Evidence submitted to Sustainable Economy and Culture Scrutiny Board regarding the Kirkgate Market Call-in. 3rd April 2013.

Executive Summary (please see below for more detailed evidence)

Lacks financial rigour and is highly risky
The £12.3 proposed figure is actually a loan based on prudential borrowing and "additional market surplus will be required to finance the borrowing". The repayment of this loan hinges on: higher rents, the success of a proposed "daily open market" (there is no evidence of demand) an uplift in the economy combined with the completed Eastgate Quarters, both strategies out of control of the Council.

Catastrophic impact on traders and therefore on customers
A majority of traders will be served eviction notices to either vacate the 1976 Hall or for the new "zones". There is no assessment of the impact of job losses in the Market. Family and local businesses, by their nature cannot simply be transplanted or replicated elsewhere. Traders will lose their "right of assignment" (the right to sell their businesses) These will be replaced by 5-year leases which have few rights attached. It has not been possible for traders or members of the public to get any detailed answers on strategies for 'decanting and relocating' traders during redevelopment.

Higher rents displacing traders and compromising affordability
This redevelopment will lead to higher rents as clearly outlined in the various documents. Leeds Kirkgate Market rents are already the highest in Northern England. Traders who survive the difficult and disruptive transition process will have to pass on the cost of higher rents in higher prices to customers. A "redeveloped" Kirkgate Market is going to be aimed at more "upmarket" type traders and customers with the danger of displacing those people that need the Market most in times of austerity.

Social Function of the Market jeopardised
The council is missing an opportunity to think about the Market as a "community hub", which can help the council deliver its stated vision and responsibility for a fairer, more sustainable and diverse city. 20% of the population of Leeds live in some of the most deprived areas in England. These include many of the inner city areas surrounding the market from which many of the Market customers come from. These are people who are already experiencing serious reductions in income as a result of cuts in welfare, job losses and rising fuel costs. It is more important than ever that the Market remains a place for people to access low priced fresh food.

Does not solve the broken relations between traders and management
Despite poor management being identified in the public consultation as being a significant factor in the problems faced by the market, there is a complete lack of any critical analysis of the current management and how this has contributed to the state of the market. Traders will see as an injustice the fact that many of them will lose their livelihoods while "the existing Management team would remain"

Does not reflect the views expressed by the public and traders.
There has been a failure of the consultation to engage traders, to listen to their fears, and reflect the way that changes could affect these key stakeholders.

Lack of financial rigour

The £12.3 proposed figure is actually a loan based on prudential borrowing and "additional market surplus will be required to finance the borrowing" (Investment Case para 16.3). The repayment of this loan hinges on:

1) the success of a proposed "daily open market" which the plan envisages as a quality niche ("foodie" "fashion") market but for which we have not seen evidence that there is a demand
2) "uplift in the economy combined with the completed Eastgate Quarters" (Investment Case para 16.3) both strategies highly risky and out of control of the Council and for which there does not seem to be a Plan B as admitted by the council when questioned from traders at a recent meeting (5th March 2013). and
3) Higher rents (see below).

In addition, if as proposed the traders in the 1976 Hall are evicted this removes the £460,000 guaranteed income from the permanent traders on the risk that "daily" traders will deliver equivalent or income. The plan B is that if the daily trader proposal did not work then the permanent traders would be invited back. This has been tried before (Corn Exchange), but once traders have been evicted they tend to be disenfranchised and cannot be encouraged to return.

No proper "economic case" has been developed for the redevelopment proposals. The "opportunity costs" have not been identified and therefore it is not clear what could be potentially lost by doing this redevelopment: how many job losses, will it displace a particular type of trader and customer, how much income will be lost, etc.

The assumptions and sources of the information in the investment case are not referenced in the document so it is difficult to assess the robustness and validity of the calculations.

The crucial element of evaluating costs and benefits over time is the 'discount rate' but as the investment case makes no reference to this it can only be assumed that this was not performed. If so, then the net benefit of every option is over-stated making the investment case look more favourable than it is in reality. For example, discounting the figures for element 8 at the HM Treasury discount rate of 3.5% would reduce the surplus by £800k from £1.9m to £1.1m.

None of the calculations appear to be tested for changes in the underlying assumptions. Why are officers so confident that their assumptions are right? It is conventional practice to run the calculations using different values for the assumptions so that decision makers know that options are still viable even if the assumptions were for example overly optimistic. For example, the most important redevelopment option – the displacement of 1976 traders and the establishment of a new daily covered Market - is based on the very optimistic scenario of many new traders prepared to pay higher rents than in the outdoor Market.

The Council acknowledges that private developers may not be interested in the George Street development, leaving the Council to deliver the development. (Report to Executive Board, 3.21)

Negative impact on Traders.

Evictions and loss of livelihoods:
The redevelopment will mean that a large majority of traders will be served with eviction notices to either vacate the 1976 Hall or create new "zones" indoor. The proposals also suggest that outdoor traders will be affected with a new layout that will allow different "size options" (NPS Feasibility Study, p.8). When we asked Coun Richard Lewis specifically whether the outdoor market will be reduced in size and if so how many stalls will go and how many will remain he replied that: "This will be clearer as detailed designs emerge at RIBA Stage D"; so there seems to be no proper consideration of this important issue at this stage. All in all thousands of traders, their families and businesses that are linked to the Market will be affected creating enormous disruption. Customers will be put off by the general upheaval and other changes.

The reports clearly accept that for many traders this redevelopment "may mean that termination of their agreement is the most appropriate option" (Report to Exec Board, para 5.3) but there is no assessment of how many and what will the wider impact be. The Eastgate development has been "justified" by LCC because the number of jobs that it will create but there is a counter argument that needs to consider: how many jobs will also be lost in other quarters with this redevelopment?

A new "daily covered market" is proposed but how will this affect the existing outdoor market if some of the envisaged new stalls cover similar produce? Is there demand for so many daily traders? It could be argued that this would mean the end of the existing outdoor Market something already proposed by the infamous "Quarterbridge report".

The redevelopment has a hidden policy to change the type of traders that currently work at the Market. The "investment case" sets out that the proposed daily covered market will "attract different traders, rather than drawing from either the existing indoor or outdoor market" (paragraph 5.10). In other background documents an "improvement" in the "tenant mix" is suggested (NPS Feasibility report, p. 33) by bringing new traders.

Despite these serious consequences there is no assessment anywhere in the documentation of the impact of job losses in the Market despite their very precious and fragile nature as family and local businesses which would be impossible to replicate elsewhere.

Re-organisation of stalls:
The available material does not make clear how traders will take up the new stalls in either of the halls. Traders who have to move will have to give up their current tenancies and rights and apply for new, reduced leases. Nothing is said about the process of application and what objective criteria the management will use to "select" those for the fewer stalls in the redesigned zones. Existing traders who reapply for stalls in other areas of the market have no guarantee of remaining in the market.

Tenant rights
Traders have been advised that the redevelopment will see traders losing their "right of assignment" (right to pass or sell their business) and instead replaced by 5 year leases. It could be argued that the

redevelopment is being used as a way to "downgrading" tenants' rights in the future compared to current rights.

Temporary decanting strategies

There is no information whatsoever in the documents published so far on strategies for "decanting" and relocating traders while the redevelopment takes place.

Higher rents leading to displacement of traders and customers

Higher rents

This redevelopment will lead to higher rents as it is clearly outlined in the various documents. Indeed, as stated in the Investment Case, the major changes in some areas of the Market "will provide an opportunity for rent increases" but even where there will be no changes "there will be some scope to increase rents in each of the Halls to the same level" (para 7.7). This is despite the fact that that Leeds Kirkgate Market rents are already higher than in comparable Markets in the UK and the highest in Northern England (Valuation Report Kirkgate Market Leeds John Murray MRICS Principal Surveyor, January 2010)

Affordability of produce at risk

These even higher rents will impact negatively on traders after a long period of readjustment and relocation. Those traders who have survived the difficult transition process, including re-location will have to pass their cost of higher rents into higher prices to customers. This will have a significant impact on the affordability element of the market and therefore negatively affect those customers on low incomes that depend most on the Market.

A strategy to going "upmarket" / gentrify

A "redeveloped" Kirkgate Market is going to be aimed at more "upmarket" type traders and customers. The investment case clearly says that stalls at the proposed daily covered market "can be let at a premium" (Investment Case paragraph 5.10) and the George Street area (i.e. butchers Row and below) will be completely remodelled and turned into a "quality shopping street" to reflect the luxury shopping area of the Eastgate Quarter. Constant references are made to how the Market needs to adapt to the new retail environment created by the Trinity and Eastgate developments. Higher rents mean higher prices, producing effectively a new and different kind of 'up market' market. How does this square with the Council's commitment to a socially inclusive city?

20% of the population of Leeds live in some of the most deprived areas in England. These include many of the inner city areas surrounding the market from which many of the Market customers come from. These are people who are already experiencing serious reductions in income as a result of cuts in welfare, job losses and rising fuel costs. It is more important than ever that the Market remains a place for people to access low priced fresh food.

Therefore, the redevelopment project will have the consequence of *displacing* existing traders and customers and *replacing* them by wealthier traders and customers. In the background documents there is a continuous reference of the need of the Market to "appeal to a wider demographic" (NPS feasibility study, p. 7 or p.33), surely another word for wealthier customers. One customer group will increase at the expense of the other, rather than attempting to build on the current mix and diversity of the customer base. We all accept that the Market needs higher footfall but why does it need to attract wealthier customers? Why not concentrate and build on the existing diverse customer base?

Unresolved management problems

Despite poor management being identified by members of the public and traders in the consultation process as being a significant factor in the problems faced by the market, there is a complete lack of any critical analysis of the current management arrangement and how this has contributed to the current state of the market.

The issue of management was identified and discussed by Traders at length during a six month Scrutiny Inquiry into the market and yet there is no discussion or proposals for how to tackle the mistrust that exists on the part of the traders towards the current management team. There can be no more important time to rectify this central issue than now, before embarking on a an enormous redevelopment scheme.

The NPS Feasibility study displays a negative attitude towards traders blaming them for poor quality of offer, displays or image but it never looks into what is the Management's role in this.

The reports propose a "board of management" with trader representation and external expertise but this board will be presented with a plan for redevelopment rather than have a say on it.

Traders will see as an injustice the fact that many of them will lose their livelihoods while "the Management team" - identified by the public, traders and a Council Inquiry as partly responsible for the decline which has presided over a slump from a peak operating surplus of £2.4m in 2006/7 to the current £1.4m (2.3)- "would remain." (Appendix A of Kirkgate Market Management Options Appraisal page 11).

Lack of any consideration or awareness of the essential "social function" of the Market.

The council is missing an opportunity to think about the Market as a "community hub", which can help the council deliver its stated vision for a fairer, more sustainable and diverse city. More than just a business, Kirkgate Market is "community space" which provides an opportunity for Leeds City Council to reach hundreds of thousands of vulnerable people particularly at a time of general recession, austerity and on-going benefit cuts. 20% of the population of Leeds live in some of the most deprived areas in England. These include many of the inner city areas surrounding the market from which many of the Market customers come from. Instead of this, the whole approach of the feasibility study leading to this proposed redevelopment has been to see the Market as a building.

The investment case has not considered the proposed 12 elements against their social impact and impact on those more vulnerable customers and traders. (see Appendix A page 12). The council has only considered a "financial case" based on profitability but not an "economic case" based on the wider impact of this redevelopment in the wider community.

Even if an implicit appraisal has been performed, the fact that the commitment to protecting the social contribution of the market, in particular to vulnerable groups, has not been explicitly included as an objective means that none of the options can have been are considered against it.

Take for example, the stated objective to reduce tenant turnover which is perhaps allied to the profitability aspect of the vision – which of the options are believed will achieve this and what is the supporting evidence? What are the consequences of those options for the protection of the social contribution of the market? It may be exceedingly profitable if all traders sold high-end goods but this would compromise the offer to vulnerable groups.

The expertise of the consultants hired for this study was in the main in property development, architecture and urban design. The council officers that have managed this project are mainly experts in finance, privatisation and real estate. There has been no significant input from experts on social, health and cultural issues. Hence the feasibility study only considers "buildings" but not people or economic/social relations between people or the overall health well being and public health function of the Market.

Limited consultation

There has been a failure of the consultation to engage traders, to listen to their fears, and reflect the way that changes could affect these key stakeholders.

At the "second stage" of consultation the public was presented with vague "12 elements" which were too general or had little meaning. These "elements" were not always derived from the "first stage" of the consultation instead reflected some of the long term agendas of the council (like reducing the size of the Market). The public was not given a chance to comment on meaningful proposals to be presented to the Executive Board and was only given one week to see key documents before this crucial decision.