

Kirkgate Market Investment Case

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1.0 PURPOSE OF THE INVESTMENT CASE

- 1.1 The Feasibility Study Report for the project was issued on 01 February 2013, in response to the Client Project Brief v1.00FINAL.doc, dated 12 April 2012. In particular, the Feasibility Study Report responds to the February 2012 Executive Board's request to officers to report back on the outcome of the feasibility study to advise Executive Board on the scope, scale and financial implications of the redevelopment and refurbishment proposals details.
- 1.2 The feasibility study works out what could be done to improve or change the current market buildings to help achieve the Council's vision for the market and has considered the condition, suitability and challenges that the buildings and surrounding area present to the success of the market.
- 1.3 Twelve elements that could resolve these issues and contribute towards the vision have been developed in the feasibility study.
- 1.4 However, the Council cannot afford all of the elements 'in one go' and therefore it is important to determine which other elements are the most important to tackle first. The Stage 2 feedback will partly inform this, but each of the other elements needs a robust investment case so the Council can choose the right level of investment in a way that helps sustain and support Kirkgate Market's future for generations to come.
- 1.5 This report provides an investment case for each of the elements. This approach will help determine what the improvement and development priorities are, how they could be brought together into a capital investment scheme or number of schemes and how much funding and investment will be required.
- 1.6 The conclusions from this Investment Case Report and the Feasibility Study Report will be incorporated in to the overall recommendations for the Kirkgate Market Strategy Executive Board report that will be presented in March 2013.

2.0 BACKGROUND

- 2.1 On 10 February 2012 the Executive Board approved a number of recommendations, including the following relevant to this report:
 - Agree in principle, to reduce the market by 25% and to proceed with a full feasibility study for a modern extension to replace the 1976, 1981 and George Street shops halls and for the refurbishment of 1904 and 1875 halls.
 - Request officers to report back on the outcome of the feasibility study to advise Executive Board on the scope, scale and financial implications of the redevelopment and refurbishment proposals.
- 2.2 Kirkgate Market is in a prime retail location in the heart of the city centre. It is Grade 1 listed and is housed in five interconnected halls: the 1904 hall, the 1875 hall, a 1930s extension, and two 'temporary' hangar structures which form the rear of the indoor market. These were

added in 1976 and 1981 following a fire at the market. There is an open daily market at the rear of the building, which is immediately adjacent to the bus station.

- 2.3 A mixed retail development by Hammersons, (Eastgate Quarters) covering 1 million sq ft has been given outline planning permission next to the market, which will reconnect the markets with the core retail offer to the west and north. It is anticipated that Phase 1 of Eastgate Quarters will be completed by late 2016 / early 2017.
- 2.4 The Markets service turns over between £3.5m and £4m pa. This net managed surplus supports the council's overall net managed budget. The overall operating surplus including overheads and capital charges peaked in 2006/07 at £2.4m, but is currently £1.4m.
- 2.5 However the above assets come with significant associated liabilities, particularly in terms of the maintenance of fabric of the Grade 1 listed buildings.

3.0 STRATEGIC CONTEXT AND IDENTIFYING BUSINESS NEED AND OBJECTIVES

- 3.1 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.
- 3.2 There are a number of clear objectives to help realise this Vision:
- 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.
- 3.3 To address the issues Kirkgate Market faces and realise its Vision requires:
- A shorter chain of command to ensure faster decision-making and implementation;
 - Significantly increased investment in the buildings and stalls, whilst keeping and enhancing the distinct character of the market;
 - Significantly increased marketing and promotion so all Leeds residents and visitors to Leeds know where it is and what its offer is;

- An improved overall offer on the market in terms of the range and quality of goods and services sold;
- An improved overall customer experience by ensuring the market is the optimum size, improving the 'legibility' of the market through signage, wayfinding and improved layout;
- Better opening hours; improving customer service and customer satisfaction;
- Better promotion of available units, flexible terms and better business support.

4.0 THE ELEMENTS

4.1 Each element could either be delivered independently or in a number of phases, which will affect the costs and benefits of each option. However, for the purpose of this report, it is assumed that each element is delivered independently.

4.2 The 12 Elements that have been developed are:

- Element 1 - Fixing the Basics (includes recovering of the 1976 and 1981 Hall roofs)
- Element 2 - Replacing the Roof of the 1976 and 1981 Halls
- Element 3 - Heating and Cooling
- Element 4 - Finding Your Way Around
- Element 5 - Creating Zones
- Element 6 - Creating a Heart
- Element 7 - Creating a New Route Through the Market
- Element 8 - Layout
- Element 9 - Improving the Look and Feel of the Market
- Element 10 - Reducing the Size
- Element 11 - Improving George Street
- Element 12 - Improving Public External Spaces

4.3 Further detail of each Element is attached in Appendix A.

5.0 BENEFITS AND DISADVANTAGES

5.1 All of the elements will make the market a welcoming and attractive place to work, shop, visit and spend time in. This means that existing businesses can thrive and expand, and new businesses are attracted to set up in the market, which in turn means there is even more to bring new customers in. There will be fewer empty units and an improvement in both the range and quality of goods and services sold. This will increase income to tenants and the Council and may provide investment opportunities for the Council.

- 5.2 The disadvantages of all of the options is that any works will create disruption, through the need for decanting, and blight, which will affect income to tenants and the Council. Compensation to tenants also needs to be considered.
- 5.3 Element 1 - Fixing the Basics
- A condition survey carried out in 2010 and the investigations undertaken by NPS in the market buildings has identified around £4.5m worth of work that requires attention now.
 - This is the minimum works that need to be undertaken to ensure the market buildings and stalls comply with health & safety legislation, are well maintained and efficient to run and are essential to ensure that the market income does not continue to decline, and buildings cost more to upkeep, as a consequence of under investment.
 - Customers and traders expect a well maintained, watertight indoor market. Replacing the roof coverings to the 1976 and 1981 halls will improve the perception of the market, encouraging more customers and more businesses. The roof of the 1976 and 1981 Halls is past its useful life and patching will soon not be an option.
- 5.4 Element 2 - Replacing the Roof of the 1976 and 1981 Halls
- Although Fixing the Basics includes for replacing the roof finish, this element goes one step further by removing the roof decking and roof coverings and replacing with modern materials. This would extend the life of the roof to 25 to 30 years rather than 15 years (Element 1).
 - This would require some structural works and asbestos removal and therefore the areas below the works would need to be cleared whilst the works were on-going, causing significant disruption to the 1976 and 1981 halls.
- 5.5 Element 3 - Heating and Cooling
- Heating, cooling and ventilation will make the market a more welcoming and attractive place that will attract more customers who will also spend more time there.
 - It will also provide a more comfortable building for the traders and staff who work there.
 - This will significantly increase running costs for the Council and therefore service charges to tenants.
 - Undertaking these works would cause disruption to the operation of the market.
- 5.6 Element 4 - Finding Your Way Around
- If customers can find their way around they are more likely to visit the stalls that interest them and make repeat visits. If the customer has a pleasant shopping experience they are more likely

to visit again and to tell others. This in turn increases footfall which supports businesses in the market.

- Promoting events and activities in the market will make people stay longer and spend more. Advertising offers may encourage shoppers to spend more.

5.7 Element 5 - Creating Zones

- Other successful markets combine fresh products in one area to increase footfall and provide better choice and a more vibrant experience for the customer, in one easily serviced location.
- Zones can create 'magnets' to draw in people of all ages and all backgrounds, and stimulate their interest in the market so that they return more often and shop at other stalls. They can also draw people to shop in areas they would not otherwise go to.
- This will involve relocating businesses from Butchers Row

5.8 Element 6 - Creating a Heart

- Having events, activities and displays will attract new customers and makes a visit to the market more interesting, therefore more frequent. It will also attract a wider audience, who will stay longer in the market as a result and therefore spend more money in the businesses.
- Having one central location makes it easy to describe where events are taking place and performers and exhibitors naturally begin to think of the market as a venue.
- Flexible 'pop up' trading space allows short, specialist events or new concepts to be trialled to improve the offer.

5.9 Element 7 - Creating a New Route Through the Market

- It can be difficult for customers to find their way around the market and as it is not easy to 'read' its layout. Creating new clear routes will help resolve this issue.
- A new route will connect Kirkgate, the Corn Exchange, Vicar Lane with the new Eastgate Quarters shopping development encouraging customers to walk through the market, some of whom would not otherwise shop at the market.

5.10 Element 8 - Layout

- The layout of stalls, particularly in the 1976 building, does not make it easy to see where businesses are and this makes it hard to keep businesses viable when units become empty around them.
- The current arrangement in a 'grid' layout is confusing for customers and although crime is actually very rare in the market, can make some customers feel unsafe.
- Over the years, the piecemeal development of stalls and stall frontages has contributed to making the market appear run down.

- A covered daily licenced market would be an ideal use for the existing 1976 hall (below Post Office entrance). The benefits of this would be:
 - Creates a new dimension to the offer at Kirkgate Market;
 - Provides a constantly changing offer indoors as well as outdoors, to attract customers whatever the weather;
 - Provides opportunities to hold different types of markets, which would not currently easily trade outside (e.g. arts, crafts, antiques, vintage);
 - Provides a further interim progression step for outdoor traders aspiring to trade indoors but not yet ready to occupy a leased unit;
 - Daily licences are much easier to manage and enforce than leases;
 - Means the space is future-proofed as it can be built out to permanent units in the future should demand for these increase;
 - Allows a reduction in indoor trading space whilst retaining flexibility for future demand;
 - Allows for the creation of the 'heart' and 'a new route through' as part of the conversion to this use, preventing loss of businesses trading well further up the market;
 - Improves the layout, look and feel of the market;
 - Provides 'pop up' trading space;
 - Can be let at a premium thereby safeguarding rental income;
 - Will attract different traders, rather than drawing from either the existing open or indoor markets;
 - Provides a viable decant option for traders elsewhere in the indoor market during development works.
- The 1976 hall remains but would require the removal of the stalls and therefore most existing businesses in the 1976 hall below this point will need to be relocated, or their lease terminated in return for compensation.

5.11 Element 9 - Improving the Look and Feel of the Market

- Although Fixing the Basics will resolve the maintenance issues in Kirkgate Market, the customer environment needs upgrading. Refurbishment works would improve the building and outside spaces, making them brighter, cleaner and more attractive.
- If this element is not implemented it could undermine the redevelopment and refurbishment proposals as a whole.

5.12 Element 10 - Reducing the Size

- At present there are a number of empty units, that are not bringing in income, but costing the council and therefore previous specialist advice recommended a 25% reduction in the size of the market.

- A reduction in size would make the market a more bustling, lively place to be and if this means a reduction in the number of stalls, this would help ensure the market is fully let, with a waiting list for units, making it more desirable as a business location.
- The feasibility study confirms that this is technically possible, but would cause significant disruption to Kirkgate Market over a long period and would be very costly.

5.13 Element 11 - Improving George Street

- Investment here would help George Street become a quality shopping street by properly connecting the market with the new Eastgate Quarters shopping development opening in 2017. Ground floor units would be double fronted therefore enticing customers through into the market halls – a new entrance.
- The new Eastgate Quarters shopping development will bring millions of new shoppers to this part of the city. This means more people will be encouraged to walk through and spend money in the market and a wider variety of businesses will want to set up at the market, reducing empty units, and existing tenants will thrive by meeting the demand from the new customers.
- There is an opportunity to create further income by redeveloping George Street to create double-sided retail units with several floors of accommodation above. Therefore, it has significant potential to attract external investment.
- The 1930s shops and the 1980's shops / offices are outdated and out of proportion with the scale of the adjacent Grade 1 listed market buildings and investment here will help ensure that George Street becomes a quality shopping street rather than a 'blank' frontage.
- Demolition of the existing buildings would be required and therefore existing businesses will need to be relocated, or their lease terminated in return for compensation. The markets office will also need to be relocated.

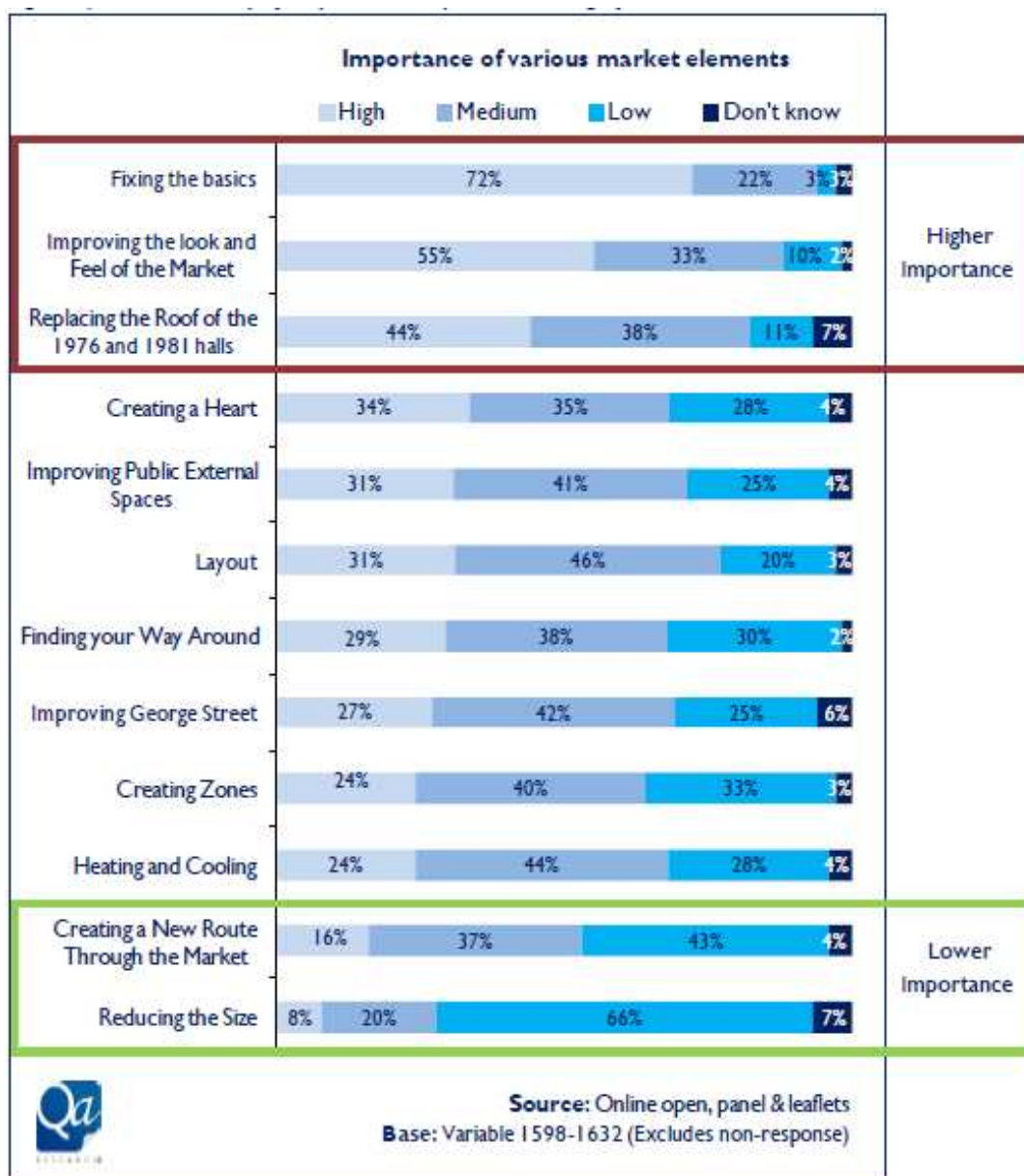
5.14 Element 12 - Improving Public External Spaces

- Investment here would help George Street become a quality shopping street by properly connecting the market with the new Eastgate Quarters shopping development opening in 2017. New public realm near the entrance to the John Lewis store will attract customers across George Street and into Kirkgate Market.
- The new Eastgate Quarters shopping development will bring millions of new shoppers to this part of the city. This means more people will be encouraged to walk through and spend money in the market and a wider variety of businesses will want to set up at the market, reducing empty units, and existing tenants will thrive by meeting the demand from the new customers.

- Improvements to loading and servicing arrangements would be incorporated. This would help ease congestion on George Street.

6.0 STAGE 2 ENGAGEMENT FEEDBACK

6.1 The following chart demonstrates respondents' ratings of each of the elements. Respondents could rate the importance of these elements on a three point scale: High, medium and low. The boxes indicate those elements where high importance ratings were significantly higher than low importance ratings, and vice versa:



6.2 The key conclusions of the stage 2 engagement report were as follows (not in an order of priority):

- The biggest priorities for improvement are:
 - Fixing the basics;
 - Improving the look and feel of the market;
 - Replacing the roofs of the 1981 and 1976 halls

- In focusing on the first two elements respondents generally appeared to be referring to the need to improve the cleanliness, appearance and signage of the market, with a need to increase the diversity of the stalls and remove the number of empty stalls.
- It is worth bearing in mind that the two elements rated as most important were both fairly general, and this may in part explain their relatively high importance rating. One individual's perception of what constitutes 'fixing the basics' may not necessarily involve the same changes as those envisioned by another individual.
- Whilst there were a number of options which were seen as relatively less important, such as creating zones, the heating and cooling system and creating a new route through the market, it was only the option of reducing the size where the number of individuals rating the importance as 'low' outweighed those providing a 'high' or 'medium' rating. Most of the elements were of at least 'medium' importance to the majority of respondents.
- There were relatively few demographic differences in response. Most groups of respondents were similarly orientated in terms of rating the importance of developing the various market elements.

7.0 BASE DATA

7.1 The existing average rents in each Indoor Hall are as follows. There has not been a rent increase since October 2005:

1904 Hall	1875 Hall	1976 Hall	1981 Hall	George Street	All
£53/ft ²	£40/ft ²	£34/ft ²	£30/ft ²	£28/ft ²	£37/ft ²

7.2 The existing charges for the Open Market (201 fixed, oversize stalls, all with electricity) are as follows:

	ZONE A		ZONE B	
	DD	INV	DD	INV
Daily (Minimum – Monday)	£11.68	£12.30	£10.35	£10.90
Daily (Maximum – Saturday)	£22.70	£23.80	£21.30	£22.45
Weekly	£83.05	£87.35	£77.85	£81.95

The equivalent rents per square foot (for comparison purposes with the Indoor Market) are as follows (note: this includes for service charge costs which are charged separately to leasehold tenants):

	ZONE A	ZONE B
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	DD	INV	DD	INV
Daily (Minimum – Monday)	£88	£92	£77	£82
Daily (Maximum – Saturday)	£170	£179	£160	£168
Weekly	£104	£109	£97	£102

- 7.3 Below are the footfall figures per year since 2006/07. In 2006/07 the overall operating surplus was £2.4m. In 2012/13 the overall operating surplus is projected at £1.4m.

2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	
10,975,305	10,897,030	10,450,166	9,941,312	8,489,732	8,505,177	
					0.18	compare 2010/11
				-14.60	-14.45	compare 2009/10
			-4.87	-18.76	-18.61	compare 2008/09
		-4.10	-8.77	-22.09	-21.95	compare to 2007/08
	-0.71	-4.78	-9.42	-22.65	-22.51	compare to 2006/07

- 7.4 Two other comparable markets have been researched; Birmingham Bullring and Bury.
- 7.5 The Birmingham Bullring markets are situated next to a very large shopping centre, The Bullring, which was developed by Hammerson and opened in 2004. There are 3 markets which operate in the city centre.
- The new Indoor Market Hall built by Hammerson and handed over to the Council in 2004, with 140 leased units selling meat, fish, fruit, veg, linens, clothing, confectionery. Rents are a flat rate of £32.50 per square foot regardless of zone or location.
 - The Rag Hall sells non-food, mainly clothes and textiles but also household goods, shoes and other non-food items. Although there are 350 stalls all areas are available to trade on a daily licence and casual pitches are available each trading day. There are no tenants on leases in this building. They allow traders to store their stock overnight and at weekends (storage charge applied) but in order to ensure a break in occupancy, necessary if traders are not to acquire Landlord and Tenant Act rights, they clear the hall every 6-8 weeks for a vintage fair. The market is apparently fully let, and

also has 17 perimeter shops, but the market itself is only open on Tuesday, Thursday, Friday and Saturday 9-5. Built in 2000, it is comparable to the Kirkgate Market 1976 Hall.

Daily charges are as follows:

	Inner Stall	Wall Stall
Daily (Minimum – Thursday)	£7.30	£11.50
Daily (Maximum – Saturday)	£17.80	£30.30

- The Open Market sits on the street immediately outside the Rag Market and adjacent to The Bullring. 130 stalls, mixed food and non-food trade 5 days per week, Tuesday to Saturday.
Daily charges are as follows:

	65 sq. ft. stall	100 sq. ft. stall	Small Catering Unit	Large Catering Unit
Daily (Minimum – Thursday)	£20.00	£30.00	£30.20	£45.20
Daily (Maximum – Saturday)	£32.50	£44.10	£45.00	£64.70

- The annual footfall is approximately 3,000,000 per annum.

7.6 The Bury Markets are situated in Bury town centre, next to the Metro bus/tram exchange, and adjacent to The Rock shopping centre. The market definitely benefits from this location. Most of the market was built in the early 1970s, with the exception of the meat and fish hall which is a fairly recent reconfiguration built at the same time as the adjacent shopping centre. There are 3 markets with 158 leasehold units and 206 daily licensed units. There are also a small number of additional trading opportunities on Wednesdays, Fridays and Saturdays on Market Parade:

- Bury Meat and Fish Hall is an indoor market and is the retailing anchor to Bury Market. It is built in an oval shape and constructed of steel and glass with large projecting canopies that afford a high degree of weather protection to shop units that form the perimeter of the building known as the Market Plaza. It is open every day (except Sundays and Tuesday afternoons). All units are leasehold. Rents are between £17.39 and £33.17 per square foot dependent on location.
- Bury Market Hall is an indoor market with café units that serve double sided onto the plaza and into the market hall. It is open every day (except Sundays and Tuesday afternoons). All units are

leasehold.

Rents are between £17.39 and £33.17 per square foot dependent on location.

- Bury Covered Daily Market has a mixture of leasehold and daily licenced units. It is open on Wednesdays, Fridays and Saturdays. Leasehold rents are between £17.39 and £33.17 per square foot dependent on location.

Daily licenced charges for 3 day traders are as follows:

	Minimum (Inner Aisle Stall)	Maximum (End Food Unit)
Daily (All days)	£17.80	£53.40
Weekly	£53.40	£162.30

Daily charges for 1 or 2 day traders are as follows:

	Minimum (Inner Aisle Stall)	Maximum (End Food Unit)
Daily (All days)	£20.80	£57.10
Weekly	£62.40	£171.30

- The annual footfall is approximately 13,000,000 per annum.

7.7 From the above base data the following observations / conclusions can be made:

- Leasehold rents – The maximum rent per square foot at Birmingham Bullring is £32.50 per square foot, which includes fully customised chilled food units. The maximum rent per square foot at Bury Market is £33.17 per square foot.
- Both Birmingham Bullring and Bury Markets have substantial daily licenced markets, larger in fact than their leasehold markets. Furthermore, the charges for the daily licensed stalls exceed in most cases the charges for the leasehold stalls. For example, for a 100 square foot unit a leasehold rent of £17.39 per square foot equates to £33.44 a week and £33.17 per square foot equates to £63.79 per week. Daily licensed stalls (100 square feet) are charged at between £17.80 and £64.70 a day. At Leeds Kirkgate Market, the 1976 Hall in particular could benefit from this approach, due to the high level of vacancies and poor layout. Therefore, Element 8 – Layout, will assume that the stalls in the 1976 Hall (below the entrance between New York and Westminster Buildings) are demolished, including the plinths and replaced with new daily licenced stalls, to a new layout, so that the investment case can test this approach. The average existing leasehold rent in the 1976 hall is £34 per square foot which equates to £27 per

week. A daily licensed stall would be charged at £100 - £105 per week (note: this includes for service charge costs which are charged separately to leasehold tenants).

- Although there is a correlation between the drop in footfall and the drop in the overall operating surplus at Leeds Kirkgate Market between 2006 and 2012, rent levels have remained the same since 2005. The conclusion therefore is that the correlation is actually between footfall and the number of vacant stalls.
- Rent levels in the 1904 and 1875 Halls at Leeds are higher than both Birmingham Bullring and Bury Markets, whilst rent levels for the 1976, 1981 Halls George Street are comparable to Birmingham Bullring and Bury Markets. Therefore, there is little scope for rental increases, other than inflationary, without significant development works being undertaken. Significant development works are not proposed in the 1904 and 1875 Halls and only demolition and new build of the 1976 Hall, 1981 Hall or George Street shops will provide an opportunity for rent increases in these areas. However, there will be some scope to increase rents in each of the Halls to the same level.

7.8 In 2012/13 the overall operating surplus is projected at £1.4m.

8.0 CAPITAL COSTS

8.1 The estimated capital costs for each of the Elements are as follows, i.e. construction costs, professional fees, planning fees and surveys and investigations:

Element	Capital Costs
Element 1 - Fixing the Basics (includes recovering of the 1976 and 1981 Hall roofs)	£5,300,000
Element 2 - Replacing the Roof of the 1976 and 1981 Halls	£1,900,000
Element 3 - Heating and Cooling	£2,200,000
Element 4 - Finding Your Way Around	£310,000
Element 5 - Creating Zones	
a) Relocate butchery only	£1,440,000
b) Relocate fish, game and butchery	£2,460,000
Element 6 - Creating a Heart	£250,000
Element 7 - Creating a New Route Through the Market	£150,000

Element 8 - Layout	£2,000,000
Element 9 - Improving the Look and Feel of the Market	£2,000,000
Element 10 - Reducing the Size	
a) Cut back some bays on the 1976 and 1981 halls	£7,600,000
b) Demolish the 1976 and 1981 halls and rebuild	£15,100,000
Element 11 - Improving George Street	
a) 1930's shops	£3,460,000
b) 1930's shops and 1980's shops / offices	£4,900,000
Element 12 - Improving Public External Spaces (redevelopment of the open market only)	£1,500,000

Note: The above capital costs assume that each element is delivered independently. Therefore, any proposal going forward cannot be costed by simply adding up the individual elements above, as combined Elements will provide economies.

9.0 DECANT STRATEGIES

- 9.1 To be able to estimate compensation costs and changes in revenue streams during and post development, decant strategies for each of the Elements have been estimated. These are indicative only and are therefore subject to change when further work is approved and more detail is available.

10.0 COMPENSATION

- 10.1 The estimated compensation costs for each of the Elements have been calculated based on the indicative decant strategies. Compensation costs are based on the statutory levels.

11.0 REVENUE STREAMS (DURING DEVELOPMENT)

- 11.1 The estimated revenue losses during development for each of the Elements have been calculated based on the indicative decant strategies. These include rent losses / reductions due to relocation, or termination of leases or licences, appropriate financial packages offered to tenants due to blight issues or relocations and any effect on the open market.
- 11.2 Account has also been taken of prudential borrowing costs.

12.0 REVENUE STREAMS (POST DEVELOPMENT)

- 12.1 The estimated revenue increases post development for each of the Elements have been calculated based on forecasted future rent and occupation levels once any redevelopment and refurbishment works have been undertaken.
- 12.2 Account has also been taken of prudential borrowing costs and lifecycle costs during the period of borrowing.

13.0 OPPORTUNITIES

- 13.1 There is an opportunity to create further income by redeveloping George Street to create double-sided retail units with several floors of accommodation above. Therefore, it has significant potential to attract external investment. The costs / revenue streams calculated for Element 11 – Improving George Street take account of this opportunity.
- 13.2 There is an opportunity for a capital receipt if Element 10 – Reducing the Size is implemented as the open market could be relocated further up the site and the land made available released. However, this report has not taken account of such due to the present uncertain market conditions.

14.0 INVESTMENT CASE

- 14.1 A summary of the financial model for each of the elements (excluding Element 11) is attached in Appendix B.

15.0 CONCLUSIONS

- 15.1 Element 1 – Fixing the Basics. The investment case and the stage 2 engagement feedback support the implementation of Element 1. This Element reflects the minimum works that need to be undertaken to ensure the market buildings and stalls continue to comply with health & safety legislation, are well maintained and efficient to run. These are also the works recommended by the most recent condition surveys and are essential to ensure that the market income does not continue to decline, and buildings cost more to upkeep, as a consequence of under investment. This element includes replacing the roof covering, which will last approximately 15 years.
Recommended for implementation.
- 15.2 Element 2 - Replacing the Roof of the 1976 and 1981 Halls. The stage 2 engagement feedback supports the implementation of Element 2, but the investment case does not, because of the high capital costs required to remove the roof structure and coverings. Element 1 – Fixing the Basics includes for replacing the roof covering, which will last approximately 15 years.
Not recommended for implementation.
- 15.3 Element 3 - Heating and Cooling. The stage 2 engagement feedback supports the implementation of Element 3, but the investment case does not because of the high capital costs required and the running costs for such a large building for comparatively little change to the ambient temperature. It should be noted that improvements to the

ventilation system in the 1904 and 1875 buildings are being carried out as part of the £400k capital works previously approved.

Not recommended for implementation.

- 15.4 Element 4 - Finding Your Way Around. The investment case does not support the implementation of Element 4 but the stage 2 engagement feedback does. However, the capital costs of this element are low and the works will significantly improve the customer experience, leading to more repeat visits, which in turn sustains the businesses trading in the market. It is also required to support the implementation of the other Elements, in particular Element 8 – Layout.

Recommended for implementation.

- 15.5 Element 5 - Creating Zones. The investment case and the stage 2 engagement feedback support the implementation of Element 5. Zones create a 'destination' to draw customers into the market, particularly important due to the nearby Eastgate Quarters development. Research shows that combining Fish & Game and Butchers into one location has been successfully used at other markets, e.g. Bury and Birmingham Bullring. Element 11 – Improving George Street requires the demolition of the existing Butchers Row. As Element 8 – Layout is also recommended Element 5a - Relocate butchery only is recommended.

Recommended for implementation.

- 15.6 Element 6 - Creating a Heart. The investment case and the stage 2 engagement feedback support the implementation of Element 6. Having events, activities and displays will attract new customers and makes a visit to the market more interesting, therefore more frequent, and attracts a wider audience, who usually stay longer in the market as a result and therefore spend more money in the businesses there. Having one central location makes it easy to describe where events are taking place and performers and exhibitors naturally begin to think of the market as a venue. Flexible trading space allows short, specialist events or to trial new concepts to improve the offer. Not having a dedicated space severely limits the range and size of events and promotions that can be held in the market to draw in and retain customers. It is also required to support the implementation of the other Elements, in particular Element 8 – Layout.

Recommended for implementation.

- 15.7 Element 7 - Creating a New Route Through the Market. Although the stage 2 engagement feedback does not support Element 7, the investment case does and the capital cost is comparatively small for the benefits it will achieve. This would be a clearly defined route which could double up as a flexible activity, trading or performance space and will make it easier to navigate the market; it will also properly connect Kirkgate, the Corn Exchange and the independent shops within the new Eastgate Quarters shopping development. Not having this route means customers from Eastgate Quarters and the newly improved Kirkgate may walk around the market rather than through it which is a lost opportunity for traders. It is also required to support the

implementation of the other Elements, in particular Element 8 – Layout.
Recommended for implementation.

- 15.8 Element 8 – Layout. . The investment case and the stage 2 engagement feedback support the implementation of Element 8. In fact the investment case is very strong. Both Birmingham Bullring and Bury Markets, both successful markets, have substantial covered daily licenced markets, larger in fact than their leasehold markets. Furthermore, the charges for the daily licensed stalls exceed in most cases the charges for the leasehold stalls. This offer is missing completely from Kirkgate Market, therefore, it is proposed that a covered daily licenced market would be an ideal use for the existing 1976 hall (below Post Office entrance).

Recommended for implementation.

- 15.9 Element 9 - Improving the Look and Feel of the Market. The investment case does not support the implementation of Element 9, but the stage 2 engagement feedback does. However, this element is about creating a clean, bright, welcoming space with easily legible signage and a more uniform appearance without losing the diversity and individuality of stalls. If not implemented it could undermine the redevelopment and refurbishment proposals as a whole and therefore is required to support the implementation of the other Elements.

Recommended for implementation.

- 15.10 Element 10 – Reducing the Size. Element 10 is not supported by the investment case or the stage 2 engagement feedback. Executive Board in February 2012 agreed in principle, to reduce the market by 25%. The feasibility study and investment case have explored the feasibility of reducing the market by 25% through demolition of part of the 1976 and 1981 halls or a modern extension to replace the 1976 and 1981. The feasibility study confirms that this is technically possible, but would cause significant disruption to Kirkgate Market over a long period and would be very costly. The high capital costs mean that the investment case does not support the implementation of Element 10. However, Elements 6, 7 and 8 will significantly improve the layout, legibility and attractiveness of the market therefore reducing vacancies and eliminating the requirement to reduce the size of the market.

Not recommended for implementation.

- 15.11 Element 11 - Improving George Street is not supported by the investment case but is supported by the stage 2 engagement feedback. The investment case is not viable due to the existing rental income and the modest potential to increase future rents. However, there is an opportunity to create further income by redeveloping George Street to create double-sided retail units which face onto George Street and also into the market, with several floors of accommodation above. Therefore, as it has significant potential to attract external investment it is proposed that Element 11 is implemented as a separate project and developed out and funded by a developer through a procurement exercise.

Furthermore, as the creation of public realm in lieu of the 1980's shops / offices is not supported by the investment case it is proposed that Improving George Street is extended to take in redevelopment of the 1980's shops / offices (Element 11b)

With the significant developments across the road in the form of the Eastgate Quarters development, Kirkgate Market needs a 'new front door' on the George Street frontage to welcome the many millions more shoppers who will be shopping in this quarter of the city. The 1930s shops and the 1980's shops / offices are outdated and out of proportion with the scale of the adjacent Grade 1 listed market buildings and investment here will help ensure that George Street becomes a quality shopping street rather than a 'blank' frontage.

Recommended for implementation.

- 15.12 Element 12 - Improving Public External Spaces. The investment case does not support the implementation of Element 12, but the stage 2 engagement feedback does. Therefore, Element 12b - Improving Public External Spaces (Redevelopment of the open market only) is recommended for implementation as the demolition of the 1980's shops / offices is not viable but some redevelopment to the open market is required to improve the public realm and also to improve servicing of the market. This redevelopment would focus on improvements to open up the open market's frontage to the new Eastgate Quarters and John Lewis store which is to be built directly opposite. Improvements to loading and servicing arrangements would be incorporated. Failure to address this will result in lost opportunity to attract customers leaving the John Lewis store and potential for congestion on George Street.

Recommended for implementation.

16.0 RECOMMENDATIONS

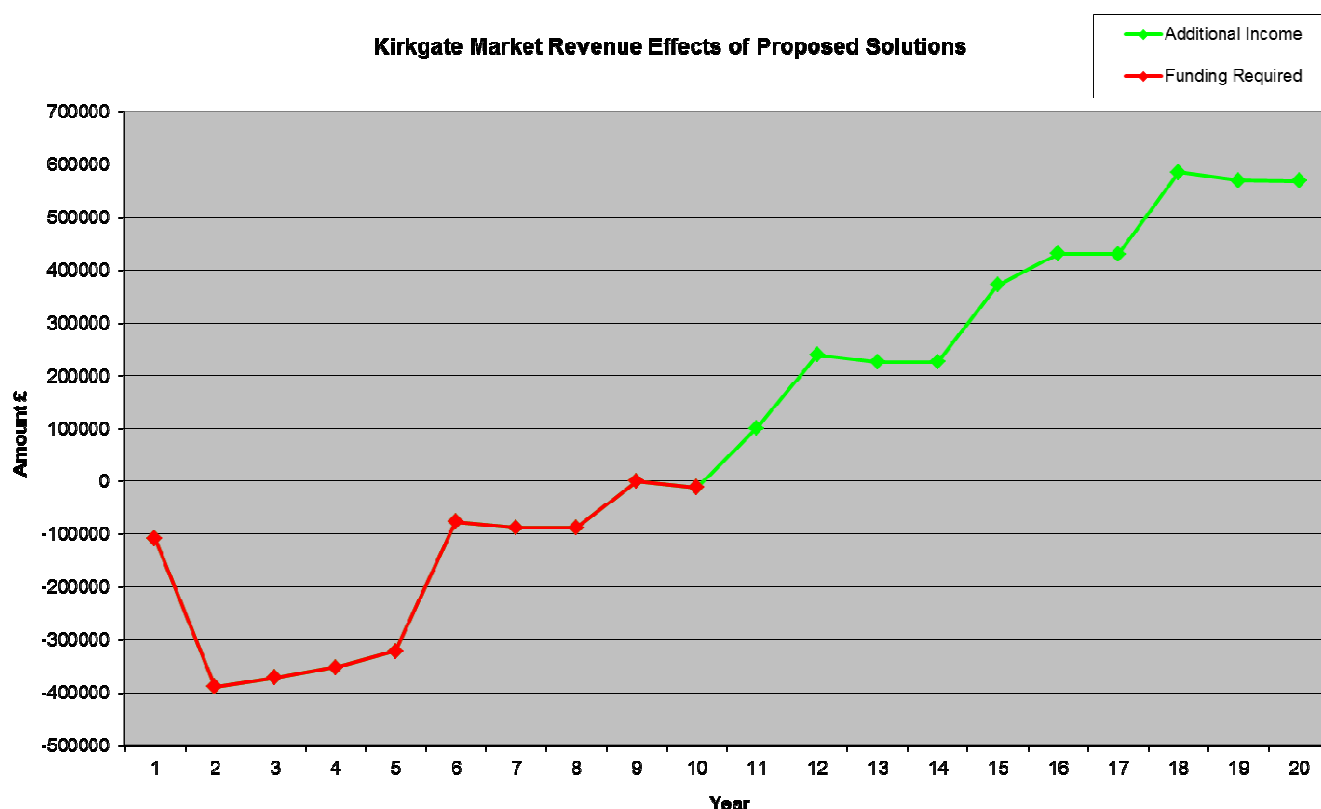
- 16.1 The following should be implemented:

- Element 1 - Fixing the Basics (includes recovering of the 1976 and 1981 Hall roofs)
- Element 4 - Finding Your Way Around
- Element 5 - Creating Zones
- Element 6 - Creating a Heart
- Element 7 - Creating a New Route Through the Market
- Element 8 - Layout
- Element 9 - Improving the Look and Feel of the Market
- Element 12 - Improving Public External Spaces

- 16.2 A capital budget of circa £12.3m, which includes compensation costs, is recommended to implement the above redevelopment and refurbishment proposals (excluding "Improving George Street"). Prudential borrowing would finance the proposals and the proposed £300k will be incorporated into the fees for the project to support additional promotions and awareness throughout years 1 to 4. The cost

of this will be met from the £500k additional base budget provision made available in 2012/13, apart from years 2 to 6 when the markets surplus will be required to finance the borrowing

- 16.3 During the development stage, years 2 to 6, additional market surplus will be required to finance the borrowing and the revenue implications of the development. The summary position is that the cost of borrowing, combined with the impact on income during development, offset by the predicted increase in income post-development, is that the Council faces a likely budget issue in years 2-6 of the development when costs exceed the £500k already ringfenced to service borrowing costs. This is cumulatively c. £1.5m over that period. However, an uplift in the economy combined with the completed Eastgate Quarters and John Lewis store adjacent to the Market should ensure that income increases enough to achieve a breakeven position by year 6.
- 16.4 Prudential borrowing will be at the most favourable rate available. Periods of borrowing reflect each individual element and its expected life, so that the term will vary between 10 and 30 years depending on the nature of works.
- 16.5 The cost profile is as set out below:



Construction costs

£12,300,000

Capital Required	£12,300,000
Additional revenue requirements	
Year 1	£0
Year 2	£108,000
Year 3	£389,000
Year 4	£372,000
Year 5	£352,000
Year 6	£322,000
Year 7	£77,000
Year 8	£88,000
Year 9	£88,000
Year 10	£0
Total	£1,796,000

- 16.6 A summary of the financial model for the recommended redevelopment and refurbishment proposals (excluding "Improving George Street") is attached in Appendix C.
- 16.7 Element 11 - Improving George Street should be implemented as a separate project which is brought forward by a developer through a procurement exercise. It is likely that some subsidy from the Council will initially be required. This should be funded separately from the main Markets scheme. Further work is required to finalise the investment case for this development during the next stage of the project, if approved.
- 16.8 There is a risk that Element 11 - Improving George Street relies on its attractiveness to developers, market conditions may change to make it unattractive leaving the Council at risk of delivering the development. However, the importance of this Element particularly in terms of the improved potential to attract new customers from Eastgate Quarters both reduces the probability of this scenario and increases the imperative to undertake it, therefore on balance the risk is considered worth taking.

17.0 APPENDICES

APPENDIX A – THE 12 ELEMENTS

Element 1 - Fixing the Basics

- Recent condition surveys of the building show that, whilst the building meets current health and safety requirements there is the need to undertake a comprehensive upgrade of things like the fire sprinkler system, mechanical and electrical systems, lighting, drainage, etc. in the near future. Upgrades are also required to services within each of the stalls so that everyone is operating to the same standard. This Element reflects the minimum works that need to be undertaken to ensure the market buildings and stalls continue to comply with health & safety legislation, are well maintained and efficient to run and are essential to ensure that the market income does not continue to decline, and buildings cost more to upkeep, as a consequence of under investment. This element includes replacing the roof covering, which will last approximately 15 years. The roof covering would be stripped off and replaced with a modern material.

Element 2 - Replacing the Roof of the 1976 and 1981 Halls

- Although Fixing the Basics includes for replacing the roof finish, this element goes one step further by removing the roof decking and roof coverings and replacing with modern materials, This would require some structural works and asbestos removal and therefore the areas below the works would need to be cleared whilst the works were ongoing, causing significant disruption to the 1976 and 1981 halls.

Element 3 - Heating and Cooling

- Because of the size of the building and the number of entrances (16) it is difficult to retain a constant, comfortable temperature in the market without a system to control it. Existing ventilation needs restoring or repairing to ensure odours and excessive heat can escape. Introducing a heating and cooling system throughout the market, combined with improvements to the existing ventilation system will resolve these issues.

Element 4 - Finding Your Way Around

- Introducing a range of things like display screens to advertise events, offers and activities, re-naming the different areas of the market, providing 'you are here' maps at the entrances and using colours and designs to link areas together or make them easier to find.

Element 5 - Creating Zones

- Combine the existing fish, game and butchery into one location by:
 - a) Bringing the butchers over to the existing fish and game location, or;

b) Relocating both into a purpose built new or refurbished area.

- This approach could also work for fruit, veg and flowers, or world foods, or 'food to go', but are not considered in this report as fish, game and butchery are the priority.
- Creating other 'magnets', e.g. specialist or niche retailers not found in the city centre, regional independent stores, a drop in zone for young people etc. can be provided without significant investment and therefore are not considered in this report.

Element 6 - Creating a Heart

- Create a new central events, performance and display area by reconfiguring some of the market stalls. This area can also be used for additional temporary 'pop-up' trading in a clearly defined, centrally located area.

Element 7 - Creating a New Route Through the Market

- Create new pedestrian routes linking the George Street, New York Street and Vicar Lane entrances to improve penetration into and around the market, by marking out on the ground, with some reconfiguration of the market stalls.

Element 8 - Layout

- Reconfiguration of market stalls to improve sightlines, increase the space between stalls and make the layout more logical including replacing some stalls with new ones, and refurbishing others.
- Both Birmingham Bullring and Bury Markets, both successful markets, have substantial covered daily licenced markets, larger in fact than their leasehold markets. Furthermore, the charges for the daily licensed stalls exceed in most cases the charges for the leasehold stalls. This offer is missing completely from Kirkgate Market, therefore, this element concentrates on creating a covered daily licenced market in the existing 1976 hall (below Post Office entrance).

Element 9 - Improving the Look and Feel of the Market

- This element builds on element 1, Fixing the Basics, to include some refurbishment works such as refurbishing the toilets, replacing floor finishes, redecorations, a new lighting scheme, standardising and improving stall signs, better signage on the existing entrances etc. to create a clean, bright, welcoming space with easily legible signage and a more uniform appearance without losing the diversity and individuality of stalls.

Element 10 - Reducing the Size

- Reducing the size by:
 - a) Cutting back some bays on the 1976 and 1981 halls, or;
 - b) Demolishing the 1976 and 1981 halls and rebuild something smaller.

Element 11 - Improving George Street

- a) Demolish the single storey 1930's building and replace with a new building that complements the historic market building and creates double-sided retail units which face onto George Street and also into the market, with several floors of accommodation above.
- b) The loss of the 1980's shops / offices is not be sustainable therefore the option of extending Improving George Street to take in redevelopment of the 1980's shops / offices will be appraised.

Element 12 - Improving Public External Spaces

- The loss of the 1980's shops / offices is not be sustainable therefore an option that concentrates only on redevelopment of the open market, to improve the public realm and also to improve loading and servicing arrangements to the market will be appraised.

APPENDIX B – SUMMARY ELEMENT FINANCIAL MODELS

<u>Element 1</u>	Year 1 £000's	Year 2 £000's	Year 3 £000's	Year 4 £000's	Year 5 £000's	Year 6- 30 £000's	Total £000's
Capital Expenditure	2,676	2,592	0	0	0	0	5,268
Revenue: Expenditure	217	342	446	449	453	15,625	17,532
Income	-49	-49	-101	-124	-147	21,898	22,368
Net Revenue Costs	168	293	345	325	306	-6,273	-4,836

<u>Element 2</u>	Year 1 £000's	Year 2 £000's	Year 3 £000's	Year 4 £000's	Year 5 £000's	Year 6- 30 £000's	Total £000's
Capital Expenditure	1,744	517					2,261
Revenue: Expenditure	197	120	116	116	116	5,361	6,026
Income	0	0	0	0	0	0	0
Net Revenue Costs	197	120	116	116	116	5,361	6,026

<u>Element 3</u>	Year 1 £000's	Year 2 £000's	Year 3 £000's	Year 4 £000's	Year 5 £000's	Year 6- 30 £000's	Total £000's
Capital Expenditure	2,151						2,151
Revenue: Expenditure	178	156	156	156	156	3,907	4,709
Income	0	0	0	0	0	0	0
Net Revenue Costs	178	156	156	156	156	3,907	4,709

<u>Element 4</u>	Year 1 £000's	Year 2 £000's	Year 3 £000's	Year 4 £000's	Year 5 £000's	Year 6- 10 £000's	Total £000's
Capital Expenditure	306						306
Revenue: Expenditure Income	35	42	42	42	42	207	410 0
Net Revenue Costs	35	42	42	42	42	207	410

<u>Element 5a</u>	Year 1 £000's	Year 2 £000's	Year 3 £000's	Year 4 £000's	Year 5 £000's	Year 6- 30 £000's	Total £000's
Capital Expenditure	1,563						1,563
Revenue: Expenditure Income	120 -10	135 -69	135 -73	135 -73	135 -99	3,378 -5,460	4,038 -5,784
Net Revenue Costs	110	66	62	62	36	-2,082	-1,746

<u>Element 5b</u>	Year 1 £000's	Year 2 £000's	Year 3 £000's	Year 4 £000's	Year 5 £000's	Year 6- 30 £000's	Total £000's
Capital Expenditure	2,562						2,562
Revenue: Expenditure Income	133 -10	189 -63	189 -71	189 -71	189 -90	4,728 -6,350	5,617 -6,655
Net Revenue Costs	123	126	118	118	99	-1,622	-1,038

<u>Element 6</u>	Year 1 £000's	Year 2 £000's	Year 3 £000's	Year 4 £000's	Year 5 £000's	Year 6- 25 £000's	Total £000's
Capital Expenditure	294						294
Revenue: Expenditure	35	39	39	40	40	809	1,002
Income	0	-12	-34	-34	-34	-1,678	-1,792
Net Revenue Costs	35	27	5	6	6	-869	-790

<u>Element 7</u>	Year 1 £000's	Year 2 £000's	Year 3 £000's	Year 4 £000's	Year 5 £000's	Year 6- 25 £000's	Total £000's
Capital Expenditure	161						161
Revenue: Expenditure	8	12	12	12	12	252	308
Income	0	0	-13	-13	-13	-339	-378
Net Revenue Costs	8	12	-1	-1	-1	-87	-70

<u>Element 8</u>	Year 1 £000's	Year 2 £000's	Year 3 £000's	Year 4 £000's	Year 5 £000's	Year 6- 25 £000's	Total £000's
Capital Expenditure	2,142						2,142
Revenue: Expenditure	176	222	222	222	222	4,666	5,730
Income	0	-192	-192	-192	-192	-6,883	-7,651
Net Revenue Costs	176	30	30	30	30	-2,217	-1,921

<u>Element 9</u>	Year 1 £000's	Year 2 £000's	Year 3 £000's	Year 4 £000's	Year 5 £000's	Year 6- 25 £000's	Total £000's
Capital Expenditure	2,015						2,015
Revenue:							
Expenditure	195	167	172	176	180	8,036	8,926
Income	-49	-49	-77	-77	-77	-2,602	-2,931
Net Revenue Costs	146	118	95	99	103	5,434	5,995

<u>Element 10a</u>	Year 1 £000's	Year 2 £000's	Year 3 £000's	Year 4 £000's	Year 5 £000's	Year 6- 30 £000's	Total £000's
Capital Expenditure	8,200						8,200
Revenue:							
Expenditure	782	823	797	798	800	21,855	25,855
Income	0	-18	-77	-77	-180	-	-
						11,671	12,023
Net Revenue Costs	782	805	720	721	620	10,184	13,832

<u>Element 10b</u>	Year 1 £000's	Year 2 £000's	Year 3 £000's	Year 4 £000's	Year 5 £000's	Year 6- 30 £000's	Total £000's
Capital Expenditure	11,407	5,497					16,904
Revenue:							
Expenditure	1,373	1,449	1,429	1,430	1,430	37,664	44,775
Income	0	-18	-163	-163	-199	-	-
						12,406	12,949
Net Revenue Costs	1,373	1,431	1,266	1,267	1,231	25,258	31,826

<u>Element 12</u>	Year 1 £000's	Year 2 £000's	Year 3 £000's	Year 4 £000's	Year 5 £000's	Year 6- 25 £000's	Total £000's
Capital Expenditure	1,477						1,477
Revenue: Expenditure Income	135 0	116 -10	116 -10	116 -10	116 -10	2,311 -245	2,910 -285
Net Revenue Costs	135	106	106	106	106	2,066	2,625

APPENDIX C – SUMMARY RECOMMENDATION FINANCIAL MODEL

<u>Recommendation</u>	Year 1 £000's	Year 2 £000's	Year 3 £000's	Year 4 £000's	Year 5 £000's	Year 6- 25 £000's	Total £000's
Capital Expenditure	7,150	5,150					12,300
Revenue: Expenditure	536	860	1,088	1,091	1,095	24,001	28,671
Income	-49	-92	-335	-359	-393	-	-
						31,304	32,532
Net Revenue Costs	487	768	753	732	702	-7,303	-3,861