

Report of: Director City Development

Report to: Housing and Regeneration Scrutiny Board

Date: 30th April 2013

Subject: Engagement with Owners of Retail Units in the City Centre

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

Summary of main issues

- The £350m Trinity Leeds is the only major retail development to open this year in the UK and one of the largest in Europe. It is bringing significant economic benefits to the city and will radically improve the city's national retail ranking which will increase the attractiveness of the city to new retail and leisure investors. Schemes such as Trinity and Victoria Gate (formerly known as Eastgate Quarters) bring additional benefits to the city centre including increased footfall, increased promotion and improved connectivity. However regard has to be given to the impact of such schemes on the rest of the prime retail area. In that context this paper explores:
 - the change in the number of vacant units and the increase in footfall since Trinity opened;
 - the consequences of not allowing developments such as Trinity and Victoria Gate;
 - current and planned engagement with building owners of vacant units in the city centre;
 - the extent to which Trinity and Victoria Gate have or will attract new businesses and how many existing city centre businesses are likely to close and/or relocate to the new developments; and
 - actions being undertaken to prevent the decline of shopping areas outside these new developments..

Recommendations

- Members are recommended to note the report.

Purpose of this report

1.1 The Scrutiny Board (Housing and Regeneration) requested a report on what:

- engagement there has been with building owners in the city centre following the opening of Trinity Leeds where businesses have vacated premises to relocate to this prestigious development;
- engagement will there be with building owners where tenants vacate their premises to move to Victoria Gate (formerly Eastgate Quarters) once completed;
- are the projections for both developments attracting new businesses and how many businesses are likely to close and relocate to the new developments and
- is being done to prevent the decline of shopping areas that are vacated by branded names.

1.2 This report answers these questions and provides some context to these issues.

2 Background information

2.1 Leeds has a catchment population of 5.7 million people and a student population of over 200,000 in Leeds alone. The value of the city's economy was estimated at £14.6bn in 2010 and is projected to grow by over a quarter in the next ten years. . It is estimated that by 2015, the £350m Trinity Leeds will support nearly 5,000 jobs in retail and related industries. Trinity Leeds is creating 2,300 new jobs for people in Leeds and a total of 2,600 new jobs across the city region. In 2014, Trinity Leeds is expected contribute an extra £80 million to the economy of Leeds and a total of £94 million to the wider city region economy.

2.2 Trinity Leeds opened on 21th March 2003; it has a total of 120 units of which 27 are primarily food and drink venues; almost half the units have been let to brands that are new to Leeds. 90% of units are let while a further 5% are with solicitors, and others are under negotiation, although some units are not due to open until the autumn.

2.3 For comparison before Liverpool One opened in 2008 Liverpool city centre was lacklustre and it could only muster 18th place in the UK retail rankings. But that changed once the development was complete. Footfall increased dramatically and last year Liverpool was named the third UK domestic city break destination. There has been an increase in vacant units in some parts of the city centre although how much that is due to the recession and how much to Liverpool One opening is hard to say. Some observers believe the vacancy level would have become much higher without Liverpool One.

2.4 Increasingly if city centres cannot provide retailers and customers with what they want they simply go elsewhere. This is particularly challenging for Leeds as it is centrally located with good transport links and has a wide catchment area.

3 Main Issues

- 3.1 As new retail and leisure destinations are developed in the city centre the gravitational pull of different parts of the city centre changes. This has occurred many times in the city centre and there is always a 'churn' as traditional retail areas find a new level in terms of rental values and focus of activity. So, for example. The Light has gradually been shifting its position as a mixed retail and leisure destination to a predominantly leisure destination while Merrion shifted from its original retail and leisure mix to a predominantly retail destination and is now shifting back to mixed retail and leisure. Whilst the Council cannot stop the churn it can take steps to mitigate the impact.
- 3.2 **Vacant Units.** Many of the empty units in the city centre are within The Core shopping centre on the Headrow, the Grand Arcade, the Corn Exchange (although this is now fully let on the ground floor) and on the more peripheral areas of the city centre. Voids on Briggate, Commercial Street, Albion Street, Headrow & Lands Lane have traditionally been very low although there has been an increase since the opening of Trinity Leeds. However the Victoria Quarter remains fully let; St John's Centre has not lost any tenants and is almost fully let, of its four empty units 2 are in negotiation and 2 are empty because the parent companies have gone into administration.
- 3.3 While there has been a 2% increase in the vacancy rate in the city centre in retail, restaurants and pubs between October 2012 and April 2013, this is not entirely attributable to Trinity Leeds as the retail economy is particularly challenging and some retailers have gone into administration.
- 3.4 It is not always possible to tell which vacant units are available for let: if leases have not yet expired from previous tenants or are being negotiated, or if units are due for refurbishment prior to letting. For example, there is still two years to run on the lease of the former Next unit on Albion Street and it is due to reopen in early May as a Next Clearance store. The Urban Outfitters unit on Albion St and the Vision Express unit on Briggate also have some time left on their leases.
- 3.5 The former Borders unit on Briggate, which has been empty for a while, is going to be a Poundland and has planning permission to be split into 2 units. The former Warehouse store on Lands Lane is due to become a Wallis store. This sort of 'churn' is normal after the opening of a major new shopping development and has happened in other cities like Bristol, Birmingham and Liverpool, although at present Leeds seems to be faring better than those cities did when their new shopping centres opened.
- 3.6 **Relocation** Nearly 50% of retail and restaurants in Trinity are new to Leeds. Nine brands have relocated from other locations in the city centre and sixteen brands now have two or three units in the city centre (eg Primark, Top Shop, Giraffe, Carluccio's); others were already in Trinity, including M&S, BHS and Boots – three of the main anchors. See Appendix 1. Hammersons, the developers of Victoria Gate, are primarily targeting retail and leisure brands that will be new to Leeds, such as John Lewis. It is also understood that there are a number of concessions within existing city centre department stores that wish to take stand alone retail units but are unable to do so at present as there are insufficient units in 'high end' locations such as the Victoria Quarter.

- 3.7 **Closure.** To date no retailers have left the city centre because of a shift in customers to Trinity.
- 3.8 A summary of **footfall** is shown here and more detailed figures are given in Appendix 2. Footfall is always variable for a variety of reasons – the weather and school/university holidays being the main causes. Even allowing for Easter falling at different times, there was a significant increase in footfall from the weeks prior to Trinity opening and compared to the same weeks in previous years. The footfall for the Kirkgate Indoor Market for the period 21 March to 11 April was up 7.2% when compared with the same period last year, while the footfall for St John’s centre has increased by 15%. Footfall has increased as well as on streets that are not adjacent to Trinity and nowhere in the prime retail area has seen a decline.
- 3.9 These figures support the theory that major new developments result in the catchment area of a city being extended. Many shoppers who come to Leeds live between two or three major centres, with the improved offer in Leeds many will now becoming here rather than say Meadowhall, Trafford, Manchester or York.
- 3.10 **Reducing vacant units.** Clearly the Council cannot intervene in the retail property market: if supply is greater than demand then there should be a downward pressure on rental values helping independent retailers to relocate to better located and/or larger units. Lower rents and the availability of units in the prime retail quarter may also encourage brands that do not currently have a presence in Leeds to locate here. The action the Council can and has taken is to promote the city centre to both potential retailers and customers. The city centre was promoted at a national retail property event last year and through publications such as ‘Becoming the Best City Centre’. Leeds & Partners initiatives to promote the city to both inward investors and consumers will also help to keep the retail economy in Leeds buoyant.
- 3.11 **Empty units initiatives in Leeds.** The Council has a track record in helping to animate empty retail units in the city centre, for example through the ‘Art in Unusual Spaces Programme’ in 2009 and 2010. This used empty retail units in the Merrion Centre, on New Briggate, Lands Lane and the former Bond Street Shopping Centre to display works of art. This had a number of benefits: it publicised the empty units, drew more people to the street thereby helping to support adjacent retailers and supported the artistic community in Leeds, who are of course consumers themselves. (See Appendix 3).
- 3.12 Officers are currently developing a new initiative to use empty city centre units to display visual art, promote the museum and theatres and promote independent businesses. This project is still at the planning stage, timescales for implementation depend primarily on obtaining agreement from property owners to utilise their empty units. Property owners are for a range of reasons often reluctant to allow their premises to be used for temporary uses, however lobbying of property owners through the Property Forum and its sub groups should help with this initiative. Revisions to discretionary business rate relief, considered by the Executive Board at its meeting on 23rd April 2013, may encourage property owners to support schemes such as the Empty Shops Initiative. The decision of the Board was not known at the time of writing.

- 3.13 **Supporting the city centre outside Trinity and Victoria Gate.** The Council is undertaking a number of measures to help support retail in other parts of the city centre. These include:
- continued investment in public realm eg Dortmund Square, improved cleansing and maintenance;
 - publication of Leeds Shopping Guide and the forthcoming Leeds Food & Drink Guide;
 - improving way finding and connectivity; it is crucial that visitors to Trinity and Victoria Gate are drawn to other parts of the city centre. The design of Trinity and the wayfinding system are both helping to achieve this;
 - improving the quality of street trading and the use of promotional spaces to enhance the visitor experience;
 - both officers and the private sector are investigating the potential for a Business Improvement District in the city centre; this could result in greater investment in the management of the public realm and additional advertising;
 - potential Changes to Use Classes could be explored. For example The Light is gradually changing from retail and leisure mix to more predominantly leisure; and
 - officers have for a number of years supported retailers wishing to extend their opening hours to take advantage of the large number of people who work in the city centre by encouraging them to stay and shop in the city centre after work.
- 3.15 If the Council discouraged city centre retail developments such as Trinity and Victoria Gate that meet the requirements of retailers and restaurants, they would gradually abandon Leeds in favour of other centres. Indeed this has been the experience of nearby cities & towns that were once far more desirable retail destinations. It is estimated that by 2015, the £350m Trinity Leeds retail and leisure development will support nearly 5,000 jobs in retail and related industries. Trinity Leeds is creating 2,300 new jobs for people in Leeds and a total of 2,600 new jobs across the city region. In 2014, Trinity Leeds is expected contribute an extra £80 million to the economy of Leeds and a total of £94 million to the wider city region economy. Trinity Leeds is already having a positive impact on investment confidence in Leeds City Centre with a number of retail units and a car park being improved.

4. Corporate Considerations

4.1 Consultation and Engagement

- 4.1.1 Officers will be consulting fully on all new initiatives to encourage new uses in empty units.

4.2 Equality and Diversity / Cohesion and Integration

- 4.2.1 All projects such as wayfinding improving the public realm and empty units initiatives have full regard for equality and diversity issues.

4.3 Council policies and City Priorities

4.3.1 Facilitating retail and leisure developments and seeking to reduce voids are compatible with Council policies and priorities.

4.4 Resources and value for money

4.4.1 It is estimated that approximately £5,000- £10,000 plus officer time will be spent this financial year on the empty properties initiatives.

4.5 Legal Implications, Access to Information and Call In

4.5.1 None

4.6 Risk Management

4.6.1 Full risk assessments will be undertaken for all projects.

5 Conclusion

5.1 Trinity has provided a major boost to Leeds City Centre and has cemented its place as one of the UK's top retail destinations. However, it is too early to tell what the lasting impact Trinity Leeds will have on the city centre but it is important to continue to monitor vacancy rates and footfall patterns, particularly in the light of the proposals for Victoria Gate and ensure that the Council mitigates against the impact on other parts of the city centre by continuing to promote the city centre; to facilitate temporary uses for empty units; to continuously improve all parts of the city centre to encourage visitors to Trinity to explore other parts of the city centre.

6 Recommendations

6.1 Members are recommended to note the report.

7 Background documents¹

7.1 Executive Board 24th April 2013 'Extension of Discretionary Business Rate Relief Scheme'.

¹ The background documents listed in this section are available to download from the Council's website, unless they contain confidential or exempt information. The list of background documents does not include published works.

Appendix 1 Shop Relocations

Nearly 50% of the retail and restaurant units are new to Leeds, of the remaining some have relocated and some have opened second or third branches in Trinity

Businesses relocated from outside Trinity

Coast moved from Victoria Quarter
Hip moved from Thornton's Arcade
Jessop's moved from The Headrow
Joy moved from The Light
La Senza moved from Lands Lane
Next moved from Albion Street
O2 moved from Commercial Street
River Island moved from Lands Lane
Vision Express moved from Briggate

Businesses with two or more branches

Boots one other branch on Vicar Lane
Footlocker one other branch on Commercial Street
Goldsmiths one other branch on Commercial Street
H & M one other branch on Briggate.
New Look one other branch in the Core
O2 one other branch on Briggate
Office one other branch on Briggate
Pandora one other branch on Briggate
Primark one other branch on Eastgate
Top Shop one other branch in St John's
Vodafone two other branches Commercial Street and Briggate
Starbucks 3 other cafes
TGI Friday one other restaurant
Wagamama 1 other restaurant on Park Row
Café Rouge 1 other restaurant in The Light
Nandos 2 other restaurants on Duncan Street & The Light

Appendix 2 Footfall figures

Week 12, the week Trinity opened was affected by snow and weeks 13 and 14 covered Easter.

Week 12: w/c 18th March (heavy snow) Week 12 Footfall Total: **1,064,423**

Week 12: Footfall compared to previous week: **UP 0.6%**

Week 13: w/c 25th March (included Easter) Highlights include:

- Busiest Friday since Christmas 2008.
- Busiest Saturday since Christmas 2011.
- Busiest week on Briggate ever recorded.

Week 13 Footfall Total: **1,321,220**

Week 13 Footfall compared to previous week: **UP 24.1%**

Week 13 Footfall compared to same week in 2012: **UP 18.2%**

Week 13 Footfall compared to same week in 2011: **UP 18.8%**

Week 13 Footfall compared to same week in 2010: **UP 26.8%**

Week 13 Footfall compared to same week in 2009: **UP 6.7%**

Week 14: w/c 1st April Week 14 Footfall Total: **1,277,301**

Week 14 Footfall compared to previous week: **DOWN 3.3%**

Week 14 Footfall compared to same week in 2012: **UP 32.9%**

Week 14 Footfall compared to same week in 2011: **UP 20.7%**

Week 14 Footfall compared to same week in 2010: **UP 9.7%**

Week 14 Footfall compared to same week in 2009: **UP 11.2%**

Week 15 Footfall 2013 Total: **1,189,823**

Week 15 Footfall compared to same week in 2012: **UP 20.7%**

Week 15 Footfall compared to same week in 2011: **UP 15%**

Week 15 Footfall compared to same week in 2010: **UP 0.2%**

For the last four years, the Easter school holidays have always fallen on weeks 14 and 15. So the comparisons between years are reasonable.

Evening Footfall

1) Average evening footfall, for **four weeks since Trinity has opened**: 194,483 per week (5pm til 9pm)

(2) Average evening footfall, for the four weeks **before** Trinity opened: 175,117 per week (5pm til 9pm).

(3) Average evening footfall, for the four equivalent weeks to (1) above, but in **2012** 152,955 per week (5pm til 9pm)

So in summary, since Trinity opened, evening footfall is 10% higher than the four weeks before Trinity opened, and 21.5% higher than the equivalent weeks last year. Of course, footfall is up overall, so one would expect evening footfall to be up. Evening footfall since Trinity opened makes up 14.2% of all footfall, whereas for the same time last year, evening footfall made up only 12.9% of overall footfall. However, levels of evening footfall as a proportion of total footfall for the four weeks before Trinity opened, are exactly the same as since Trinity opened, albeit at lower levels. This is probably because many retailers increased their opening hours in anticipation of Trinity opening.