Public Document Pack

Supplementary Item – Item 7a refers

SCRUTINY BOARD (REGENERATION)

Meeting to be held in the Civic Hall Leeds on Tuesday, 17th January, 2012 at 10.00 am

A pre-meeting will take place for ALL Members of the Board in a Committee Room at 9.30 am

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MEMBERSHIP

Councillors

B Atha	-	Kirkstall;
D Collins	-	Horsforth;
P Ewens	-	Hyde Park and Woodhouse;
J Harper	-	Armley;
G Hussain	-	Roundhay;
M Iqbal	-	City and Hunslet;
K Mitchell	-	Temple Newsam;
T Murray	-	Garforth and Swillington;
J Procter (Chair)	-	Wetherby;
R Pryke	-	Burmantofts and Richmond Hill;
G Wilkinson	-	Wetherby;
Mr G Hall	-	Co-optee (Non-voting)

Please note: Certain or all items on this agenda may be recorded

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Agenda compiled by:
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Governance Services
Civic Hall
LEEDS LS1 1UR
Tel: 24 74360

Principal Scrutiny Adviser:
Richard Mills
Tel: 24 74557

A G E N D A

Item No	Ward/Equal Opportunities	Item Not Open		Page No
7			**KIRKGATE MARKET ISSUES**	
			a) **Consultant's Report on the Future of Kirkgate Market**	1 - 72
			Consultants Report attached	

LEEDS
CITY COUNCIL

CONSULTANTS REPORT:

INVESTMENT and MODERNISATION STRATEGY
for
LEEDS KIRKGATE MARKET

DECEMBER 2011




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12th December 2011

Dear Sirs,

Consultants report ref: LCC23600
Leeds Kirkgate Market project - Phase 1

As per our proposal dated 17th October 2011 we have pleasure in submitting our report as commissioned.

As part of the process we have conducted our own due diligence research and consulted with both Councillors, Council officers and representatives from the Traders Association. The contents of this report represent the expert opinion of the authors - please note the copyright and confidentiality statement contained in Appendix 08.

We hope our report is both informative and helpful and look forward to discussing it with you in due course.

Yours sincerely,

12/12/2011

X

Jonathan Owen
Director

Jonathan Owen
Director – Quarterbridge Project Management Ltd

Null

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APPENDICES

A CLIENT BRIEF

a.1 "Leeds City Council wishes to appoint an organisation (or an organisation with specialist sub-consultants) to provide specialist input as the council moves towards changing the ownership and management model of Kirkgate Markets and optimising the size of Kirkgate Markets. This short-term commission requires five deliverables:

a.2 "An assessment of and written advice on the optimum size for the Kirkgate indoor and daily markets and the necessary steps to achieve that optimum size

a.3 "Advice, following soft market testing (to be undertaken by the Consultant), on the likely interest from the private sector in investing in the market or forming a partnership with Leeds City Council.

a.4 "Written advice on the possible ownership and management models for Kirkgate Market to ensure the sustainability of the market and maximise potential investment into, and returns from, the market. The advice will include governance arrangements and will be based on the Consultant's knowledge and experience, including summaries/studies of existing models and their success.

a.5 "Advice to support the development of a methodology to evaluate submissions from private sector or other organisations who wish to invest in the markets or enter into a partnership with the council to own and or manage the market.

a.6 "A programme/stage plan which sets out, and sequences, the actions required to reach the best ownership/management model for the Market and the optimum size for the market as identified above.

a.7 As an option, bidders may make proposals for any additional items that the bidder considers have been omitted in this brief to enable the commission to be successfully completed."

a.8

- Deadline for submissions: 19.10.11
- Consultant appointed: 31.10.11
- Work commences: 02.11.11
- Draft documentation: 23.11.11
- Final documentation: 28.11.11

B. EXECUTIVE SUMMARY & ACTION LIST

b.1 Deliverable 1 – *"The future size of the market"*

Based upon analysis of occupancy records, tenancy schedules and a preliminary space-planning exercise we estimate the optimum size for the ground (sales) floor of the market hall complex is 52,000 sq.ft. net lettable (say 100,000 sq.ft. gross internal). The current configuration of space within the market halls is poor, with valuable ground floor sales space occupied by important but non-revenue producing uses e.g. the public WC's. Reconfiguring the sales floor could make it far more far more efficient so we propose a further 4,000 sq. ft. net (7,000 sq. ft. gross) of space at balcony level, configured as a food court for catering uses relocated from the ground floor plus the public WC's etc. This would be a far more efficient use of this valuable site.

In addition we propose a new basement of c.20,000 sq. ft. is constructed to accommodate a new electricity substation and plantrooms. The importance of this to the programme is explained later. This space could house an additional 7,000 sq. ft. of new, low-cost storage cages to improve the efficiency of the ground floor stalls.

This reconfiguration would enable all existing permanent stallholders to be offered equivalent reinstatement and still allow for an additional 25 new stalls to be introduced on the ground floor to improve the balance of trades. The headline figures for comparison are:

Existing ground floor net lettable:		75,000 sq ft

Versus

Reconfigured ground floor:	52,000 sq ft	
New upper floor:	<u>4,000 sq ft</u>	
		<u>56,000 sq ft</u>
Reduction in net lettable		19,000 sq ft (25.3%)

In addition the reconfigured space would now benefit from

New basement storage space - net lettable	7,000 sq ft

In addition the reconfigured space would now benefit from

Rebuilt shops fronting George Street – net lettable	4,620 sq ft

The c.25% reduction in area approximates to either the 1976 or 1981 building and suggests two development options - see aerial images attached.

Option A has an abbreviated programme to deliver the project by spring 2016. Under this scenario the 1976 building is replaced with a covered open market and the 1981 building retained and refurbished.

Option B has a fuller programme which delivers a replacement hall on the site of the '76 building plus demolition of the '81 building to create a new Covered Open Market. This is our preferred option which can be completed in autumn 2017 – see section b.5 below.

Under both options we recommend demolition of the '76 building to create a new servicing and storage basement of 20,000 sq ft (1,900 sq.ms.) as early in the programme as possible. This will house a replacement electrical substation and new plant rooms serving the other buildings. This early infrastructure work will make subsequent refurbishment of the 1875 and 1905 buildings etc much cheaper and far less disruptive to trade. The new basement would also house say 7,000 sq. ft. of low-cost storage cages to improve the operational efficiency of the stalls.

b.2 **Deliverable 2 – *Results of "soft market testing" the partnership opportunity***

We discussed various options for partnership vehicles with potential investors. The quantum of the revenue line and it's reversionary potential was of definite interest but the quantum of investment is of concern to those not familiar with market operations. Investors overriding concern was to create an autonomous management structure free of political influence which gives sufficient control to develop the asset.

Their first preference was for complete outsourcing i.e. sale of the freehold plus the "market rights". This would relinquish all future control by the Council therefore unlikely to be an attractive option for the Council.

Their second preference was for a simple management contract without capital injection, but this would neither secure a long-term commitment from the partner nor share the development risk. Again, this is unlikely to be an attractive option for the Council.

Their third preference was for an arms length management company however this does not suit the Councils current freedom from corporation tax and would result in additional charges being passed onto stallholders. This would not be desirable from the Council's standpoint.

Having determined that these options were unlikely to be attractive to the Council we explored forms of legal vehicle that might suit both parties better.

We discussed the option of a management trust which would have preferential tax status but it's operation and the objectives of trustees would probably be at odds with both the Council and investors objective to maximise returns. That would be equally unacceptable to both.

We considered a social enterprise (in whatever form it emerges) but it would be subject to the same considerations as above. A not-for-profit company would be at odds with the Council's requirement to secure best value from the asset and a co-operative or management trust would have difficulty securing the necessary borrowings unless either a "White Knight" stepped-in or the Council were prepared to guarantee the borrowings. The former is unlikely and the latter undesirable and investors would not accept such an unproven mechanism.

Investors agreed a Limited Liability Partnership was acceptable to them and a suitable vehicle to share both risk and return whilst preserving the Council's tax position. However they were cautious about an LLP's ability to develop the asset unless day-to-day control was exercised pro rata to the equity holdings. In return for injecting the majority of the development capital they expected to be able to exercise management control. Similarly they were looking to secure their profit share pro rata to the amount of capital they injected and the proportion of equity they held.

We discussed management control and voting rights etc at length and (predictably) a Council veto would not be acceptable. A deadlock or "put and take" arrangement would though be open for discussion. Investors accepted the need for mutual pre-emption rights between the partners in the LLP.

Potential investors were looking for an equitable share of the development risk and the simplest solution was for the Council to inject part of the development fund. They would consider this injection in the form of assets rather than cash. As before, they expected this to be reflected pro rata to the equity held and control exercisable by the Council. The scenario where they were a minority shareholder and the Council retained a controlling interest either by voting rights or equity was not acceptable.

All were concerned about the costs of transferring staff and identifying as-yet-unknown contingent liabilities before they were novated to or subsumed into the partnership. Their wish to minimise risk exposure was understandable and they queried whether the full amount of current asset and central support charges would be added to the profit line, albeit offset by some replacement costs.

Investors were looking for the Council to inject up to say one third of the development fund and would be seeking a Council guarantee or leaseback to help them secure the balance through borrowings. We pointed out that this may not be acceptable to the Council and that a 99 or 125-year lease granted to the LLP to create a deemed disposal under OJEU rules may be more appropriate. Lenders could take comfort from the Council's step-in rights plus any "put and take" rights which might be agreed.

Investors accepted the principle of a profit-slicing arrangement e.g. a priority return to the Council by way of head rent with the second slice to the partner to cover it's borrowings followed by a third slice pro rata to the equity each party held in the LLP. Profit-slicing was a well-understood and acceptable arrangement.

b.3 **Deliverable 3 – "*Future ownership and management models*"**

After feedback from investors and taking specialist legal advice our recommendation is to use a Limited Liability Partnership to preserve the Council's tax position and ensure speed of establishment.

Our recommendation is the Council grants a long lease (99 years plus an option to extend for 25) to the LLP enabling the Council to retain the freehold whilst still creating a deemed disposal for OJEU purposes. Freedom from OJEU obligations is vital to the LLP if it is to let building contracts in an expeditious manner. Investors would not accept being constrained by OJEU requirements when the majority of the development capital is provided by themselves and they are liable for cost overruns.

The LLP would accept a novation of some liabilities e.g. enabling works contracts and assume responsibility for raising the remaining development costs.

To limit the Council's exposure to development risk the Council's capital injection should be capped to ensure the partner assumes responsibility for raising all additional development capital and bearing any cost overruns. Agreement would be needed as to what guarantees if any are advanced by the LLP in respect of borrowings – we propose the Council's interest is excluded from such arrangements.

Investors who are also Market Operators would expect an ongoing management contract from the LLP. Other investors would accept this is provided by a Council-provided management team. Letting a management contract back to the Council would certainly help offset investors concerns about staff transfer costs.

b.4 **Deliverable 4 – *"Criteria for evaluating partnership bids"***

Suggested criteria for evaluating bids are:

Experience and resources:

• Experience of developing and operating retail markets	10%
• Track record of delivering complex multi-phase building contracts	10%
• Sufficient resources and capability to deliver, or provide same	10%
• Track record of delivering complex development agreements	5%
• Requirement for an ongoing management contract from the LLP	5%

Financial capability:

• Ability to finance from or secure against their balance sheet	15%
• Quantum of capital to be injected (estimated TDC £30m.)	10%
• Acceptability of sliced profit share arrangements by which the first slice represents headlease rent and the second LLP profits	10%

• Ability to deliver free of undertakings or guarantee by Council	10%
• Willingness to accept novations and assume preceding liabilities	5%
• Proportion of equity required in the LLP	5%
• Proportion of profit share required from the LLP	5%

	100%

b.5 **Deliverable 5 – *"Programme and actions"***

Based upon our space-planning exercise we explored two possible design options – Option A and Option B – consistent with the need to modernise the market complex to match shopper's expectations. Both allow for the creation of the LLP partnership, establishing S.25 legal longstops and the letting of multi-phase building contracts by the LLP. The option of letting the works by Design and Build contract was rejected as definitely not suited to complex projects of this nature.

Under Option A tenants from the 1976 hall would be decanted elsewhere before the building is demolished to form a new service basement upon the site. The Open Market would then be relocated onto same beneath a new canopy which provides weather protection. The remaining halls - including the 1981 building – would then be refurbished. This Option A programme would be completed by spring 2016.

Under Option B the '76 building would be demolished and replaced with a new enclosed market hall structure. As before, tenants would be decanted from the '76 building which is then demolished to form the new service basement. A replacement building for the '76 hall is then built on top of the basement and a second round of decants would move tenants into it from the 1981 building. The '81 building would then be demolished and it's site converted into a covered open market as before. This Option B programme would be complete by autumn 2017.

Our recommendation is to adopt Option B. Refurbishment of the '81 would not represent good value for money in view of it's condition and would miss the opportunity to exploit the full potential of the market complex. There will be additional costs to replace the '76 hall but the end result will be a far stronger design which commands higher rental values and is more attractive to private investors. Feedback suggests that raising the additional borrowings would be more than offset by enhanced rental values.

Both of options assume a reduction in the overall net lettable area of c. 25% plus the refurbishment of the 1875, 1905 and 1930 buildings and redevelopment of the George street shops.

Both also require the early surrender of part of the Open Market site to form a permanent builder's compound on site. We have investigated this and it is feasible with limited impact on the interim operation of the open market.

Under both options the George Street shops would be redeveloped for retail and leisure use as the last phase. Their design would ensure permeability and extended hours uses that encourage footfall between Eastgate and the market.

Both programmes allow for a Tenant reselection process and maintaining continuity of trade throughout. In both instances re-selected Tenants would be offered an Agreement for Lease in return for surrendering their existing agreements but may be allocated to new positions to improve use-zoning and sightlines. For instance, catering uses would be relocated to a purpose-designed foodcourt at balcony level opening onto a new central atrium.

To encourage Tenants to sign their agreement for lease the food stalls and catering units will be equipped with fixed operational equipment (refrigerated counters and coldrooms) and non-food stalls fitted with ambient counters and basic display systems.

Under both options the relocation of the Open Market will release it's former site for redevelopment as an anchor attraction e.g. a specialist market food offer or for disposal. Investors are keen to see the site retained within the LLP and developed-out as an anchor attraction so the phasing and scope of works needs to be considered.

b.6 **Deliverable 6 - "Supplemental": Financial and operational review**

We conducted a preliminary financial review prior to discussions with potential investors – see attached tables and graphs appendices. Financial information was provided promptly for us to soft-test interest.

Analysis confirms the revenue line is in gradual decline but remains sufficiently large in quantum (especially if asset charges are excluded) and significantly reversionary. These are of course the main attractions to investors. The proposed modernisation will both release the reversion and reverse the decline.

The costs side of the balance sheet appears to be under control and shows only modest room for improvement. The current level of service charge is modest although we understand management has in hand some further savings through staff re-rostering and waste management are possible.

Preparation of fully-detailed trading accounts is needed before a formal offering memorandum can be issued. In particular the district markets will be excluded from the partnership so their staffing costs need to be excluded and the application of asset charges needs to be explained in more detail.

b.7 **ACTION LIST**

The following immediate actions are needed to expedite the project:

- Consultation with stakeholders (including Traders and English Heritage) to fully consider the options and determine a recommendation to the Executive Board.
- Appraisal of procurement options to determine a recommendation to the Executive Board
- Executive Board resolution to proceed and appropriate budget approval
- Issue of full OJEU contract award notice
- Commission project team (including project management and legal advisors).
- Prepare costings and a viability model to test different financial scenarios
- Refine the trading accounts to illustrate the opportunity to investors
- Prepare offering memorandum in anticipation of OJEU contract enquiries
- Detailed programming to identify procurement deadlines.
- Implement temporary repair and redecoration etc. works
- Continue consultation with traders' representatives and publicity
- Select and commission a design team
- Prepare detailed design brief for architects and M&E etc designers
- Prepare a performance specification for the works
- Commission enabling surveys and infrastructure etc investigation works

Programme for Option A and Option B (preferred)

Notes

This is a summary of a more detailed Gantt chart sequencing the works. Tasks are overlapped as far as possible, subject to minimising development risk.

Many tasks e.g. infrastructure-enabling works or appointment of the design team are initiated by the Council but then subsumed by the LLP or novated into it.

Underlying all our assumptions is the necessity to maintain continuity of trade throughout and enable the LLP to let building contracts free of OJEU requirements. Minimising disruption to trade and being able to offer equivalent reinstatement to stallholders in return for surrendering vacant possession are also prerequisites. The reasoning is described in more detail elsewhere.

Responsibility for initiating the actions is indicated i.e. LCC for the Council and LLP for the partnership. Lead-in design and tendering periods for each phase of works are overlapped with the previous phase of work already underway on site.

As can be seen from the start date column, whichever option is adopted numerous actions need to be implemented as from the meeting of the Executive board.

Option A Programme (preliminary) – Completion Spring 2016

Task	Start date	**Duration**	**Completion**
LCC: Consultation prior to Exec. Board meeting 7.3.12	Jan. 2012	9 weeks/2.5 months	Mar. 2012
LCC: Issue OJEU notice & selection of partner	Mar. 2012	28 weeks/7 months	Oct. 2012
LCC: Appointment of project management and legals team	Mar.2012	8 weeks / 2 months	May 2012
LCC: Public consultation PR & promo	Mar. 2012	44 weeks/11 months	Feb.2013
LCC: Trader interviews, allocations and Agreements for Lease	Mar.2012	Throughout, 6-12 months before VP	Nov. 2015
LCC: English Heritage/Highway negs	Mar. 2012	44 weeks/11 months	Feb. 2013
LCC: Interim repairs, survey and enabling works	Mar. 2012	Duties assumed by LLP in due course	Feb. 2013
LCC: Selection and appointment of design team	Mar.2012	16 weeks/4 months. Novated to LLP	Aug. 2013
LCC: Tender & let infrastructure enabling works package	Jun. 2012	32 wks/ 8 months	Feb. 2013
LCC: Service of S.25 notices for legal longstops	Aug. 2012	Throughout, 6-12 months prior to VP	Nov. 2015
LCC: Partnership negotiations & deemed disposal by lease. LLP now established.	Oct. 2012	24 weeks/6 months	Feb. 2013
LLP: Funding secured by partner	Oct. 2012	20 weeks/5 months	Feb. 2013
LLP: Lead-in design and specification. Tender of Ph.1 works, create compound & decant works from '76 to '81	Feb.2013	52 weeks / 12 months	Jul. 2014
LLP: Ph.2 & 3 works - demolish '76, form new basement & open market	July 2014	52 weeks/12 months	Jun. 2015
LLP: Ph.4 & 5 works – refurb. of 1875, 1904, 1930 and 1981 buildings with equipment shopfit	June 2015	24 weeks/6 months	Dec. 2015
LLP: Ph. 6 works - Redevelopment of George St shops. Relocate Open market.	Dec. 2015	24 wks/6 months	May 2016

Option B Programme (preliminary) – PREFERRED – Completion Autumn 2017

Task	Start date	Duration	Completion
LCC: Consultation prior to Exec. Board meeting 7.3.12	**Jan. 2012**	9 weeks/2.5 months	Mar. 2012
LCC: Issue OJEU notice & selection of partner	**Mar. 2012**	28 weeks/7 months	Oct. 2012
LCC: Appointment of project management and legals team	**Mar.2012**	8 weeks / 2 months	May 2012
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LLP: Lead-in design and specification. Tender of Ph.1 works, create compound & decant works from '76 to '81	**Feb.2013**	52 weeks / 12 months	Jul. 2014
LLP: Ph.2 & 3 works - demolish '76, form basement & replace market hall	**July 2014**	72 weeks/18 months	Jan. 2015
LLP: Ph.4, 5 & 6 works – refurb.1875, 1904 and 1930 and equipment shopfit. Demolish '81. Form new Open Market	**Jan.2015**	72 weeks/18 months	Jun. 2017
LLP: Ph. 7 works - Redevelopment of George St shops	**Jan. 2017**	24 wks/6 months	July 2017


Eastgate Development
Open Market
The Ponderosa
NCP Carpark
1981 Hall
1976 Hall
Westminster Buildings
George St. Shops and 1930 hall
1875 Hall
New York Buildings
1905 Hall
© 2011 Infoterra Ltd & Bluesky
Google earth

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OPTION A: - REFURBISHED 1981 HALL + COVERED OPEN MARKET OVER NEW BASEMENT

OPTION B: - NEW HALL + BASEMENT ON '76 SITE. DEMOLISH '81 HALL FOR NEW COVERED OPEN MARKET

C SIZE OF THE FUTURE MARKET (Deliverable 1)

To be read in conjunction with appendix calculations and user-mix benchmark.

Requirement: *"An assessment of and written advice on the optimum size for the Kirkgate indoor and daily markets and the necessary steps to achieve that optimum size".*

c.1. We have prepared an initial estimate of the future size of the indoor market based upon existing useage and design possibilities identified in conjunction with the Clients representative – see calcs at appendix.

c.2 The estimate takes into account the impact of additional footfall, changing shopper demographics and late night etc trading possibilities resulting from the adjacent Eastgate development based upon our experience. Further adjustment is desirable to reflect changing demographics within the City. We hope this can be piggy-backed off studies already undertaken for the Eastgate development.

c.3 Our size estimate was predicated by several objectives:

- Ensuring 100% occupancy, with a modest waiting list for stalls
- Maximising the proportion of ground floor area devoted to sales
- Improving the balance of trades to attract maximum shopper footfall
- Space-planning the operational facilities to ensure the efficient use of the site
- Introducing back-up storage facilities to boost sales turnover
- Being able to offer equivalent reinstatement to all existing permanent traders

c.4 We started with the existing net lettable floor areas for all stalls in all halls as identified in the letting schedule. We have treated the George Street shops as independent lock-up shops outwith the sales floor as most do not trade double-fronted i.e. into the hall as well as George Street. They would be redesigned to do so and ensure permeability between Eastgate and the market and to take advantage of the evening economy. When that happens they could be re-categorised as additional market stall area but for the moment we excluded them.

c.5 We then discounted the floor area calculation by the floor area of existing voids. By implication they represent an unnecessary overprovision of space.

c.6 We then discounted a second time by omitting the floor area of all temporary lettings. As these represent licences which can be easily terminated we have assumed there is no need to offer them equivalent reinstatement.

c.7 We then analysed the existing user-clauses of permanent lettings and compared it to our benchmark of user-types one would wish to see in a large, fully-let market with a good balance of trades (see appendix). This benchmark is drawn from our research over many years to identify the optimum balance of trades in a market hall and missing or under-represented uses.

c.8 The results were then adjusted to ensure a good "balance of trades" i.e. incorporate sufficient numbers of similar uses to encourage comparison-shopping, but sufficiently restricted in number to avoid a budget price war between too many traders competing for the same customers.

c.9 We identified say 25 no. additional stalls we believe should be incorporated to improve the balance of trades and assumed each was say 400 sq ft net lettable. This additional area was included in our calculation of the new floor area.

c.10 We assumed the balance of trades ensured c.40% or more of revenue is derived from food sales. The potential profit margins associated with such uses and their characteristic as a footfall driver means they represent core uses essential to ensure long-term sustainability for the market.

c.11 We then considered the efficiency of space-planning across the site and the zoning of different uses. Catering uses represent destination, long-dwell time uses so positioning them on upper floors is common in modern market hall (and shopping centre) designs. Releasing ground floor space to lower dwell time uses generates more footfall on the sales floor and is an inherently more efficient use of the site. Provision of kitchen extract is far easier from an upper floor and would remove the problem of cooking fumes discharging into the void of the 1904 building. This deters uses such as fresh food or clothing from occupying that zone. We allowed 4,000 sq ft net (7,000 sq ft gross) at balcony level for use as catering and public WC's. relocated from the ground floor.

c.12 Finally, we considered the possibility of using the fall across the site from Vicar Lane to the Bus station to create a basement servicing and storage area enabling the sales floor to operate more efficiently. Better servicing enables higher sales turnover on stalls and providing remote storage enables stalls to devote more area to display and less to on-stall storage. This enhances efficient use of the sales floor.

c.13 Creating a basement as early as possible in the programme allows a new electrical substation for the market to be commissioned prior to the loss of the existing substation on the Eastgate carpark site. Early infrastructure-enabling works like this are written into the programme to enable progress to be made independently to progress of the Eastgate development. Early provision of replacement heating and ventilation plant etc in the new basement will make subsequent refurbishment of the 1875, 1904 and 1930 buildings etc much simpler and far less disruptive to trading.

c.14 The new basement will also provide space for facilities currently lacking e.g. a standby generator for refrigeration plant and a purpose-designed recycling facility which does not occupy valuable ground floor stallage space. We estimate a gross floor area of 20,000 sq. ft. is needed of which say 7,000 sq ft net would be allocated to traders for storage. This represents 13% storage cover for 56,000 sq ft of sales which is not an excessive provision.

c.15 **Summary:**

Based upon analysis of occupancy records, tenancy schedules and a preliminary space-planning exercise we estimate the optimum size for the ground (sales) floor of the market hall complex is 52,000 sq.ft. net lettable (say 100,000 sq.ft. gross internal). The current configuration of space within the market halls is poor, with valuable ground floor sales space occupied by important but non-revenue producing uses e.g. the public WC's. Reconfiguring the sales floor could make it far more far more efficient so we propose a further 4,000 sq. ft. net (7,000 sq ft gross) of space at balcony level, configured as a food court for catering uses relocated from the ground floor plus the public WC's etc. This is a far more efficient use of this valuable site.

In addition we propose a new basement of c.20,000 sq. ft. is constructed to accommodate a new electricity substation and plantrooms. The importance of this to the programme is explained later. This space could house an additional 7,000 sq. ft. of new, low-cost storage cages to improve the efficiency of the ground floor stalls.

This reconfiguration would enable all existing permanent stallholders to be offered equivalent reinstatement and still allow for an additional 25 new stalls to be introduced on the ground floor to improve the balance of trades. The headline figures for comparison are:

	Existing ground floor net lettable:		75,000 sq ft
versus			
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	New upper floor:	4,000 sq ft	
			56,000 sq ft
	Reduction in net lettable		19,000 sq ft (25.3%)

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Option B has a fuller programme which delivers a replacement hall on the site of the '76 building plus demolition of the '81 building to create a new Covered Open Market. This is our preferred option which can be completed in autumn 2017 – see section b.5 below.

Under both options we recommend demolition of the ‘76 building to create a new servicing and storage basement of 20,000 sq. ft. (1,900 sq.ms.) as early in the programme as possible. This will house a replacement electrical substation and new plant rooms serving the other buildings. This early infrastructure work will make subsequent refurbishment of the 1875 and 1904 buildings etc much cheaper and far less disruptive to trade. The new basement would also house say 7,000 sq. ft. of low-cost storage cages (13% cover on the sales area) to improve the operational efficiency of the stalls.

D LEGAL VEHICLE FOR OWNERSHIP AND MANAGEMENT (Deliverable 3)

Requirement: *"...advice on the possible ownership and management models for Kirkgate Market to ensure the sustainability of the market and maximise potential investment into, and returns from, the market. The advice will include governance arrangements and will be based on the Consultant's knowledge and experience, including summaries/studies of existing models and their success..."*

d.1 We have investigated the pro and cons of differing legal vehicles to secure private sector investment from the widest possible pool of potential investors. We have taken advice from Nabarro Solicitors, acknowledged experts in this field and studied several markets operated by means other than direct delivery e.g. by outsourcing, arms-length management company, management trust or limited liability partnership. Our summary of the pros and cons for each is given below together with our conclusion that a Limited Liability Partnership is the best route. The criteria applied when assessing each option was:

- The ability of LCC to retain significant control through the partnership
- Whether the partner can raise finance i.e. borrow against their interest
- Whether the vehicle enables LCC to remain exempt from corporation tax
- If the vehicle can operate without the Council acting as guarantor
- Whether the jointly-owned vehicle can operate outside of OJEU regulations
- If the vehicle allows sufficient flexibility for a partner to maximize profits

d.2 An Arms-Length Management Company would create the opportunity for a more devolved and autonomous management structure but would incur corporation tax and Vat burdens which would have to be reflected in increased stall rents. Creating an ALMCo before selling-off a portion of the equity is unlikely to avoid liability on that portion retained by the Council. Adding an additional tax burden onto rents and service charge is not the right signal to send to stallholders facing several years of disruption. The alternative arrangement of the Council not passing these costs on but accepting a reduced income stream is equally unpalatable.

d.3 A Management Trust would, on the face of it be desirable because of it's preferential tax treatment but may well be at odds with the intention of maximising the Council's share of returns in support of the general fund. Trusts tend to suffer from the problem of identifying suitably-qualified Trustees and raising finance, so either an asset may need to be sold-off at the outset or the Council deliver funding or the Council guarantee any borrowings. This is not therefore a preferred option.

d.4 The Government is championing Mutuals and Social enterprises via the Localism bill (which has now received Royal assent) to deliver local services instead of Councils. Mutuals and SE's are not specific legal entities in their own right but can take a variety of forms – e.g. a "mutual" business wholly-owned by and run for the benefit of its members, or a business with social or environmental objectives embodied in its constitution.

The term “social enterprise” is a catch-all term for bodies in the (voluntary) third sector and can take the form of a limited company, a charity or a limited liability partnership etc. As such an SE is subject to the same challenges as any other form of vehicle and we doubt if any already exist in a form suited to this type of opportunity.

d.5 We are aware of only one other SE operating a market in the UK but that is underwritten by a “White Knight” (a private individual) and we are aware of the problems it is encountering. Although an SE cannot be discounted entirely it would suffer all the usual delays associated with establishing itself – incorporation, recruiting staff, business planning, guarantees and financing – likely to delay delivery. Our recommendation instead is to use a well-tried form of legal vehicle specifically designed for such public / private partnering opportunities i.e. a Limited Liability Partnership. The legal basis for LLP’s was established specifically to enable public bodies to partner with the private sector and take advantage of their commercial skills and quick decision-making.

d.6 A Limited Liability Partnership is a tax-transparent vehicle particularly-suited to Council partnerships because the tax burden falls upon the partners, not upon the partnership itself. This would preserve the great advantage to the Council of avoiding a new corporation tax burden which would have to be passed onto stallholders via their rents or discounted from the Council’s receipts. We have taken specific legal advice which confirms our view that an LLP is the most suitable option – an opinion partly-informed by the experience of Glasgow City Council who recently used an LLP to redevelop their wholesale market.

d.7 The initial establishment of an LLP (or any other form of partnering vehicle) would of course have to comply with EU public sector procurement requirements (the “OJEU rules”). But once established we propose the LLP establishes exemption from ongoing OJEU obligations when raising development finance and letting the building contracts. Establishing exemption from OJEU is vital if multi-phase building contracts are to be let expeditiously and the programme achieved.

d.8 We have taken specific legal advice from Nabarro on whether the LLP can be assured of exemption from OJEU obligations. Our view - confirmed by their clear advice - is the so-called “Roanne” case established case law precedent that passing-on obligations via a development agreement is open to interpretation as a “works contract” and as such still subject to OJEU regulations. The clear advice is that a “deemed disposal” must take place to avoid transferring this obligation to the LLP partnership so we recommend a long lease of the market is granted to the LLP to establish a deemed disposal, as was the case at Glasgow. There is a possible alternative route of granting a so-called works concession to the LLP but we favour the former route to benefit from the experience of Glasgow.

d.9 The headlease would contain the usual step-in rights for the Council in the event of failure of the LLP and be complemented by pre-emption rights written into the partnership agreement which the Council can exercise if the partner wishes to sell it's equity in the LLP.

d.10 We understand that in the better economic climate then-prevailing GCC provided all the development finance to the LLP - having raised it through prudential borrowing - and did not elect to dispose of equity in the LLP. Establishing the LLP did open up the possibility of private funding in the future but GCC did not pursue that route in the short term. In this case however we recommend partnering is pursued to secure both private sector management skills and the majority of the development funding.

d.11 We believe the establishment of an LLP and sharing the equity would give partners the confidence they need to either advance development funding directly from their balance sheet or secure external finance through borrowings. The former is the preferred route but unlikely in full. One can expect the partner to be looking for shared capital risk i.e. a proportion of the total development costs being advanced by the Council as discussed elsewhere.

d.12 An LLP would give private investors the comfort they need that management will remain sufficiently autonomous and free of political interference to implement the commercial decisions necessary to maximise returns. One can anticipate a partner making his contribution to the development fund through borrowings and agreement has to be reached as to whether the Council would offer any guarantee to underwrite them or whether they could be wrapped-up in "put and take" obligations under the headlease. These are issues we have addressed in the proposed evaluation criteria.

d.13 We understand the Glasgow LLP enabled the Council to retain ownership of the asset by retaining the freehold whilst granting a long lease to the LLP to create a "deemed disposal". We endorse the principle of retaining the freehold and this would be acceptable to a partner. In return though they would expect the Council to exercise the so-called "Market Rights" for the benefit of the partnership which is obviously in both parties interests. Whatever the partnering scenario we recommend the Council limits it's development risk exposure by transferring as much responsibility as possible for delivery of the project and any cost overruns onto the partnership.

d.14 The arrangement for division of returns would be different to the Glasgow arrangement. In this case our expectation is that only part, not the whole of the development funds are provided by the Council to the LLP. We estimate the partner would be looking for the Council to inject say £10m – a third of the total estimated development costs. The rent for the headlease could be set a level equivalent to the Market's existing contribution to the general fund but whether or not that, or a peppercorn rent, or something in between is acceptable to an investor as a first profit slice needs to be tested. The Council would obviously seek to maximise it's priority return so the evaluation criteria question the investors stance.

d.15 We anticipate the majority of the development costs being provided by the partner buying-into the LLP. Their funding would probably be raised through borrowings which would be covered by the second slice of income. The third slice of income i.e. net trading profits would be shared between the partners pro rata to their equity holding. We have discussed this and other slicing options in the soft testing exercise and believe this would be acceptable. Alternative arrangements and different proportions should not be ruled out.

d.16 We have taken advice on the tax position for partners in the LLP but a double-check is prudent if the Council has a VAT partial-exemption agreement in place with HMRC. As the Council has already elected to levy Vat on all rents and service charges it is unlikely there would be any further tax charges to stallholders in addition to any rent increases the partnership decides to implement.

d.17 **Summary:**

After taking specialist legal advice our recommendation is to use a Limited Liability Partnership to preserve the Council's tax position and ensure speed of establishment.

On the basis of legal advice received we recommend the Council grants a long lease (99 years plus an option to extend for 25) to the LLP enabling the Council to retain the freehold whilst still creating a deemed disposal for OJEU purposes. Freedom from OJEU obligations is vital to the LLP if it is to let building contracts in an expeditious manner. Investors would not accept being constrained by OJEU requirements when the majority of the development capital is provided by themselves and they are liable for cost overruns.

The LLP would accept a novation of some liabilities e.g. enabling works contracts and assume responsibility for raising the remaining development costs.

To limit the Council's exposure to development risk the Council's capital injection should be capped to ensure the partner assumes responsibility for raising all additional development capital and bearing any cost overruns. Agreement would be needed as to what guarantees if any are advanced by the LLP in respect of borrowings – we propose the Council's interest is excluded from such arrangements.

Investors who are also Market Operators would expect an ongoing management contract from the LLP. Other investors would accept this is provided by a Council-provided management team. Letting a management contract back to the Council would certainly help offset investors concerns about staff transfer costs.

E SOFT TESTING OF INVESTOR INTEREST (Deliverable 2)

Requirement: *"Advice, following soft market testing (to be undertaken by the consultant) on the likely interest from the private sector in investing in the market or forming a partnership with Leeds City Council".*

e.1 The traditional route to raise development finance for the project would be by prudential borrowing. However Kirkgate market is, unusually, a Council service which is both discretionary and has reversionary potential to be developed along commercial lines. The revenue stream is established but discounted by concessions so has potential for improvement subject to capital investment. This reversionary characteristic is of obvious attraction to private investors as is the potential to diversify the revenue line e.g. by farmers markets which is, to some extent already happening. In theory therefore prudential borrowing can be held in reserve to be replaced by private sector funding.

e.2 To "soft test" interest in partnering with the Council we approached several potential partners on a confidential basis. Since then the Council has published an OJEU Prior Information Notice.

e.3 Our starting point was professional asset managers who either specialised in investing in markets or buying retail property investments or portfolios on behalf of Clients. Their responses gave us as asset management perspective of this opportunity rather than criteria driven by individual circumstances - particularly important to gauge interest if the Council opts to retain a golden share in any partnership. We approached a well-known stockbroker, retail property asset manager and firm of commercial solicitors active in establishing private investment funds.

e.4 To canvass more specialist interest we approached several Market operators. We indicated that a flat management contract was unlikely to be on offer and that a significant capital injection would be required. Their response was predicated by their core business of owning, developing and running markets but we were sceptical whether they would rise to the occasion because of their balance sheet position. We opted not to approach retail developers or regeneration companies who know little about developing markets. Similarly we opted to keep clear of contractor / developers whose interest is bound to be certain given the current economic climate but who cannot demonstrate relevant experience.

e.5 From financial records provided to our request we analysed the performance of the Markets over the last four years to illustrate the potential of the partnership using performance data shown in the tables and graphs Appendix 06, 1-3. Investor responses were encouraging but cautious. They favoured the cashflow and potential returns subject to the revenue line being developed but were cautious about the Council's ability and boldness to deliver such a politically-sensitive development to meet the deadline.

e.6 The first preference of the private sector was for a complete outsourcing of the Markets service by way of a management contract, or failing that the outright sale of the "business" as a going concern. Their third preference was a risk-sharing partnership sharing both capital injection and returns. In this case they emphasized the partnership must offer an opportunity which can be financed either from their balance sheet or by borrowings raised on commercially-available terms. These assumptions underlay all our discussions.

e.7 Investors were looking for reassurance that an autonomous and modernized management structure would be created, free of political influence that prevents the investment being developed to it's full extent.

e.8 After discussing the pro and cons of different forms of partnership vehicle all agreed that a Limited Liability Partnership was probably the most suitable vehicle. The pros and cons of an arms-length management company or management trust etc were discussed in detail but they were unhappy at the management uncertainties inherent in them and the prospect of the Council exercising day-to-day management control in any way apart from pro rata to it's share of the equity and risk.

e.9 They accepted that the Council would probably want to retain the freehold by granting a headlease and were encouraged by the prospect of the Council controlling competition by exercising the so-called "Market Rights".

e.10 They queried the basis for calculating asset charges and central recharge cost for legal and HR etc input as they assumed they would no longer apply and the value could be added to the bottom line, albeit offset by some replacement costs. We were not in a position to answer these detailed queries.

e.11 Given the reversionary nature of the revenue line their ability to secure borrowings was not considered a problem per se. However all expressed concern that the partnership must be autonomous from political control and the Council could not retain a controlling interest in the partnership. We discussed acceptable compromises such as veto rights and deadlock agreements but none would commit themselves pending agreement on the proportion of equity the Council expected to retain. All were clear that distributed profits must be pro rata to the proportion of equity held which was in turn dictated the amount of capital each party injected. All made it clear that only a proportion of finance would be from their balance sheet and a significant proportion would be from borrowings secured against their equity.

e.12 The balance of risk versus reward was obviously important and in particular whether the Council was seeking to offload all of it's contingent liabilities (statutory compensation and roof repairs) and capital improvements (internal refurbishment) into the partnership. The scenario of an unidentified liability being assumed by the partnership was a particular concern when the majority of the capital was advanced by them and borrowings were only covered by the second slice of trading profit. They would however be prepared to accept the novation of enabling works into the partnership subject to their being some form of cost limit.

e.13 The market operators all required an ongoing management contract, preferably on a percentage fee basis. Other non-Market operators confirmed they would appoint a third party management company.

e.14 All were looking to hold a share of equity proportionate to the amount of capital they injected and although different proportions of equity vs. profits vs. capital injection could be written into a partnership agreement it is unlikely that would be acceptable. This raises the question of voting rights over control of the LLP which could be overcome by the Council retaining power of veto or introducing a deadlock arrangement into the partnership.

e.15 Finally, investors would be looking to share some risk with the Council in return for the Council receiving a priority return. To gain their confidence we would expect a significant proportion of the development fund to be advanced by the Council and, by implication put at risk if the project failed. The proportion would need to be negotiated but our initial thinking is one third of the total development fund would need to be advanced by the Council. They would consider this injection in the form of assets rather than cash. However all accepted that the balance of the development fund plus (crucially) any cost overruns would be borne by the investor. Some interesting negotiations will be necessary, particularly if the investor suggest the LLP as a whole must guarantee the borrowings. This should obviously be countered with an exclusion for the Council backed-up if necessary by step-in rights, a put and take clause or pre-emption rights.

e.16 **Summary:**

The quantum of the revenue line and it's reversionary potential was of definite interest to investors but the quantum of capex of concern to those not familiar with market operations. Investors overriding concern was to create an autonomous management structure free of political influence which gives sufficient control to develop the asset.

Their first preference was for complete outsourcing i.e. sale of the freehold plus the "market rights". This would relinquish all future control by the Council and therefore unlikely to be attractive to the Council.

Their second preference was for a simple management contract without capital injection, but this would neither secure a long-term commitment from the partner nor share the development risk. Again, this is unlikely to be an attractive option for the Council.

Their third preference was for an arms length management company however this does not suit the Councils current freedom from corporation tax and would result in additional charges being passed onto stallholders. This would not be desirable from the Council's standpoint.

Having determined that these options were unlikely to be attractive to the Council we explored forms of legal vehicle that might suit both parties better.

We discussed the option of a management trust which would have preferential tax status but it's operation and the objectives of trustees would probably be at odds with both the Council and investors objective to maximise returns. That would be equally unacceptable to both.

We considered a social enterprise (in whatever form it emerges) but it would be subject to the same considerations as above. A not-for-profit company would be at odds with the Council's requirement to secure best value from the asset and a co-operative or management trust would have difficulty securing the necessary borrowings unless either a "White Knight" stepped-in or the Council were prepared to guarantee the borrowings. The former is unlikely and the latter undesirable and investors would not accept such an unproven mechanism.

Investors agreed a Limited Liability Partnership was acceptable to them and a suitable vehicle to share both risk and return whilst preserving the Council's tax position. However they were cautious about an LLP's ability to develop the asset unless day-to-day control was exercised pro rata to the equity holdings. In return for injecting the majority of the development capital they expected to be able to exercise management control. Similarly they were looking to secure their profit share pro rata to the amount of capital they injected and the proportion of equity they held.

We discussed management control and voting rights etc at length and (predictably) a Council veto would not be acceptable. A deadlock or "put and take" arrangement would though be open for discussion. Investors accepted the need for mutual pre-emption rights between the partners in the LLP.

Potential investors were looking for an equitable share of the development risk and the simplest solution was for the Council to inject part of the development fund. As before, they expected this to be reflected pro rata to the equity held and control exercisable by the Council. The scenario where they were a minority shareholder and the Council retained a controlling interest either by voting rights or equity was not acceptable.

All were concerned about the costs of transferring staff and identifying as-yet-unknown contingent liabilities before they were novated to or subsumed into the partnership. Their wish to minimise risk exposure was understandable and they queried whether the full amount of current asset and central support charges would be added to the profit line, albeit offset by some replacement costs.

Investors were looking for the Council to inject up to say one third of the development fund and would be seeking a Council guarantee or leaseback to help them secure the balance through borrowings.

We pointed out this may not be acceptable to the Council and a 99 or 125-year lease granted to the LLP to create a deemed disposal under OJEU rules may be more appropriate. Lenders could take comfort from the Council's step-in rights plus any "put and take" rights which might be agreed.

Investors accepted the principle of a profit-slicing arrangement e.g. a priority return to the Council by way of head rent with the second slice to the partner to cover it's borrowings followed by a third slice pro rata to the equity each party held in the LLP. Profit-slicing was a well-understood and acceptable arrangement.

F EVALUATION CRITERIA (Deliverable 4)

Requirement: *"Advice to support the development of a methodology to evaluate submissions from private sector or other organisations who wish to invest in the markets or enter into a partnership with the council to own and or manage the market".*

f.1 The following criteria are proposed for evaluating potential investment partners. Against each criteria the partner is invited to provide supporting evidence e.g. references, descriptions or contacts which can be taken-up by the Council and/or alternative strategies.

f.2 Experience and resources:

• Experience of developing and operating retail markets	10%
• Track record of delivering complex multi-phase building contracts	10%
• Sufficient resources and capability to deliver, or provide same	10%
• Track record of delivering complex development agreements	5%
• Requirement for an ongoing management contract from the LLP	5%

f.3 Financial capability:

• Ability to finance from or secure against their balance sheet	15%
• Quantum of capital to be injected (estimated TDC £30m.)	10%
• Acceptability of sliced profit share arrangements by which the first slice represents headlease rent and the second LLP profits	10%
• Ability to deliver free of undertakings or guarantee by Council	10%
• Willingness to accept novations and assume preceding liabilities	5%
• Proportion of equity required in the LLP	5%
• Proportion of profit share required from the LLP	5%

	100%

G PROGRAMME AND STAGE PLAN (Deliverable 5)

To be read in conjunction with Appendix delivery tables and phasing drawings

Requirement: *"A programme/stage plan which sets out, and sequences, the actions required to reach the best ownership/management model for the Market and the optimum size for the market as identified above."*

g.1 Based upon our space-planning exercise we have programmed for two possible design solutions – Option A and Option B - with two completion dates. Both allow for the creation of the LLP partnership, establishing S.25 legal longstops and the letting of multi-phase building contracts by the LLP. Under both options continuity of trade is maintained for all tenants by decanting them elsewhere on site as works progress and an initial 7-month period allowed for publishing and selecting a partner through the OJEU process. The OJEU period is not generous but would accommodate an appraisal of procurement options prior to recommendation of a delivery programme and procurement route to the Executive Board. A further 6-month period is anticipated to negotiate and agree the partnership agreement overlapped in part with a 7-month period for the LLP to secure the necessary development funding.

g.2 Under Option A tenants from the 1976 hall are decanted elsewhere before the building is demolished and a new service basement formed upon on it's site. The Open Market is then relocated on top of the new basement but beneath a new tensile canopy roof to provide weather protection. The remaining halls including the 1981 building are then refurbished. The Option A programme can be completed in spring 2016.

g.3 Under Option B the tenants in the '76 building are decanted as before and the building then demolished and the new basement constructed. A new market hall structure is then built on top of the basement and a second round of decants implemented to moves tenants into it from the 1981 building. The '81 building is then demolished and the site cleared before installation of a tensile canopy roof to form a covered open market. The existing open market is then relocated into that facility. Option B is our recommendation and could be completed in autumn 2017.

g.4 Both options require the surrender of part of the Open Market site from day one to form a permanent builders compound. We have investigated the practicalities and this can be achieved without interference from the George Street roadworks associated with the Eastgate development.

g.5 Under both options the George Street shops are redeveloped for retail and leisure use as a last phase. Their design would ensure permeability and extended hours uses that encourage footfall between Eastgate and the market.

g.6 The programmes and phasing of works are predicated by the need to maintain continuity of trade for stallholders throughout and offer equivalent reinstatement in return for the surrender of existing leases. The programmes incorporate the legal processes to ensure vacant possession when needed for building works and a cost-effective sequence of working for the contractors.

The building works are sequenced to create decant space, relocate tenants into it and then refurbish the vacated space behind them. A Design and Build contract is definitely not suitable for a complex refurbishment of this nature.

g.7 Because of the complexity and extent of the works then completing them by 2016 (Option A) or 2017 (Option B) is very demanding. Designing, specifying, letting and implementing the building works requires a tight programme even before the legal longstops to relocate tenants have been introduced.

g.8 Because of the need for an early start on site balanced against contractual risks it would not be possible to implement all the works under a single building contract. Between six and eight phases of building work are needed, overlapped wherever possible. Pauses for building works over the Christmas trading periods have been allowed but these could be sacrificed or the works toned-down during those periods to reduce complaints from traders.

g.9 Procurement of the building contracts would be by the LLP which assumes responsibility for both cost control and progress. We have assumed OJEU regulations do not apply to contract procurement by the LLP once a deemed disposal has taken place by granting a long lease to the LLP. . This gives the LLP the necessary flexibility to negotiate rates in parallel to a fast track design process e.g. a set of rates might be agreed at the outset then subsequent overlapping phases let against same with provisional sums adjusted as works progress.

g.10 In parallel to the structural building works the programmes make allowance for installing operational stall equipment on behalf of tenants. Experience confirms this is essential to secure re-lettings and pre-empt tactical objections. The capital cost estimates have been adjusted accordingly but such works could either be rentalised or possibly lease-purchased. Crucially, retaining control of such shopfitting works enables the LLP to avoid inevitable conflicts between c.100 tenant shopfitters and the main contractor. The prospect of such delays would deter many contractors from bidding and inflate the tendered price. The equipment shopfitting strategy also enables shopfitting quality standards to be maintained.

g.11 Early allowance has been made in both programmes for early demolition of the 1976 hall to create the new servicing basement for an electrical substation, sprinkler tank and M&E and H&V plant. These early infrastructure-enabling works are essential to isolate the market works from the Eastgate development site which currently houses the market's electrical substation. If new services infrastructure is not installed early enough then the market programme will be prey to any delays on the Eastgate development.

g.12 Early construction of the basement would also enable replacement heating, ventilation and sprinkler etc services for all buildings to be installed early in the programme. The ability to plug-into previously-installed services will enable subsequent refurbishment of the 1875 and 1904 buildings with far less disruption. This also represents a far more cost-effective working sequence for the building contractor because temporary rigs for sprinkler protection etc can be avoided.

g.13 The numerous enabling actions identified in the Action List have been accommodated within the programmes. Most must be implemented prior to February 2013 when we have assumed the LLP is in place. These include the OJEU contract award for the partnership itself (not the building contracts) granting a headlease to the LLP, public consultation, temporary repairs, selection of the design team and implementing a legal strategy to ensure vacant possessions.

g.14 Both programmes allow for legal actions to ensure progress is not delayed by technical objections under the Landlord & Tenant Act 1954 or judicial review. The process is the same whichever legal vehicle is used with S.25 termination notices being served on all stallholders between six and twelve months prior to vacant possession being required of their stalls. Although termination notices will be served these are a legal longstop and one would seek to agree a surrender in return for an Agreement for Lease and equivalent reinstatement. These negotiations would in turn be backed-up with a re-selection process against agreed criteria and an allocation process to ensure stall locations matched the space planning and zoning proposed for the new buildings.

g.15 It is perfectly possible to overlap those legals with securing the investment but the Council must be wary of S.25 notice periods. The Council will need to demonstrate the means, ability and intent to terminate a lease for "substantial redevelopment". The "means" would be evidenced by the Council resolution to part-fund the works and the partners willingness to fund the remainder. The "ability" would depend on the Council being able to produce a design and programme for the works and "intent" would be the Council resolution and actions to secure a partner. Both programmes allowance for offering Equivalent Reinstatement with continuity of trade.

g.16 Given sufficient legal resources we believe all can be secured as the project progresses and are confident no viable legal challenges to the project could be mounted. Because of the complexity and administrative burden of handling c.400 S.25 notices and matching numbers of temporary licences and Agreements for Lease etc we strongly recommend outsourcing these legals.

g.17 The programmes assume investors wish to improve the balance of trades and remove long-term voids. As from July 2012 they allow for a formal interview, re-selection and allocation process "in the interests of good estate management" This would be used to remove letting discrepancies and place all agreements on the consistent commercial basis required to attract investors. Re-selected traders would be offered a temporary licence and an Agreement for Lease in return for surrendering their existing agreement and foregoing statutory compensation. This process will reduce the compensation liability and as importantly enable an improved balance of trades to be secured – a vital consideration for a long-term investor. The timing is such that the process would be initiated by the Council but roll over into the LLP. Much of the liability for statutory compensation would fall on the LLP development fund because of the timing and the ability for the Council to recoup earlier costs could be written into the partnership agreement.

g.18 To finalise the partnership agreement there will need to be documented agreement on the extent and design of the works. A 7-month period has been allowed to select a design team and prepare a master programme and performance specification for novation to the LLP. If the cost of this is contained within £156k then it avoids the need for the Council to follow OJEU. The design team's subsequent full engagement by the LLP would fall outside the OJEU requirements.

g.19 Because the improvement works come on stream over a period of years, the Council - followed by the LLP - will still need to implement interim repairs e.g. to the roof of the '76 and '81 buildings. We understand this is now in hand.

g.20 From the outset the Council should commission services and condition surveys to speed up the design process. The cost of these enabling actions will require a budget from the Council but once the partnership legals and funding negotiations are underway the costs thereafter can be subsumed into the development partnership. This would be a precondition to the partnership negotiations and has been allowed for in the programmes.

g.21 As from February 2013 notice would need to be given to vacate a portion (c.20%) of the Open Market to form a building compound for the contractors. In due course the complete relocation of the Open Market (in either June 2014 for Option A or July 2015 for Option B) would release the remainder of the site for customer parking to partly-replace spaces lost to the Eastgate development under construction.

g.22 Under both programmes the building and shopfitting works have been phased from the back (Bus station) towards the front (Vicar Lane) of the site to maintain the best possible pedestrian access from Vicar Lane through all phases. The high value shops fronting onto George Street and Eastgate development are developed last in anticipation of securing higher rental values by way of prelet.

g.23 The modernisation works are still too early to define in detail but preliminary discussion with the Client representative agreed many aspects of the design intent. A few of these are outlined below. A full space-planning study and integration with the Eastgate development is required as an early enabling action.

- The programmes allow for temporary repairs to all the halls. Subsequent demolition of the '76 building (and the '81 under Option B) will resolve many long-term problems e.g. roof defects, asbestos contamination and occupational voids.

- A tensile canopy roof is proposed to provide weather protection for the Open Market (relocated onto the '76 site under Option A or the '81 under Option B). We have used this design strategy very successfully elsewhere to provide weather protection and increase shopper footfall and trader occupancy. The costs for a tensile canopy roof are modest in comparison with the benefits it delivers.

- The structure of the retained market hall buildings would be refurbished and the heating and ventilation, fire alarm and life safety systems brought up to modern standards. Crucially, the catering uses which discharge into the void of the 1904 hall would be relocated to a new food court formed at balcony level to improve the environmental quality of the 1904 and release prime ground floor space for more attractive uses which improve the balance of trades.

- The existing fresh food offer will remain zoned largely as is, albeit with improved equipment installations to meet current hygiene standards. The collection of poor quality "fortress" islands across the halls would be replaced with open structures to create clear sightlines and ensure "back" stalls enjoy as much footfall as "front" ones. . Uses which block sightlines or create single-sided retail aisles will be relocated to the periphery through the re-selection and allocation process.

- The poor-quality retail frontage to George Street will be replaced with a high value retail and leisure offer facing Eastgate. It's design will be "permeable" to encourage footfall between Eastgate and the market and wherever possible be "double-fronted" to work both inwards into the market hall and outwards onto George Street.

- The shops fronting Vicar Lane will be encouraged to refit in the same way but but this would need to be by agreement as they are not under direct control of the Council. The George street units will be designed to trade extended opening hours to take advantage of the evening economy Eastgate will doubtless promote.

- Provision of data services to each stall will be the norm to enable stallholders to offer EFT, online ordering and self-serve. Management-provided facilities such as drop-off zone, a Click and Collect bay and a designated zone sized for Sunday opening will be built into the design. An option for a management-run EPOS sales area will also be incorporated as future-proofing. These are all facilities which the shopping public has become conditioned to expect by supermarkets and Kirkgate needs to match their expectations.

g.24 Finally, options for the future use of the former Open Market site (now released from use as a builders compound) will be left open until the end of the project. Potential investors have expressed interest in establishing a specialist Market food offer (not a supermarket) underneath a multistory carpark and are keen to ensure control of it's future development remains within the LLP.

g.25 **Summary:**

Based upon our space-planning exercise we explored two possible design options – Option A and Option B – consistent with the need to modernise the market complex to match shoppers expectations. Both allow for the creation of the LLP partnership, establishing S.25 legal longstops and the letting of multi-phase building contracts by the LLP. The option of letting the works by Design and Build contract was rejected as definitely not suited to complex projects of this nature.

Under Option A tenants from the 1976 hall would be decanted elsewhere before the building is demolished to form a new service basement upon the site. The Open Market would then be relocated onto same beneath a new canopy which provides weather protection. The remaining halls - including the 1981 building – would then be refurbished. This Option A programme would be completed by spring 2016.

Under Option B the '76 building would be demolished and replaced with a new enclosed market hall structure. As before, tenants would be decanted from the '76 building which is then demolished to form the new service basement. A replacement building for the '76 hall is then built on top of the basement and a second round of decants would move tenants into it from the 1981 building. The '81 building would then be demolished and it's site converted into a covered open market as before. This Option B programme would be complete by autumn 2017.

Our recommendation is to adopt Option B. Refurbishment of the '81 would not represent good value for money in view of it's condition and would miss the opportunity to exploit the full potential of the market complex. There will be additional costs to replace the '76 hall but the end result will be a far stronger design which commands higher rental values and is more attractive to private investors. Feedback suggests that raising the additional borrowings would be more than offset by enhanced rental values.

Both of options assume a reduction in the overall net lettable area of c. 25% plus the refurbishment of the 1875, 1904 and 1930 buildings and redevelopment of the George street shops. Both also require the early surrender of part of the Open Market site to form a permanent builders compound on site. We have investigated this and it is feasible with limited impact on the interim operation of the open market.

Under both options the George Street shops would be redeveloped for retail and leisure use as the last phase. Their design would ensure permeability and extended hours uses that encourage footfall between Eastgate and the market.

Both programmes allow for a Tenant reselection process and maintaining continuity of trade throughout. In both instances re-selected Tenants would be offered an Agreement for Lease in return for surrendering their existing agreements but may be allocated to new positions to improve use-zoning and sightlines. For instance catering uses would be relocated to a purpose-designed foodcourt at balcony level opening onto a new central atrium.

To encourage Tenants to sign their agreement for lease the food stalls and catering units will be equipped with fixed operational equipment (refrigerated counters and coldrooms) and non-food stalls fitted with ambient counters and basic display systems.

Under both options the relocation of the Open Market will release it's former site for redevelopment as an anchor attraction e.g. a specialist market food offer or for disposal. Investors are keen to see the site retained within the LLP and developed-out as an anchor attraction so the phasing and scope of works needs to be considered.

Programme for Option A and Option B (preferred)

Notes

This is a summary of a more detailed Gantt chart sequencing the works. Tasks are overlapped as far as possible, subject to minimising development risk.

Many tasks e.g. infrastructure-enabling works or appointment of the design team are initiated by the Council but then subsumed by the LLP or novated to it.

Underlying all assumptions is the necessity to maintain continuity of trade throughout and the LLP being able to let building contracts free of OJEU publicity requirements. Minimising disruption to trade and being able to offer equivalent reinstatement in return for surrendering vacant possession are also prerequisites. The reasoning for this is described in more detail elsewhere.

Responsibility for initiating the actions is indicated i.e. LCC for the Council and LLP for the partnership. Lead-in design and tendering periods for each phase of works are overlapped with the previous phase of work already underway on site.

As can be seen from the start date column whichever option is adopted numerous actions need to be implemented as from the meeting of the Executive board.

Option A Programme (preliminary) – Completion Spring 2016

Task	Start date	**Duration**	**Completion**
LCC: Consultation prior to Exec. Board meeting 7.3.12	Jan. 2012	9 weeks/2.5 months	Mar. 2012
LCC: Issue OJEU notice & selection of partner	Mar. 2012	28 weeks/7 months	Oct. 2012
LCC: Appointment of project management and legals team	Mar.2012	8 weeks / 2 months	May 2012
LCC: Public consultation PR & promo	Mar. 2012	44 weeks/11 months	Feb.2013
LCC: Trader interviews, allocations and Agreements for Lease	Mar.2012	Throughout, 6-12 months before VP	Nov. 2015
LCC: English Heritage/Highway negs	Mar. 2012	44 weeks/11 months	Feb. 2013
LCC: Interim repairs, survey and enabling works	Mar. 2012	Duties assumed by LLP in due course	Feb. 2013
LCC: Selection and appointment of design team	Mar.2012	16 weeks/4 months. Novated to LLP	Aug. 2013
LCC: Tender & let infrastructure enabling works package	Jun. 2012	32 wks/ 8 months	Feb. 2013
LCC: Service of S.25 notices for legal longstops	Aug. 2012	Throughout, 6-12 months prior to VP	Nov. 2015
LCC: Partnership negotiations & deemed disposal by lease. LLP now established.	Oct. 2012	24 weeks/6 months	Feb. 2013
LLP: Funding secured by partner	Oct. 2012	20 weeks/5 months	Feb. 2013
LLP: Lead-in design and specification. Tender of Ph.1 works, create compound & decant works from '76 to '81	Feb.2013	52 weeks / 12 months	Jul. 2014
LLP: Ph.2 & 3 works - demolish '76, form new basement & open market	July 2014	52 weeks/12 months	Jun. 2015
LLP: Ph.4 & 5 works – refurb. of 1875, 1904, 1930 and 1981 buildings with equipment shopfit	June 2015	24 weeks/6 months	Dec. 2015
LLP: Ph. 6 works - Redevelopment of George St shops. Relocate Open market.	Dec. 2015	24 wks/6 months	May 2016

Option B Programme (preliminary) – PREFERRED – Completion Autumn 2017

Task	Start date	Duration	Completion
LCC: Consultation prior to Exec. Board meeting 7.3.12	**Jan. 2012**	9 weeks/2.5 months	Mar. 2012
LCC: Issue OJEU notice & selection of partner	**Mar. 2012**	28 weeks/7 months	Oct. 2012
LCC: Appointment of project management and legals team	**Mar.2012**	8 weeks / 2 months	May 2012
LCC: Public consultation PR & promo	**Mar. 2012**	44 weeks/11 months	Feb.2013
LCC: Trader interviews, allocations and Agreements for Lease	**Mar.2012**	Throughout, 6-12 months before VP	Nov. 2015
LCC: English Heritage/Highway negs	**Mar. 2012**	44 weeks/11 months	Feb. 2013
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LCC: Partnership negotiations & deemed disposal by lease. LLP now established.	**Oct. 2012**	24 weeks/6 months	Feb. 2013
LLP: Funding secured by partner	**Oct. 2012**	20 weeks/5 months	Feb. 2013
LLP: Lead-in design and specification. Tender of Ph.1 works, create compound & decant works from '76 to '81	**Feb.2013**	52 weeks / 12 months	Jul. 2014
LLP: Ph.2 & 3 works - demolish '76, form basement & replace market hall	**July 2014**	72 weeks/18 months	Jan. 2015
LLP: Ph.4, 5 & 6 works – refurb.1875, 1904 and 1930 and equipment shopfit. Demolish '81. Form new Open Market	**Jan.2015**	72 weeks/18 months	Jun. 2017
LLP: Ph. 7 works - Redevelopment of George St shops	**Jan. 2017**	24 wks/6 months	July 2017

H FINANCIAL AND OPERATIONAL REVIEW

h.1 The following is a summary of our preliminary operational and financial review findings from our "due diligence" investigations. It was used to inform our discussions with potential investors when soft-testing interest in a partnership.

h.2 Detailed analysis of the tenancy schedule for the indoor markets confirms average rents per square foot vary from £25 to £52 per square foot per annum between locations i.e. concessions have been granted to attract traders into secondary pitches. This is a legitimate tactic to fill empty stalls but following modernisation those concessions will be removed as all stalls will enjoy 100% prime locations. This reversionary potential is the most fundamental attraction to would-be investors seeking to reverse the gradual decline in revenue apparent from the trading account - see Table 1 / Graph 1 in Appendix 06.01.

h.3 By contrast the costs side of the balance sheet is under control. Although the quantum is arguably too high the overall trend are not increasing – see Table 2 / Graph 2 in Appendix 06.02. This is commonplace as most Council-run markets are good at controlling costs but poor at developing their revenue line because of constraints on capital for modernisation. The injection of private sector capital into the partnership will reverse this trend.

h.4 The service charge is currently levied at a flat rate of £11.80 per square foot per annum which is relatively modest. We would expect something like £13 psf p.a. but the quantum of the revenue line serves to discount it. The quality of landlord-supplied services is always a source of contention with tenants but they tend to see only the "headline" figure i.e. rent plus service charge as too high. On the other hand an investor will be looking to reduce the service charge to boost the proportion of rent receivable without increasing total occupational costs to the tenant. We have identified areas with potential to achieve this.

h.5 Market management recently introduced trading accounts for the markets service as a whole. So far these are not available for the Kirkgate operation in isolation and some aspects of the accounts are still unclear. When soft-testing for interest we fielded questions which we were not in position to answer e.g. the basis for calculating asset charges and central recharge cost for legal and HR etc input. This is very relevant to an appraisal of the opportunity as an investor will assume they no longer apply and the cost can be added to the bottom line as additional profit, albeit with some replacement costs.

h.6 The accounts currently include staffing costs for the District Markets staged at Otley, Pudsey and Heaton, plus three public conveniences. If it is decided to exclude these from the partnership these need to be stripped-out of the accounts to secure savings. We identified other potential savings from staff re-rostering and noted that work is already in hand to secure others by outsourcing toilet attendant duties and open market cleansing.

h.7 We consider the current publicity promotion and marketing budget as insufficient at less than £100k per annum. It is not currently attributed to the service charge but borne by Leeds City marketing. We would expect it to be larger (£200k + per annum) and borne by the service charge.

h.8 Only the revenue and not the staffing and operational costs are apportioned between the Market halls and Open market site so respective viabilities cannot be calculated. As they are both included in the partnership offer this is not a problem per se but clarity is needed to assess the impact of remodelling either. Potential investors will look particularly closely at staffing costs, especially if the partnership is expected to absorb staff by TUPE.

h.9 Waste management is a heavy overhead for any markets operation and management already has in hand plans to reduce it further by contract renegotiation. Butchers and fishmongers are already required to make their own arrangements (as we would recommend) but greengrocers do not pay a supplement as yet. This could be introduced or at least offset by waste minimisation and recycling facilities built into the modernised design.

h.10 The introduction of 2 no. CPSO's and an Agency security guard has been effective at reducing petty crime, albeit at not inconsiderable cost. Their rostering could be reviewed to allow for "quiet" trading days but overall our feeling is the cost is acceptable.

h.11 The current exemption enjoyed by the Council from empty rates liability because of the listed status of the building is notable. It may be partially-revoked following modernisation and add a burden to operating costs however this will not be a problem if the market is sized to enjoy 100% occupancy with a modest waiting list.

h.12 **Summary:**

We conducted a preliminary financial review prior to discussions with potential investors – see attached table and graph appendices. Financial information was provided promptly for us to soft-test interest. Analysis confirms the revenue line is in gradual decline but remains sufficiently large in quantum (especially if asset charges are excluded) and significantly reversionary. These are of course the main attractions to investors. The proposed modernisation will both release the reversion and reverse the decline.

The costs side of the balance sheet appears to be under control and shows only modest room for improvement. The current level of service charge is modest although we understand management has in hand some further savings through staff re-rostering and waste management are possible. Preparation of fully-detailed trading accounts is needed before a formal offering memorandum can be issued. In particular the district markets will be excluded from the partnership so their staffing costs need to be excluded and the application of asset charges needs to be explained in more detail.

LEEDS
CITY COUNCIL

APPENDICES

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TABLE / GRAPH 1: SERVICE PERFORMANCE 2006 - 2011

TABLE 1: Service Performance (Indoor & Open combined)

	2006/2007	2007/2008	2008/2009	2009/10	2010/11
Income:	£4,277,735	£4,125,158	£4,140,368	£4,046,244	£3,895,355
Costs:	£2,945,504	£2,862,774	£2,913,083	£2,857,294	£2,889,934
Profit / Loss	£1,332,231	£1,262,384	£1,227,285	£1,188,950	£1,005,421
Occupancy: (stalls occupied) X 100	0	0	0	0	0

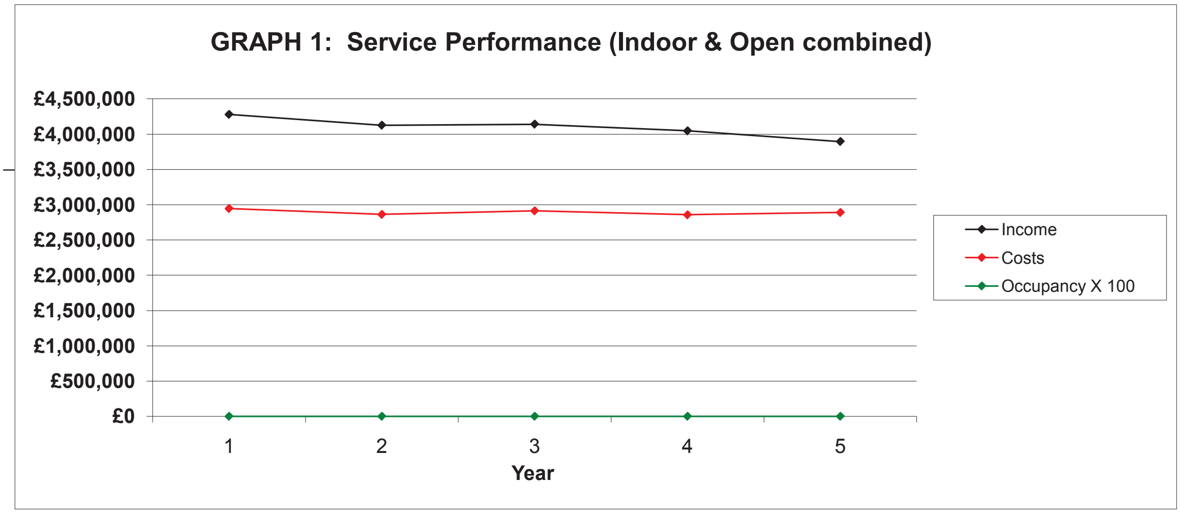


TABLE / GRAPH 2 - SERVICE COST CENTRES 2006 - 2011

TABLE 2: Service Cost Centres (Indoor & Open combined)

	2006/2007	2007/2008	2008/2009	2009/10	2010/11
Employees	£981,168	£1,043,070	£1,027,877	£993,132	£969,910
Premises	£661,772	£589,584	£618,876	£658,341	£642,189
Supplies & services	£295,692	£270,891	£295,807	£261,643	£265,653
Transport	£5,194	£5,851	£5,524	£6,482	£6,470
Support costs	£1,001,678	£953,378	£964,999	£937,697	£1,005,712
	£2,945,504	£2,862,774	£2,913,083	£2,857,295	£2,889,934

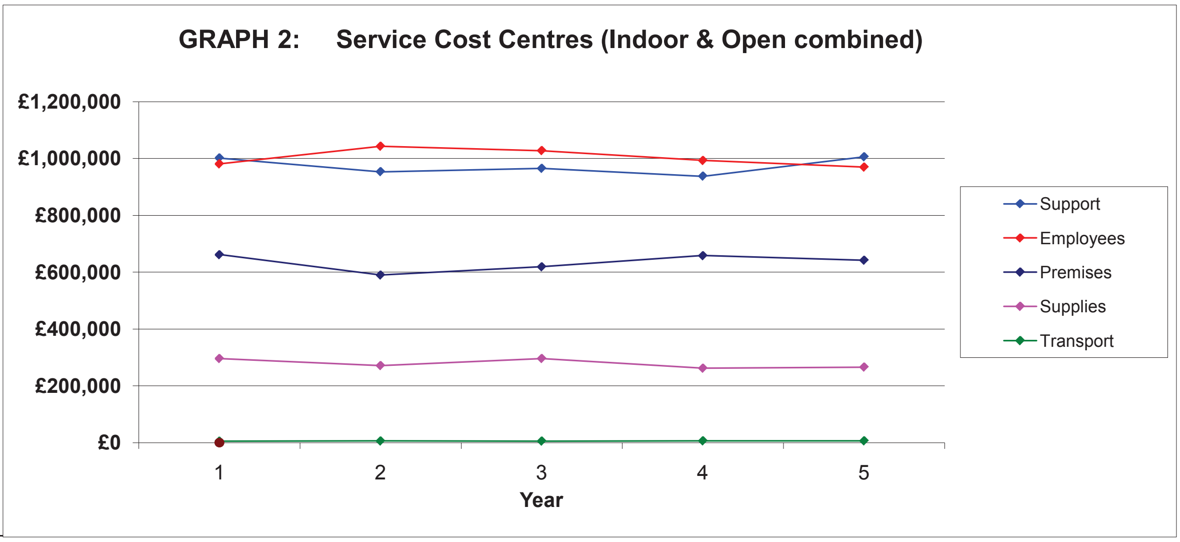
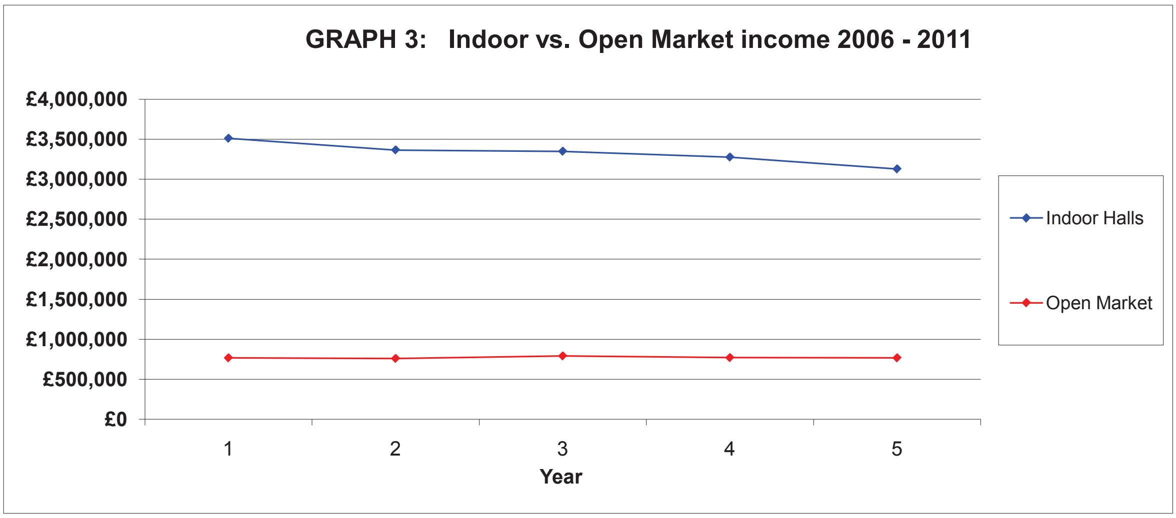


TABLE / GRAPH 3 - INDOOR Vs. OPEN MARKET INCOME 2006 - 2011

TABLE 3: - Indoor vs. Open Market income 2006 - 2011

	2006/2007	2007/2008	2008/2009	2009/10	2010/11
Indoor Halls	£3,509,476	£3,364,607	£3,348,084	£3,275,150	£3,127,159
Open Market	£768,259	£760,551	£792,285	£771,094	£768,195
Total	**£4,277,735**	**£4,125,158**	**£4,140,369**	**£4,046,244**	**£3,895,354**



The fall in income seen above reflects the fall in footfall per week seen over the same period

Aug-06	246,686	Dec-06	317,828
Aug-07	242,925	Dec-07	298,086
Aug-08	232,501	Dec-08	269,384
Aug-09	208,494	Dec-09	214,317
Aug-10	173,527		
Fall over 4 years	29.60%	Fall over 3 years	33%
Fall per annum	7.40%	Fall per annum	11%

APPENDIX - FLOOR AREA ESTIMATE FOR INDOOR MARKET HALLS

To be read in conjunction with commentary

1904 Indoor Hall				
Existing sq ft sales	10,172			
LESS: Existing voids	1,465			
LESS: temporary lettings	856			
EQUALS: area required for equivalent reinstatement		7,851		
1875 Indoor Hall				
Existing sq ft sales	24,565			
LESS: Existing voids	3,846			
LESS: temporary lettings	3,127			
EQUALS: area required for equivalent reinstatement		17,592		
1976 Indoor Hall				
Existing sq ft sales	19,340			
LESS: Existing voids	5,528			
LESS: temporary lettings	1,599			
EQUALS: area required for equivalent reinstatement		12,213		
1981 Indoor Hall				
Existing sq ft sales	14,589			
LESS: Existing voids	1,978			
LESS: temporary lettings	2,512			
EQUALS: area required for equivalent reinstatement		10,099		
Total net lettable required to achieve equivalent reinstatement			47,755	
LESS: Existing catering uses reinstated, but to upper floor			5,849	
EQUALS:Ground floor net lettable of modernised market halls				41,906

ADJUST VS. BENCHMARK TO IMPROVE THE USER-MIX					
New ground floor stalls @ sq ft each SAY			400		
No. additional ground floor stalls to improve the user-mix SAY			25		
				10,000	
					51,906
Add: New upper floor net lettable say					4,000
					55,906

COMPARISON:		
Existing ground floor net lettable assumed for S/c purposes:	*75,000*	
Vs. ground + first floor net lettable as proposed:	*55,906*	
EQUALS: Reduction in net lettable	***19,094***	***25.46%***

ALLOWS FOR equivalent reinstatement of all long-term lets but SUBJECT TO voids and temporary lettings being omitted and catering of 4,000 sq ft net relocated to upper floor

Note: In addition to the above areas - George Street Shops		
Existing sq ft sales	5,190	
LESS: Existing voids	570	
LESS: temporary lettings	0	
EQUALS: area required for equivalent reinstatement		4,620

COMPARISON:

Assuming this block is treated as a standalone redevelopment it should be easy enough to get say 7,000 sq ft ground floor net lettable onto the site.

APPENDIX

BENCHMARK USER-MIX

This list is an abbreviation of the user-types one would wish to see across the ground floor sales area. We have compared it with the existing permitted user clauses to identify which uses are missing or under-represented or over-represented and reflected the findings in our estimate of the future size of the market halls.

Adjustment has been made to establish a good “balance of trades” to encourage shopper footfall through comparison shopping. A good balance of trades guards against over-provision of similar lines to the point where too many vendors chase the same shoppers to the point where a budget price-war results. The resulting comparison was then adjusted to take into account the recorded occupancy levels and number of void stalls on the market, then extrapolated to estimate how many businesses the future market should contain which in turn dictates the physical size of the building.

Factored into the calculations is the need, for practical reasons for some of the uses to be relocated onto the upper (balcony) floor level. For instance catering works best on an upper floor where good extract can easily be provided. This is very noticeably absent in the 1904 building at present and discharging cooking fumes into the void discourages grocery or clothing vendors from this area. Some other poorly-represented uses e.g. arts and crafts and internet access services are also best located at balcony level. This is factored into the calculations.

Cat.1 - ANCHOR

Sub-Post Office
Dispensing pharmacy
One-stop shop . info. point
Walk-in NHS surgery
ATM's / cashpoints
Opticians
Tobacconist
Lottery
Wines & spirits off-sales
Confectioner Tobacconist Newsagent
Catering food court
Extended hours catering
Sunday opening uses

Cat.2 - FRESH FOOD

Fishmonger
Shellfish
Halal / ethnic
Butcher
Delicatessen
Game merchant
Poultry
Morning goods and bakery
Cakes and patisserie
Rotisserie / takeaway

Cat.3 - FRUIT & VEG

Greengrocer
Fruiterer
Ethnic ingredients
Nuts / vegetarian & health

Cat.4 - DAIRY

Dairy / cheese / eggs / yoghurt
Patisserie / fresh cream cakes

Cat.5 – PRESERVES & DRY

W.I. produce
Confectionery / sweets
Curry shop
Baking etc ingredients
Preserves / pickles
Health Foods / vitamins / supplements

Cat.6 - CATERING

Restaurant
Cafeteria
Sandwich / salad bar
Shellfish stall
Pie and mash
Fish & chips
Fast food / pizza / burgers / chicken
Soft drinks / ice cream / popcorn

Cat.7 - NON-FOOD

Flowers / bouquets / floral tributes
Stationer / magazines / cards
Pet Supplies / accessories
Mother & child / buggies / accessories
Jeweller / watch repairs
Shoe repairs / engraving / keycutting
Photocopy / print shop
Photographic sales
Jokes / party decorations
Nurseryman / plants / garden care
Bookstall / secondhand / exchange
Fishing tackle
Jewellery / badges / antiques
Handtools
Trophies / engraving
Bicycles / accessories
Antiques / militaria / collectibles
Ethnic artefacts / clothing / decorations
CD's / DVD's / retro vinyl
Computer software / games
Mobile phones
Football kit / regalia
Sports / fitness / bodybuilding
Toys / games
Art / models / hobby materials
Catalogue seconds

Cat.8 - FASHION

Ladieswear
Menswear
Childrens / babywear
Wedding / christening / confirmation
Sportswear / exercise clothing
Lingerie / hosiery
Costume jewellery / fashion accessories
Partywear
Shoes
Leather goods / belts / gloves / bags
Tailoring repairs and alterations
Dry cleaning agency

Cat.9 - HOUSEHOLD GOODS:

Bedding / duvets / towels / sheets
Haberdashery / sewing / knitting
Drapery / fabrics / textiles
Crockery / tableware
Curtains / drapes / nets
Glassware / giftware / table decorations
Kitchenware / pots & pans / cutlery
Hardware / DIY
Pictures / prints / framing
Household / cleaning / brushes
Small electrical / lighting / vacuum
Antiques / Bric a brac
Decorating / paint / wallpaper
Carpets / rugs / floorcoverings
Luggage / suitcases
Car accessories / cleaning

Cat.10 - HEALTH, BEAUTY & FITNESS:

Toiletries / cosmetics
Ladies hairdresser
Gents barber
Beauticians / waxing / manicurist
Body piercing / tattooist

OPTION A
PROGRAMME

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The Ponderosa
Open Market
NCP Carpark
1981 Hall
1976 Hall
Westminster Buildings
Eastgate Development
George St. Shops and 1930 hall
1875 Hall
New York Buildings
1904 Hall
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Google earth

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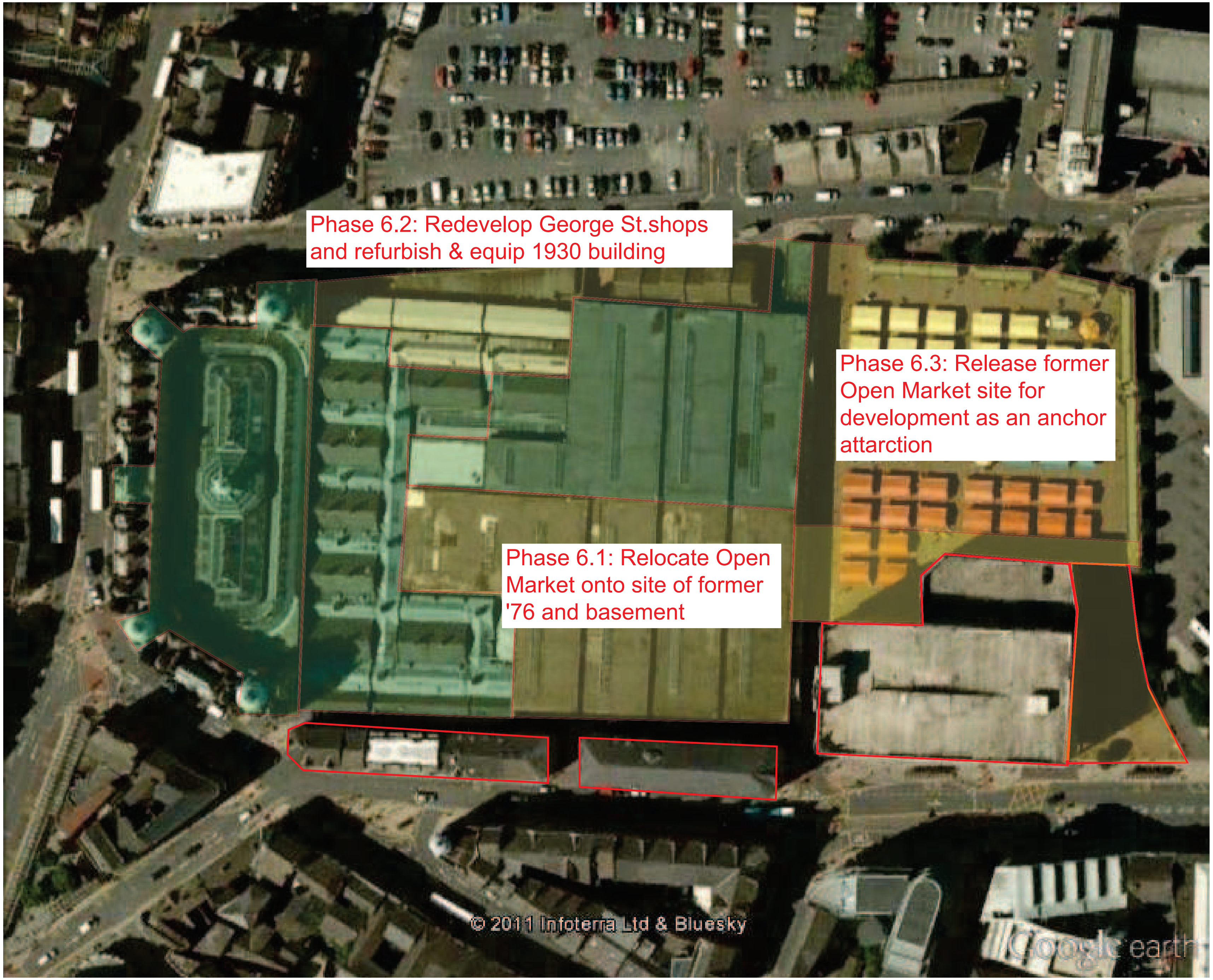
OPTION A / PHASE 1: FORM BUILDERS COMPOUND ON "PONDEROSA" AND PART OPEN MARKET
TERMINATE TEMP. LETTINGS TO CREATE DECANT SPACE IN THE 1905, 1875 & 1981 HALLS AND SHOPS

OPTION A / PHASE 2 & 3: DECANT TENANTS FROM 1976 HALL, DEMOLISH AND FORM NEW BASEMENT SERVICE SPACE WITH NEW OPEN MARKET OVER

OPTION A / PHASE 4 & 5 : REFURBISH 1875, 1904, 1930 & 1981 HALLS AND SHOPFIT



OPTION A / PHASE 6: REDEVELOP GEORGE ST. SHOPS AND RELOCATE OPEN MARKET

OPTION B
(PREFERRED)
PROGRAMME

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1981 Hall
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Westminster Buildings
George St. Shops and 1930 hall
1875 Hall
New York Buildings
1904 Hall
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Google earth

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OPTION B / PHASE 1: FORM BUILDERS COMPOUND ON "PONDEROSA" AND PART OPEN MARKET TERMINATE TEMP. LETTINGS TO CREATE DECANT SPACE IN THE 1904, 1875 & 1981 HALLS AND SHOPS

OPTION B / PHASE 2: DECANT TENANTS FROM 1976 HALL, DEMOLISH AND FORM NEW BASEMENT SERVICE SPACE

OPTION B / PHASE 3: REFURBISH AND REFIT 1875 HALL

OPTION B / PHASE 4: REFURBISH AND REFIT 1904 HALL
BEGIN CONSTRUCTION OF NEW HALL OVER NEW BASEMENT

OPTION B / PHASE 5: FINISH CONSTRUCTION OF NEW HALL AND FILL WITH TENANTS FROM '81 BUILDING

OPTION B / PHASE 6: REDEVELOP GEORGE ST. SHOPS AND REFURBISH & EQUIP 1930 BUILDING

OPTION B / PHASE 7: DEMOLISH 1981 HALL AND REDEVELOP AS A COVERED OPEN MARKET

OPTION B / PHASE 8: RELOCATE OPEN MARKET TO NEW COVERED LOCATION
RELEASE FORMER SITE AND COMPOUND FOR REDEVELOPMENT AS AN ANCHOR ATTRACTION

Kirkgate market report: Copyright and confidentiality statement

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This report is based upon original research undertaken by the authors and its' scope is restricted to the market operation of Kirkgate market. Although mention may be made of markets elsewhere this is for general information and comparison purposes only. Research included site visits and inspections on both trading and non-trading days and consultation with Client officers and staff, legal advisors to the authors, potential investors and external companies where noted, market traders and their representatives. Wherever possible consultation took the form of personal interviews and all consultees were offered anonymity unless they agreed otherwise.

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Quarterbridge Project Management Limited

December 2011