

Report of Chief Officer Service Development

Report to Director City Development

Date: 18th January 2018

Subject: Kirkgate Market Rents

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: The information contained in Appendix 2 is exempt under Access to Information Rule 10.4 (3)	X Yes

Summary of main issues:

Kirkgate Market is Europe's largest covered market with over 300 indoor and 185 outdoor market stalls. The 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.

A temporary reduction of 20% on the rent applied to all indoor and outdoor stalls was approved in May 2017. This, alongside other activities to help increase footfall and spend overall, aimed to support individual tenants and traders to invest in their businesses and so secure future success for themselves and the Market overall. This also recognised 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.

It can be seen that post refurbishment footfall continues on a positive trend, with levels overall better than those seen in 2015.

A review, by external advisors, has been now been completed to look at rental levels on the context of benchmarks elsewhere.

Recommendations: It is recommended that the Director of City Development approves a phased removal of the 20% reduction on the rent applied to all indoor and outdoor stalls between February and May 2018.

1 Purpose of this report

- 1.1 To seek agreement to a phased removal of the 20% reduction in the rent applied to all indoor and outdoor stalls between February and May 2018.

2. Background information

- 2.1 Kirkgate Market is Europe's largest covered market with over 300 indoor and 185 outdoor market stalls, and now attracts over 148,000 customers a week.

- 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 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.

- 2.5 The objectives to help realise this Vision being to:

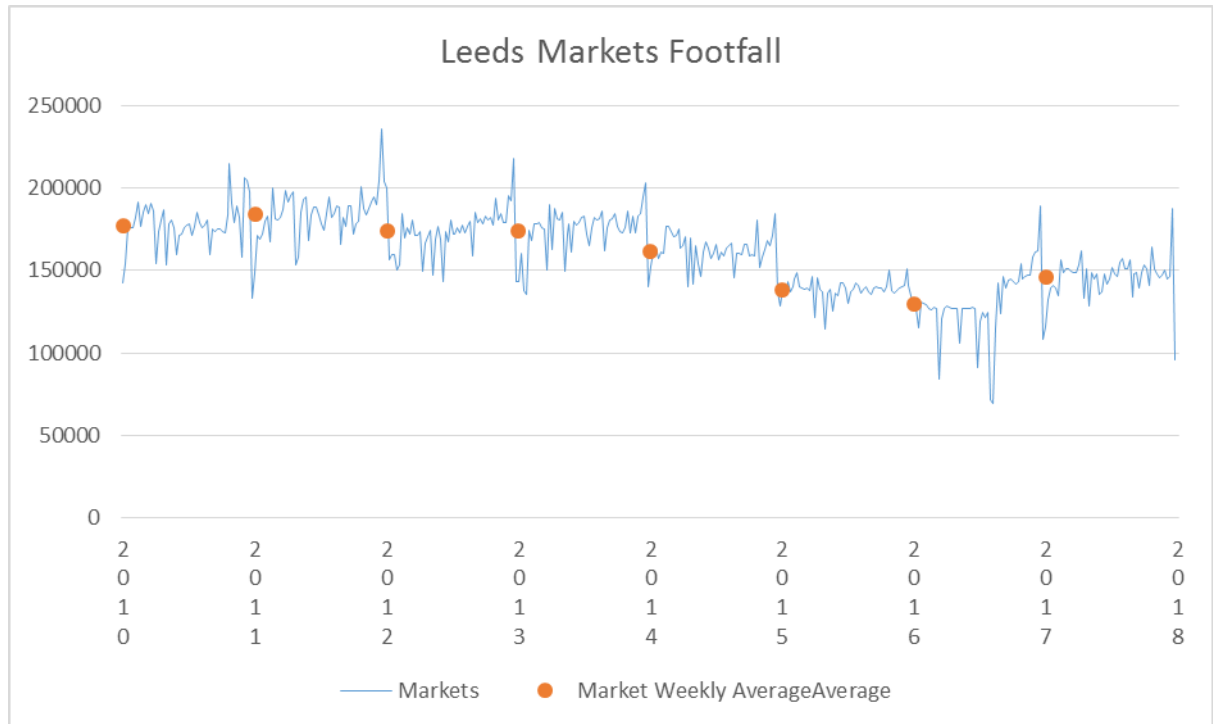
- Increase footfall;
- Increase new customers to the market;
- Increase frequency and duration of customers' visits;
- Increase income through new lets and business expansions;
- Increase the range of and value for money of goods and services;
- Reduce costs;
- Reduce number of empty units in the indoor market hall;
- Reduce tenant turnover.

3. Main Issues

Footfall analysis.

- 3.1 Footfall over recent years is illustrated below. Events that have influenced footfall include the opening of Trinity (March 2013), the closure of the Markets car park (April 2014), the opening of the first direct Arena (September 2013), construction of Victoria Gate (June 2014 to October 2016) and the refurbishment of Kirkgate Market - as well as the many locally held events such as the ITU triathlon, the

Grand Depart of the Tour de France and the Tour de Yorkshire. The impact of Christmas closure can also be seen with Christmas Day and Boxing Day being Sunday 25th and Monday 26th, in 2016, then Monday 25th and Tuesday 26th in 2017.

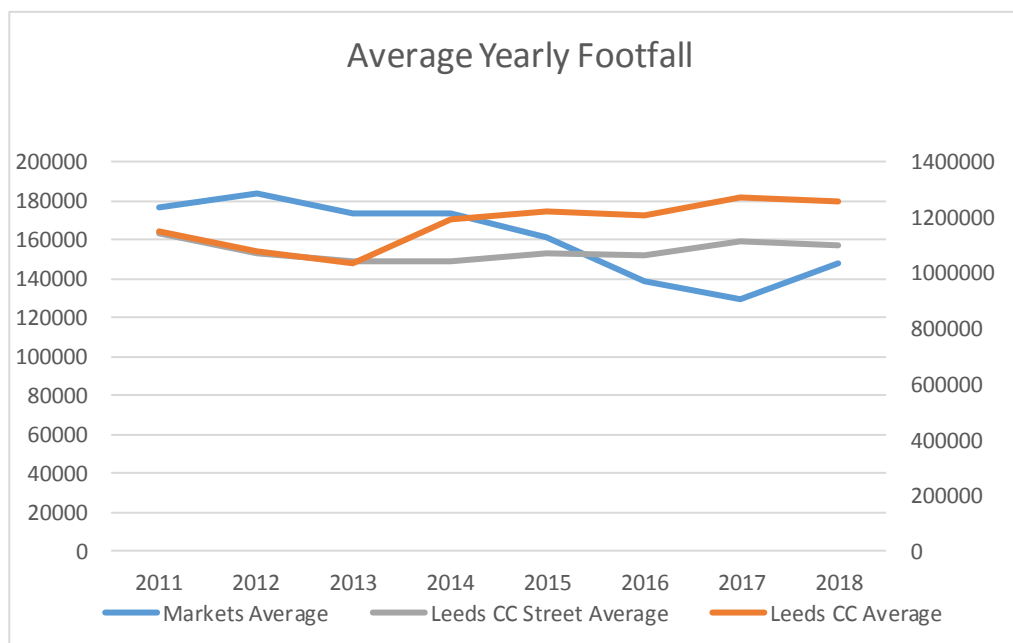


3.2 Post refurbishment, footfall continues on a positive trend, with levels better than those seen in 2015.

Direct Comparison Table:

Dates	Weekly Average	Monthly Average
Last three months (October - December 2017)	148,160	641,845
October - December 2015	140,913	618,547
Three months prior to refurbishment (April - June 2014)	159,071	687,148

3.3 The average yearly footfall, and recent improvement for Kirkgate Market when compared to the average of the eight street footfall monitoring points provided by Springboard is also shown below. 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.



Rental Review

3.4 A review has been completed by JLL to look at rental levels and total occupational costs for traders in the context of benchmarks elsewhere. An Executive Summary of their advice and conclusions is attached at Appendix 1. The review notes that in addition to rent, a service charge is payable by traders and that this includes the maintenance of the Grade 1 listed Heritage building, staffing costs, cleaning and security. Larger stalls, above the threshold for small business rates relief also pay rates.

Access to Information

JLL's full report is detailed in Appendix 2. The information contained in **Appendix 2** is exempt under Access to Information Rule 10.4 (3) as it contains information relating to the financial or business affairs of any particular person (including the authority holding that information). It is considered that the public interest in maintaining the content of Appendix 2 as exempt outweighs the public interest in disclosing the information. This report relates to commercial rental advice and as such release of information at this time would prejudice the council's position.

- 3.5 The review concludes that the existing rents within the Market appear to be within the expected range.

Market Action Plan

- 3.6 A number of other actions continue to be progressed including; the promotion and advertising of vacant units, the consideration of an improved car parking offer and initiatives such as KirkLATE Night Market.

4.0 Proposals

- 4.1 **A phased removal of the 20% reduction on the rent applied to all indoor and outdoor stalls**

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. Trader representatives are not in agreement with the removal of the rent reduction, citing that it could impact on the viability of businesses within the market.
- 5.1.2 Individual traders and tenants will continue to be encouraged to adapt and modernise to meet rising customer expectations and a changing customer base.
- 5.1.3 Working jointly with traders, collective actions and initiatives within the Market Action Plan will be progressed, aiming to further increase aim the vibrancy of the overall retail experience, and so footfall, dwell time and spend.

5.2 Resources and value for money

- 5.2.1 Over a three-month period: 15 % reduction being applied in February 2018, 10% in March 2018 and 5% in April 2018. Rents would return to pre-reduction levels in May 2018. The approach to service charges, bonds and business rates where applicable remains unchanged. A package of measures to incentivise new tenants will also continue.
- 5.2.2 The cost of this phased removal would total £52k (£12k outdoor and £40k 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 There are 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 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.

5.6.2 A phased removal of the rental reduction provides further support and time for traders to adapt and modernise to meet these challenges.

5.6.3 The removal of the rental reduction could impact on the viability of some businesses within the Market.

6. Recommendations

6.1 It is recommended that the Director of City Development approves the phased removal of the 20% reduction in the rent applied to all indoor and outdoor stalls between February and May 2018.

7. Appendices

Appendix 1: Executive Summary prepared by external advisors, JLL.

Appendix 2: Confidential