would be comparatively small. However, BID legislation provides a high level of flexibility in relation to the calculation of the levy and it is more likely that (as in TBIDs developed in the USA) the levy will be based upon criteria such as footfall or sales, or some other factor directly related to business levels.
2. The way levy payers are defined –
 - BIDs generally require all businesses within a specified area except where exemptions exist, to become levy payers. However, TBIDs are likely to define levy payers by the type of service they provide and the sector within which they operate.
3. The geographical spread of a TBID which is likely to be much more extensive than a conventional BID –
 - BIDs tend to operate within fairly narrowly defined areas whereas TBIDs are likely to be more extensive and defined by the levy payers' association with a particular destination brand or local DMO.

Legislation exists to allow BIDS to be developed across local authority boundaries but the regulations to guide how levies are collected and dispersed in these circumstances have not been finalised. Government has committed to review this and introduce guidance in the near future, which will allow TBIDs to develop.

Developing a Tourism Business Improvement District

The first steps

The process of developing a TBID from concept stage to delivery is initially likely to take 12 to 18 months where a mature tourism partnership body such as a successful DMO already exists. Where this is not the case and it is necessary to develop a new delivery body, this process is likely to take a further 12 months or more.

However, the timeframe for subsequently renewing TBIDs will shorten as delivery bodies gain experience and the concept proves its worth at a local and national level.

Many businesses and organisations involved in town and city centre BIDs will be very familiar with the business improvement district concept and have established joint working practices to exploit the potential of such projects. However, this level of familiarity has evolved over a long period of time and those developing TBIDs should be mindful that bringing forward a TBID proposal likely to be successful at the ballot stage, will depend upon them investing a considerable amount of time and resources in introducing the concept, and communicating and consulting with potential stakeholders.

The three key principles that TBIDs will be founded upon, and which should be emphasised to stakeholders are:

- The decision whether a TBID should be established or not, and its shape and form rests with the levy payers.
- The levy payers have a direct influence over how the levy is used.
- The programme is delivered by a partnership body that genuinely represents the interests of the levy payers and engages in an open and on-going dialogue with them.

Like BIDs, TBIDs will be developed through a six-stage process:

- Consultation with stakeholders to secure support and to agree priorities.
- Scoping the area, defining the levy payers and how the levy will be calculated.
- Establishing governance, control and leadership arrangements.
- Development of a prospectus and business plan, and canvassing support.
- Balloting potential levy payers.
- Delivering the programme, review and revision.

Find out more

Those wanting to maximise this opportunity for the visitor economy in their destination should read the accompanying report – “*Establishing Tourism Business Improvement Districts in England: An Introduction*”. The report discusses the process of developing a TBID in more detail, highlighting the key considerations of each stage of the TBID development.

Glossary

A Strategic Framework for Tourism in England 2010 - 2020

- The Strategy for English Tourism highlights how tourism can contribute to the economy, employment and quality of life in England.

Bed Tax

- An alternative funding solution used in some countries around the world. This approach does not exist in, and is not proposed for, England. TBIDs are not a form of bed tax, which are charged at the point of sale to each guest of accommodation providers.

Billing Authority

- The local authority responsible for collecting business rates.

Destination Management Organisations

- Organisations responsible for the management, development and promotion of tourism at a local level.

English Core Cities Destination Management Organisations

- An informal group of destination management organisations from England's Core Cities – Birmingham, Bristol, Leeds, Liverpool, Manchester, Newcastle, Nottingham and Sheffield.

Levy

- The term used to describe the funds raised locally to fund BIDs and TBIDs. This is not a tax but a locally agreed charge for each applicable business within the BID/TBID area.

Tourist-related services

- The services provided to enhance a visitor's experience of a destination. These can include visitor information centres, beach management, event management, etc.

VisitEngland

- The National Tourist Board for England.

Visitor Economy

- A term used to describe the complexity of the relationship between the visitor and their expenditure and the supply chain that provides for their needs. It takes into account that not all visitors stay overnight, that leisure day visitors have different needs and includes business visitors and people visiting friends and family. It also takes into account the wider range of businesses that benefit from visitor expenditure, the bars and restaurants, shops, petrol stations local food suppliers, laundry services and the people that service the tourism businesses.

