

Report of the Director of Place to the meeting of Executive to be held on 10th July 2018

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Subject:

Redevelopment of the City Centre Markets

Summary statement:

The Oastler and Kirkgate Markets face significant challenges due to the changing nature of retail, the opening of the Broadway Centre and the closure of Morrisons supermarket on John Street.

The City Centre's retail and market footprints need to contract and relocate to fit current economic conditions and the new centre of retail gravity around the bottom of town.

Without intervention the profitability of these markets is likely to continue to decline.

The proposal is to build a new food-focused market on Darley Street and to develop a separate non-food market in the Kirkgate Centre.

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**Portfolio: REGENERATION, PLANNING AND
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**Overview & Scrutiny Area: REGENERATION
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1. SUMMARY

- 1.1 The Oastler and Kirkgate Markets face significant challenges due to the changing nature of retail, the opening of the Broadway Centre and the closure of Morrisons supermarket on John Street.
- 1.2 The City Centre's retail and market footprints need to contract and relocate to fit current economic conditions and the new centre of retail gravity around the bottom of town.
- 1.3 Without early intervention the profitability of these markets is likely to continue to decline.
- 1.4 The proposal is to build a new food-focused market on Darley Street and to develop a separate non-food market in the Kirkgate Centre.

2. BACKGROUND

- 2.1 Between 2013 and 2017 customer numbers fell at both city centre markets. The Oastler Centre attracted 2.9 million customers in 2013 which fell to 1.6 million by the end of 2017. Kirkgate Market attracted 1.6 million customers in 2013, which fell to 1.2 million at the end of 2017.
- 2.2 Between 2014 and March 2018 vacancy rates have increased significantly from 9% to 31% in the Oastler Centre and from 16% to 35% in the Kirkgate Centre.
- 2.3 Cushman & Wakefield (formally DTZ) were appointed in 2014 to examine the Council's strategic approach to its city centre markets provision, and to provide a commercial, technical, and financial appraisal of options for the future markets provision in the city.
- 2.4 Their report recommended that both markets should remain open until the impact of the Broadway Shopping Centre on the city's shopping patterns could be fully assessed. The report went on to advocate a phased investment programme for the Oastler Centre and adjacent public realm with the aim of creating a modern market facility. Outline plans were drawn up, however, in February 2016, Morrisons, the Oastler Centre's main anchor tenant, announced the closure of its Westgate Store from April 2016, which has had a major impact on the viability of the centre and resulted in the decision not to proceed with this scheme.
- 2.5 In July 2016, a review of the Cushman & Wakefield options appraisal report looked at ways to revitalise its market offer whilst at the same time exploring how best to assist in the regeneration of Darley Street.
- 2.6 In April 2017, the Council announced plans to create a new modern fresh food market on Darley Street and in tandem refurbish Kirkgate Market.
- 2.7 Consultations with market traders took place in April 2017, with 127 tenants being contacted and given the opportunity to comments on the Council's redevelopment proposals. 120 tenants completed the survey.

- 2.8 The results of the initial consultation exercise was that 78% of traders are in favour of the Council proposals to create a food-focused market on Darley Street and an enhanced non-food offer in a refurbished Kirkgate Market.

3.0 THE COUNCIL'S VISION FOR BRADFORD CITY CENTRE MARKETS

- 3.1 In July 2017 the Council created a vision for its city markets in order to revitalise and modernise its market offer and to assist with the regeneration of Darley Street.
- 3.2 Taking into account local and national trends in markets, the current vacancy rates in both markets and commercial advice provided to the Council, the optimal size of Bradford's City Centre market offer needs to reduce.
- 3.3 The fresh food and food related goods offer should focus on providing opportunities for a diverse international fresh and hot food offer that reflects the socio-demographic profile of the district.
- 3.4 The new market will seek to attract a wider customer base and to widen its appeal to a new demographic of shopper. It will be important that the market has the opportunity to trade throughout the day and early evening.
- 3.5 The market attracts a demographic of customers that have low disposable income. Whilst our aspirations will be to attract customers with higher disposable incomes there will, however, remain a core of traditional customers and this will be recognised when planning the product offer and design of both markets.
- 3.6 Many markets are increasingly 'edutaining' visitors to meet the growing interest in cooking shows. These shows encourage more people to visit specialist fresh food markets, seeking out ingredients to emulate their television food heroes.
- 3.7 The Markets Service since 2003 has its own dedicated reserve fund that delivers valuable and significant capital improvements to its market facilities. This funding was originally prioritised towards the successful £2.5m refurbishment of Keighley Market where essential and enhancement works were undertaken to provide a more modern shopping facility and St James's Wholesale Market where capital investment of around £1.2m has helped to transform this into an award winning market.

4.0 CITY CENTRE REGENERATION

- 4.1 The Economy and Development Team are in the process of creating a brief to appoint experienced consultants to prepare a Master Delivery Plan to revitalise part of the City Centre from Darley Street to the 'Top of Town'. The area has suffered from the establishment of a new retail core made up predominantly by the Westfield 'Broadway' Centre and Forster Square Retail Park. The proposed Master Delivery Plan will provide a strategic plan and methodology to enable the creation of a safe, attractive, resident friendly, healthy and sustainable environment with landscaped, traffic calmed street infrastructure, high quality Public Realm and community spaces.
- 4.2 The Economic Development Service is preparing to follow up the findings of last year's city centre retail survey, which involved 1,600 responses, with a further study into the city centre retail offer. This will be more wide-ranging, using those findings and the consultant's detailed awareness of the changing nature of city centres nationally and

their expected retail future.

5.0 FOOD FOCUSED MARKET DESIGN

- 5.1 In August 2017, the Council appointed Greig and Stephenson to lead a multi-disciplinary team of professionals with specialist market knowledge. The team undertook feasibility studies and prepared initial designs for the redevelopment of both city centre markets.
- 5.2 The design team has a wealth of retail experience particularly in markets having been involved in the redevelopment of London Borough Market, London Camden Market, Leicester Food Market, Leeds Kirkgate Market, Preston Market, Sheffield Moor Market as well as markets across Europe and the Far East.
- 5.3 The design team were asked to draw up plans for the building to be as light and transparent as possible, to open up the market and to strengthen links between Darley Street, Piccadilly and the Broadway Centre.
- 5.4 The design team have developed the project to RIBA stage 2. Outline designs and cost estimate for both markets were completed in January 2018. **Appendix 1** shows an artist's impression on how the exterior of the market may look.

6.0 KIRKGATE MARKET DESIGN

- 6.1 Following the completion of the Stage 2 report, the agents acting for the Landlord of the Kirkgate Centre were contacted to commence consultations on how the Kirkgate Centre owners could support the Council's ambitions for improving the Kirkgate Market.
- 6.2 Initial plans were drawn up by architects appointed by the Landlord, which were presented to the Council and a further feasibility study was received in May 2018.
- 6.3 Negotiations regarding lease arrangements and refurbishment options are on-going.

7.0 NEW TRADER ALLOCATION PROCESS

- 7.1 It is critical that the quality, vibrancy and theatre of both markets are lifted by the traders and their retail offer.
- 7.2 This and the necessary reduction in market footprint will require an application process with specified criteria to establish who will be offered space in the new markets.
- 7.3 Applications will be reviewed by a panel consisting of a Market Service representative, National Market Traders' Federation, an appointed business advisor and a representative from the Chamber of Trade will be invited to join the group.
- 7.4 It is anticipated that there will a number of existing traders that will not transfer to the new markets. Those traders that still wish to continue trading will be supported by identifying other retail options in Bradford city centre or across the district.

8.0 SITE ACQUISITION AND KIRKGATE LEASEHOLD

- 8.1 The current proposal is to purchase the required site on Darley Street for a new food focused market. Negotiations are on-going.
- 8.2 The current proposal is to develop a non-food market offer in the Kirkgate Centre. Leasehold and design discussions are on-going with the Centre's Landlord.

9.0 TIMETABLE

Key milestones leading up to completion	Estimate End Date
Executive Committee Meeting	July 2018
Planning Approval Expected	Feb 2019
Detailed Design Stage Complete	May 2019
Construction Works Begin	Jan 2020
Building Handover	Feb 2021
Launch/Opening	Easter 2021

10.0 MARKETING & BRANDING

- 10.1 To support the delivery of the overall city centre markets regeneration project the Council plans to appoint external media and branding consultants to create positive coverage and interest as the project progresses through to the opening of the new markets.
- 10.2 The consultants will be involved in organising various stakeholder events gathering their views on the proposals for our city markets which can be incorporated into the detailed design process.

11. OTHER CONSIDERATIONS

- 11.1 Initial consultation with Planning, Highways and the Council's Conservation Officer regarding development in the Conservation Area and vehicular access for deliveries was positive and there were no significant concerns.

12. FINANCIAL & RESOURCE APPRAISAL

- 12.1 The recommendations set out in paragraph 18 of this report have a number of financial, risk and resource implications. Further detailed financial analysis can be found in **Appendix 2** which is confidential for legal and commercial reasons as outlined in section 16 of this report.
- 12.2 The environment in which the Markets operate has become increasingly challenging for the reasons outlined in the report. This is reflected in budget performance. Future projected income for the existing sites is expected to decline further.
- 12.3 The financial model that underpins the proposed new Markets is projected to restore the operations back into balance within a year of opening, thus arresting decline and ensuring a neutral effect to the Council's bottom line. The modelling assumes other Markets operation such as St James's Wholesale Market and the Keighley Market maintain favourable budget performance throughout.

- 12.4 The Capital Programme agreed by Council in February 2018 set aside £15.225m towards the project funded corporately through capital financing. The current estimated total cost for the project is £21m and it is proposed that the shortfall is funded from markets earmarked reserves and additional borrowing by the Markets Service that will be paid from revenue funding which is budgeted from a central corporate revenue allocation.
- 12.5 The cost estimates contain a number of prudent high level assumptions and cost allowances, including the application of an industry standard 20% contingency for risk and uncertainty and property acquisition costs.
- 12.6 The defining feature in the financing for the scheme is that the capital cost of the development was appraised solely from income generated once all markets floor space is let to 95% occupancy. Future cash flow modelling over a 40 year term identifies that the scheme does not achieve full repayment of £21m. The objective however is to deliver a project that contributes to the vitality of the city centre as a key element of the Council strategy to revive Darley Street, whilst also releasing a major site at the 'top of town' for development.

13. RISK MANAGEMENT AND GOVERNANCE ISSUES

- 13.1 A 'Top of Town Steering Group' chaired by the Strategic Director for Place was set up to take a strategic overview of city centre development. Members of this group include the Assistant Director for Estates and Property, Assistant Director, Economy and Development and Assistant Director, Planning, Transportation & Highways.
- 13.2 In addition a Market Relocation Project Board, chaired by the Assistant Director for Estates and Property, has been established to focus on market design, construction, media management and the legal work stream.
- 13.3 The project will be further reviewed for value for money when compared against wider financial duties. The scheme has been referred to the Council's taxation advisor in order for VAT and the council's VAT partial exemption risks to be accounted for. Estimated costs include stamp duty levy and associated ancillary costs are included in the baseline estimates.
- 13.4 The success of this programme will depend upon the Council's ability to let space in the new property. There also risks linked to the timing of property acquisition; the move from the Oastler Centre; sustainability of markets trading in current overall economic trading climate and there is the uncertainty over market trader's appetite for new rent and service charges.
- 13.5 Before the Council legally commits to the development of the scheme the Strategic Director of Place will provide a further report to PAG (Project Appraisal Group) including a full review of the cost modelling once the detailed design work has been completed and tenders received, for sign off and authority to proceed, this will include any implications under the current regime for State Aid.
- 13.6 The cost of progressing the Market design up to their current position is £150,000. The costs have been funded from the Markets Reserve but some fees have to date been

charged to capital. If the project does not progress the fees will potentially be abortive. In this event, they could be charged back to the Markets Reserve balance or funded from corporately retained revenue set aside for funding capital expenditure.

14. LEGAL APPRAISAL

- 14.1 The majority of the business tenancies at both the Oastler Centre and Kirkgate Market are protected by the Landlord and Tenant Act 1954 ("the 1954 Act").
- 14.2 The current proposal requires the acquisition of property on Darley Street with all the associated legal purchase documentation.
- 14.3 The current proposal may require termination of the existing lease and the creation of a new lease for the Kirkgate Market in the Kirkgate Centre.
- 14.4 Any construction activity required for the implementation of these proposals must be undertaken in accordance with the Council's Contract Standing Orders and in line with internal governance requirements.

15. OTHER IMPLICATIONS

15.1 EQUALITY & DIVERSITY

- The scheme aims to maximise public access by being, fully DDA compliant and dementia friendly, with plans to consult and engage all relevant stakeholder groups throughout the design process.

15.2 SUSTAINABILITY IMPLICATIONS

The design aspiration for the new food focussed market will be for:

- A naturally ventilated building to reduce as much as possible the Council's use of energy which in turn reduces tenant costs through their service charges.
- Maximum use of natural daylight to reduce the demand for electrical lighting, LED lighting and roof mounted solar panels to minimise Green House Gas (GHG) emissions.
- The creation of carefully designed spaces allowing for easier maintenance which significantly reduce Facilities Management and the Operational Maintenance of the market.

15.3 GREENHOUSE GAS (GHG) EMISSIONS IMPACTS

- It is expected that there will be a significant decrease in overall GHG emissions since the proposal is to create a smaller and more environmentally sustainable food market.
- The creation of well-designed space allows the provision of utilities and building services to be carried out in a more efficient manner saving energy in the longer term.

15.4 COMMUNITY SAFETY IMPLICATIONS

NA

15.5 HUMAN RIGHTS ACT

NA

15.6 TRADE UNION

- There will be some redesigning, repurposing, or restructuring of staff to meet the needs of the new markets.
- The cost of staffing the markets is ultimately paid for by traders. This needs to remain as cost effective as possible to reduce the financial burden on traders.
- All the relevant Trade Unions will be consulted as required under Council HR procedures and will be invited to engage in any necessary staffing changes.

15.7 WARD IMPLICATIONS

- A briefing note has been circulated to Ward members to make them aware of the proposals

15.8 AREA COMMITTEE ACTION PLAN IMPLICATIONS

NA

15.9 IMPLICATIONS FOR CORPORATE PARENTING

NA

15.10 ISSUES ARISING FROM PRIVACY IMPACT ASSESSMENT

- The Council is registered with the information Commissioners Office (ICO). Information about how the Council uses information is referred to in the general 'Privacy Notice' on the Council's website.
- Individual trader's personal data will be managed in connection with this scheme. The legal basis for holding the data is contractual and relates to tenancy agreements. General Data Protection Regulation (GDPR) principles relating to individual's rights will be fully respected.
- The Markets Service will undertake a Privacy Impact Assessment to identify data protection and information security matters arising from the proposal.

16. NOT FOR PUBLICATION DOCUMENTS

- The Council and the Executive are satisfied that, in view of the financial and business content of **Appendix 2**, the public interest in maintaining the exemption outweighs the public interest in disclosing the report.
- The rationale behind this decision is based upon the fact that the report includes:
 - Details relating to the option to purchase the required site on Darley Street and the redevelopment of the vacated Oastler site, which could undermine the Council's ability to negotiate the best option and price for these sites. The Report contains details relating to the anticipated redevelopment plans and costs of the new market sites, which could undermine the Authority's ability to tender the works at the most reasonable price.
 - Further the Report also contains information in respect of which a claim to legal professional privilege could be maintained in legal proceedings in relation to legal advice provided relating to the leasehold interests on the Oastler Centre site and Kirkgate Market.
 - On this basis, this appendix is not for publication as its publication would prejudice the Council securing Best Value for purchase options, construction costs and assets disposal incomes.

17. OPTIONS

The following options have been reviewed:

17.1 Both markets continuing without any capital investment (do nothing):

- This would lead to a significant fall in income to the Markets Service and could ultimately lead to the closure of both markets.
- Loss of footfall could significantly impact on city centre businesses (currently estimated at around 3.4million per year for both markets).

17.2 Develop a food focused market on Darley Street and redevelop the existing Kirkgate Market within the Kirkgate Centre:

- Feasibility studies show that a market could be accommodated on Darley Street, however this is subject to purchasing a site within budget.
- Creation of a food focused market could help to regenerate Darley Street and improve access to Piccadilly.

17.3 Create a consolidated market to include food and non-food:

- A single market would enable traders to be located in one building and a focus for all city centre market activities.
- The cost of building a consolidated market could stretch the potential budget and could be unaffordable.
- The Kirkgate Market is one of the anchor businesses in the Kirkgate Centre.

Relocating the market could impact negatively on the Kirkgate Centre.

- 17.4 The Markets Relocation Project Board are currently following the second option subject to building acquisition and leasehold negotiations with owners of the relevant buildings.

18. RECOMMENDATIONS

- 18.1 This report seeks Executive acknowledgment of progress to date and permission to move to RIBA design stage 3.
- 18.2 The Executive is asked to approve the budget and to endorse the funding of the works from existing capital funding already set aside for markets, the markets revenue reserve, and prudential borrowing to be repaid from annual corporate revenue funding retained by markets for funding capital expenditure.
- 18.3 The Executive is asked to note the planned works and authorise the Portfolio Holder, Strategic Director of Place and the Strategic Director for Corporate Resources to approve variations within the agreed budget envelope.
- 18.4 As regards Not for Publication Appendix 2 the Executive is recommended to authorise the Assistant Director, Estates and Property to i) complete negotiations for the property interests referred to, ii) serve the statutory notices referred to and iii) enter into negotiations for the property interest referred to.
- 18.5 The Executive is recommended to approve the exercise of Compulsory Purchase powers as necessary to secure vacant possession of the freehold interest of the property referred to.

19. BACKGROUND DOCUMENTS

Appendix 1 - Market Design Visualisation

Appendix 2 – Detailed Financial Appraisal (Not for Publication)