Small Business Empowerment Zones

Policy Proposal

1. The Department wishes to undertake a pilot study to assess whether the rating system can be used to help regenerate areas that are suffering from disadvantage and decline. It is proposed that the two areas to benefit from this scheme should be located in Belfast as it is the region’s largest urban area. This will centre upon two of Belfast’s main arterial routes; the 180 properties located directly on the Lower Falls (the main road through the Gaeltacht Quarter development area) and 332 properties located on the Lower Newtownards Road (building on the EastSide Arts initiatives to encourage arts activities along this road/corridor). If successful the proposals can be rolled out to other areas including rural areas. Details of the properties earmarked to benefit from this scheme can be accessed using the following link:

https://apps.spatialni.gov.uk/LPS/ProposedRatesEmpowermentZones/index.html

2. It is proposed that all business ratepayers occupying premises within the defined areas, irrespective of NAV or description, will receive an automatic entitlement to 50% relief on their rates. Where an existing relief is more generous e.g. 100% non-domestic exemption, this will be maintained. Multiples are excluded from the current Small Business Rate Relief but there is a case for including them as the objective is to encourage investment in the pilot areas, providing EU State Aid rules allow.

3. It is also intended that this level of relief will remain in place for a period of 3 years from April 2018.

4. In order to incentivise the occupation of vacant properties, the parameters of the current Back in Business Scheme will also be enhanced to allow for 75% relief in year one followed by two years at 50% irrespective of when the property becomes occupied during the 3 year period of the pilot i.e. 2018/19 – 2020/21.

5. It should be noted that the intended reduction in Non-domestic vacant rate relief from 50% to 25% will also apply to these areas, as this measure is also intended to incentivise the occupation of vacant properties (see section on Empty Property Rates below).

6. It is envisaged that providing support in this way can provide the means for additional investment by businesses and assist with their retention and growth within the local area. This along with more generous support to
attract new businesses should help revitalise these areas and act as a spur to economic regeneration.

7. However, it is recognised that these measures on their own are unlikely to provide the step change that these areas need. Consequently it is envisaged that these proposals will complement and enhance the work and objectives of the Department for Communities and in particular the Belfast Regeneration Directorate. It is thought that this policy could dovetail with policies such as the Urban Development Grants and Revitalisation Programme. The Department is keen to explore more in relation to how partner agencies could help to maximise the benefits of this proposal and would welcome further discussions on this from interested parties as part of this consultation.

8. One of the main objectives for this scheme will be to reduce vacancy rates amongst the properties being targeted. Indeed, it is the Departments view that in terms of measureable outcomes, a reduction in the number of vacant properties by 50% is appropriate.

9. It is recognised that the potential exists for this scheme to generate economic deadweight as some of the behaviours that the policy is intended to incentivise may occur in the absence of any intervention e.g. existing business may continue to trade and invest without enhanced allowances. In addition, businesses may locate from other areas to take advantage of lower rates (with no overall net economic benefit, albeit with the possibility of a positive distributional effect). However it is important to note that this proposal is a pilot study that will test the impact of these effects and test the assumptions used to determine what the measures will mean in practice. Careful monitoring will be required to determine whether or not the scheme has been effective, including an evaluation of its impact in terms of business investment, retention and both positive and negative displacement effects. As part of this assessment it will be necessary to gauge the counterfactual: that is what would have happened anyway in the absence of the scheme.
Questions for Consultees

- Do you agree with piloting empowerment zones in these two areas?
- Do you agree with the special measures proposed for the zones?
- Are there other ways in which the rating system should be used to help businesses in these areas?
- What partnership arrangements should be put in place in order to maximise the potential benefits of this proposal?
- What criteria should be used to judge the success of this proposal?