

Report of Chief Officer Service Development

Report to Director City Development

Date: 12th May 2017

Subject: Kirkgate Market Temporary Rental Reduction

Are specific electoral Wards affected? If relevant, name(s) of Ward(s): City and Hunslet	X Yes
Are there implications for equality and diversity and cohesion and integration?	X No
Is the decision eligible for Call-In?	X No
Does the report contain confidential or exempt information? If relevant, Access to Information Procedure Rule number: Appendix number:	X No

Summary of main issues:

Kirkgate Market is Europe's largest covered market with over 300 indoor and 185 outdoor market stalls, attracting over 140,000 customers a week. The Market has recently benefited from a £14m refurbishment with expenditure focussed on renewing the fabric of the Grade 1 Listed Building.

Footfall and the impact of key events over recent years are detailed in the report. It can be seen that post refurbishment footfall is on a positive trend and has returned to levels near 2015. Footfall does not directly translate to retail spend and anecdotal evidence from traders is that increases in footfall is not translating to a notable increase in their income.

Kirkgate Market faces the same challenges as other traditional markets across the UK; price competition from larger retailers, rising customer expectations and a changing customer base.

Kirkgate Market also has distinct advantages, which there is potential to build upon and some significant opportunities to re-establish itself as a shopping destination and broaden its appeal to a wider range of customers and visitors.

Taking account of the increase in footfall post refurbishment, but recognising the need for the Council to support its tenants whilst trade builds back up further and also to adapt to meet rising customer expectations and a changing customer base, it is proposed that a 6 months reduction in rent would provide the time to further build on and sustain the positive direction that has already occurred.

Recommendations:

It is recommended that the Director City Development approves a 6 month reduction of 20% on the rent applied to all indoor and outdoor stalls from July 2017 to December 2017.

1 Purpose of this report

- 1.1 To seek agreement to a 6 month reduction of 20% on the rent applied to all indoor and outdoor stalls from July 2017 to December 2017. To recognise that alongside other activities to help increase footfall and spend overall, this aims to support individual tenants and traders to invest in their businesses and so secure future success for themselves and the market overall.

2. Background information

- 2.1 Kirkgate Market is Europe's largest covered market with over 300 indoor and 185 outdoor market stalls, attracting over 140,000 customers a week. The Market has recently benefited from a £14m refurbishment with expenditure focussed on renewing the fabric of the Grade 1 Listed Building and its services, including the provision of a new roof covering over the 1976 and 1981 halls, a new fire safety system including a new sprinkler system, new drainage particularly in the fresh produce area, new extraction and ventilation systems and various works to repair the historic fabric of the building commensurate with its Grade 1 listed status. The refurbishment work and the introduction of an event space and new food to go stalls in the 1976 hall has sought to increase customer dwell time in the Market.
- 2.2 Kirkgate Market is in a prime retail location in the heart of Leeds city centre. It is an important landmark in Leeds, not just in terms of the building but also in its importance to the people of Leeds and its international importance as the birthplace of Marks and Spencer. It also provides a unique opportunity for small businesses to start up and thrive in Leeds city centre.
- 2.3 Kirkgate Market faces the same challenges as other traditional markets across the UK; price competition from larger retailers, rising customer expectations and a changing customer base.
- 2.4 Kirkgate Market also has distinct advantages, which there is potential to build upon and some significant opportunities to re-establish itself as a shopping destination and broaden its appeal to a wider range of customers and visitors.

3. Main issues

- 3.1 Tenants and traders in both the indoor and outdoor market believe that the footfall in Kirkgate market has reduced significantly over recent years.

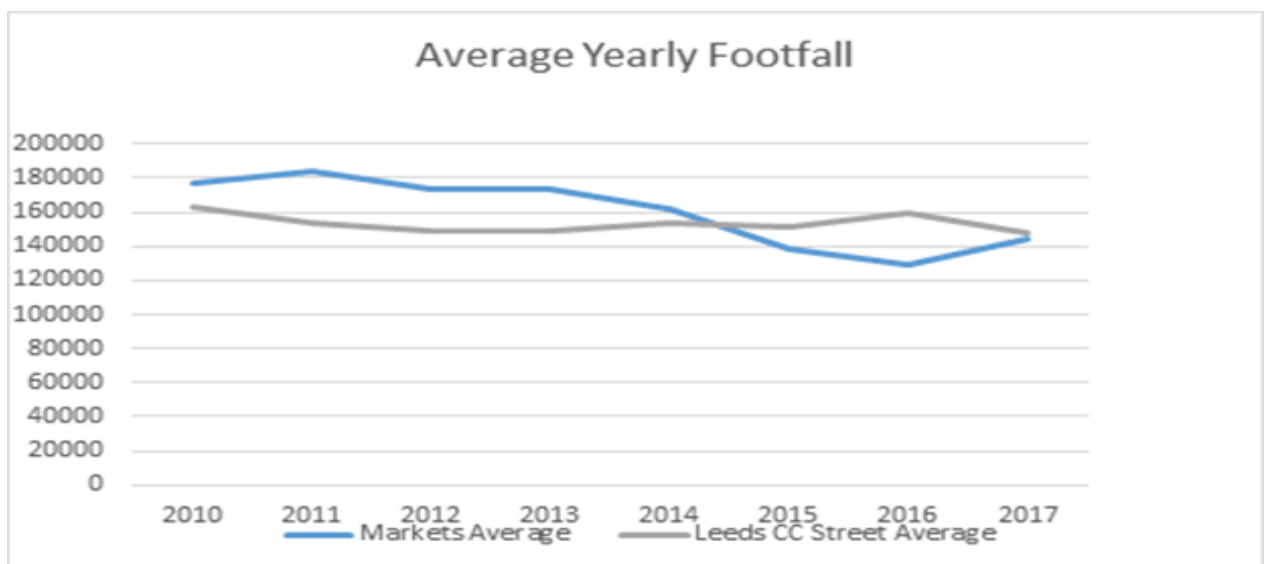
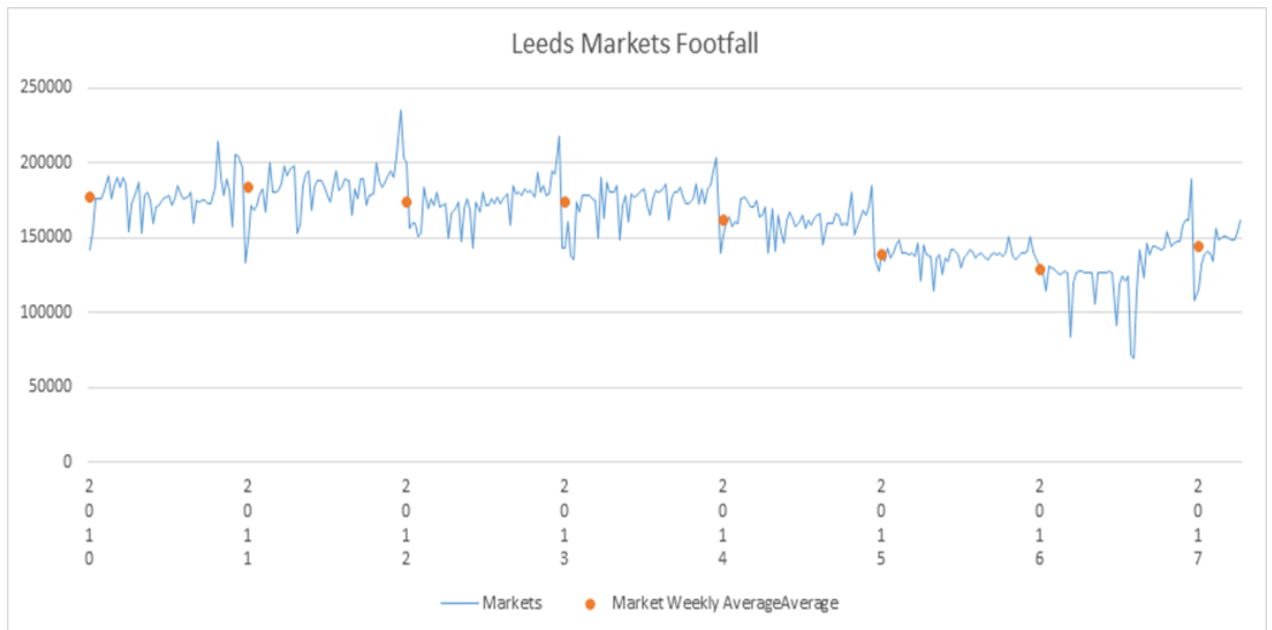
- 3.2 A small number of tenants have asked for support such as arranging rent payment plans, rate relief, on hardship grounds, or the downsizing of stalls.
- 3.3 More fundamentally, a review has been requested to look at rental levels in the context of benchmarks elsewhere and that options are considered to attract new tenants and traders to the market.

Vision and objectives

- 3.4 On 27 July 2011 the Executive Board approved the vision and objectives for Kirkgate Market. The vision for the market is to be the best market in the UK:
- Highly successful, profitable and sustainable;
 - A centre for excellence for independent retailers and entrepreneurs;
 - A top destination for residents and tourists.
- 3.5 The objectives to help realise this Vision being to:
- Increase footfall;
 - Increase new customers to the market;
 - Increase frequency and duration of customers' visits;
 - Increase income through new lets and business expansions;
 - Increase the range of and value for money of goods and services;
 - Reduce costs;
 - Reduce number of empty units in the indoor market hall;
 - Reduce tenant turnover.

Footfall analysis.

- 3.6 Footfall over recent years is illustrated below. Events that have influenced footfall include such as the opening of Trinity (March 2013), the closure of the Markets car park (April 14), FD Arena (Sept 2013), construction on Victoria Gate (June 14 to Oct 16) and the refurbishment of the Leeds Market - as well as the many locally held events such as the ITU triathlon, TDF and TDY.
- 3.7 As can be seen, footfall since mid-2016 is on a positive trend and has returned to levels near 2015. In 2017, the timing of Easter and Mother's Day resulted in footfall at the highest level since the end of 2013.



3.8 The average yearly footfall for the Leeds market compared to the average of the 8 street footfall monitoring points provided by Springboard is also shown above. It is recognised that all retail destinations must continue to modernise and adapt to increase their footfall numbers and that footfall does not directly translate to retail spend.

Market Action Plan

3.9 When considering the vision and objectives for Kirkgate Market (as detailed in para 3.4 and 3.5), a number of other actions are to be progressed as detailed within a Market Action Plan, including; the promotion and advertising of vacant units, the consideration of an improved car parking offer and the appointment of external advisors to consider the approach to charges and rents over the longer-term for the different types of business and size of stall in the different market halls.

3.10 Having listened carefully to the views of traders it is proposed that a temporary rent reduction is introduced as a means of providing support to traders whilst footfall continues to grow and the completion of the rent review work identified. The proposal recognises that to have a sustainable and secure future, individual tenants and traders also have a responsibility to adapt and modernise to meet rising customer expectations and a changing customer base. The costs of the proposed temporary rent reduction are detailed in Section 5.2.

4.0 Proposals

4.1 To implement a 6 month reduction of 20% on the rent applied to indoor and outdoor stalls from July 2017 to December 2017. The approach to service charges, bonds, and business rates where applicable remains unchanged. A package of measures to incentivise new tenants will also continue.

5.0 Corporate Considerations

5.1 Consultation and Engagement

5.1.1 These proposals have been developed by managers in consultation with finance colleagues and in discussion with the Markets Management Board including trader representatives.

5.2 Resources and value for money

5.2.1 A discount of 20% for 6 months would total £224k (£48k outdoor and £176k indoor). This is based on known traders at a point in time.

5.3 Council policies and best council plan

5.3.1 This proposal supports the Best Council Plan ambition for a strong economy and compassionate city. This proposal will contribute to growing the economy and promoting a vibrant city.

5.4 Equality and diversity / cohesion and integration

5.4.1 No specific issues have been identified. An EIA screening evaluation has been undertaken.

5.5 Legal Implications, access to information and call In

5.5.1 No legal implications arising from the report.

5.5.2 This is a Significant Operational Decision but is not subject to call in.

5.6 Risk management

- 5.6.1 Not implementing the proposals could impact on the viability of some businesses within the market, with an increase in the number of vacant stalls further reducing the vibrancy of the overall retail experience.
- 5.6.2 It needs to be recognised that the actual rate of recovery will be influenced by a range of local, national and international factors and so may not continue at the current levels. Kirkgate Market faces the same challenges as other traditional markets across the UK; price competition from larger retailers, rising customer expectations and a changing customer base. Working jointly with traders and progressing the collective actions within the Market Action Plan aim to minimise the risk of a diminished recovery.

6. Recommendations

- 6.1 It is recommended that the Director City Development approves a 6 month reduction of 20% on the rent applied to all indoor and open market stalls from July 2017 to December 2017.

7. Background documents

None