

BROMSGROVE DISTRICT COUNCIL

CABINET

9th January 2008

REDEVELOPMENT OF THE MARKET HALL SITE

Responsible Portfolio Holder	Leader of the Council
Responsible Head of Service	Phil Street

1. SUMMARY

- 1.1 The report proposes the most appropriate approach to the redevelopment of the Bromsgrove Market Hall site and adjacent areas and the transfer of the market hall business to an out door venue.

2. RECOMMENDATION

- 2.1 It is recommended that Cabinet recommend to Full Council that:
- 2.1.1 The market hall site be redeveloped as an initial element of the town centre regeneration.
 - 2.1.2 The market hall site be developed as a prime retail site focusing on a style of design and quality of retailer capable of setting the tone for future regeneration of the town centre.
 - 2.1.3 Redevelopment option Model 3 be pursued as this is adjudged to be most appropriate to the Council's capacity and needs.
 - 2.1.4 The consultants that were engaged to prepare the market hall development brief in 2004 be requested to support the Council in refreshing the brief and carry out the work entailed in bring the site to market (Model 3).
 - 2.1.5 The sum of £90,000 be release from the capital receipts in 2008/09 to bring the site to market.
 - 2.1.6 Authority be delegated to officers to undertake the appropriate procurement exercise to identify a developer to carry out the work associated with the redevelopment of the market hall site.
 - 2.1.7 The market hall business be transferred to an out door venue and that £30,000 be included in the capital programme for 2008/09 as part of the review of the medium term financial plan.
 - 2.1.8 Authority be delegated to officers to enter into negotiations with the County Council to enable the market stalls at the market hall be re-located at an out door site in the High Street.

3. BACKGROUND

- 3.1 The Executive Cabinet considered a report on Bromsgrove Town Centre at its meeting on 7th November 2007 in which a series of quick wins were presented for member's consideration. One of the potential quick wins identified in that report was the disposal, by lease of the Market Hall site. The specific part of the report associated with the redevelopment of Market Hall is repeated below for ease of reference:

"The first proposal is, having accepted BDC want to keep ownership of the Market Hall site, we approach certain "quality end" food retailers and ascertain their interest in the site and follow this up with more formal meetings to explore ideas. If an acceptable proposal is put forward, the District would procure the shell for the food retailer to fit out in return for the retailer entering into a lease for say 20 years paying an open market rent. The Economic Development Officer at BDC is currently progressing these contacts and has been asked to prepare a separate report outlining the proposals for the Market Hall site including how we sustain the business whilst we are developing the site."

- 3.2 The Market Hall was opened in 1995. It replaced an older building on the same site. In the period since the completion of the current market hall the trend has been for indoor markets to enter a period of decline.
- 3.3 This decline has been reflected in the level of income that has been generated from the market hall. Despite considerable improvements in performance in terms of income over the past few years, the market hall remains set for a deficit of a little over £30,000 in the current year.
- 3.4 There has been increasing difficulties in attracting traders. This contrasts with the farmers markets launched as out door provision in the high street in October 2000 which has proved successful both in terms of reputation and income for the Council, albeit modest.
- 3.5 The attractiveness of outdoor markets has been confirmed by a number of the current stall holders in the indoor market and the prospect of an outdoor market finds favour amongst many of the high street businesses.
- 3.6 The market hall occupies a valuable high street position and should be the source of significant income for the Council. The case for redeveloping the site is overwhelming. The current market hall is making a deficit. There appears little future for indoor markets. The facility is difficult to adapt for other purposes and it occupies a prime redevelopment location.
- 3.7 The redevelopment of the market hall site is crucial to the regeneration of the town. The design of the building and the nature of the businesses established will have a key role in setting the tone for the future direction and success of the town centre.

- 3.8 Agreeing the correct approach to redeveloping the market hall site is critical. There would appear to be three principal models for redeveloping the market hall site. The first model is to sell the site (Model 1). The second model is for the Council to act as the developer and design and build the new building (Model 2). The third model is to identify a developer enter into a long lease with the developer and they will design and build the building (Model 3).
- 3.9 Model 1 is arguably the simplest of the options in that it primarily involves selling the site for which the council would receive a capital receipt by way of a one off payment to the Council. As a consequence of this the Council will lose direct control over the site. The development of the site and the recruitment of retailers would be entirely left to the developers. It is anticipated that this model would take the least time to enact.
- 3.10 Model 2 would probably give the Council its greatest return in terms of income, but also carries the greatest risk. This would involve the Council essentially acting as developer. The responsibilities would include master planning of the site and the building, carrying out all the legal work associated with identifying architects and builders, contracts, leases and management agreements. It will mean the Council would have responsibility for borrowing to finance the architects and the construction. The Council would have sole responsibility for procurement of architects and builders. The Council would have long term responsibility for ensuring the occupancy of the building, its maintenance and securing its long term commercial viability. The Council would have to go through European Union procurement for both the architects and the builders. On the positive side, the Council would receive all the income from the site and it has already been approached by a retailer who has indicated their willingness to enter into a 25 year leasing agreement with the Council.
- 3.11 Model 3 would involve the Council identifying a developer to redevelop the site on the basis of a long term lease agreement of some 100 years or more. The Council would have to pursue European Union procurement procedures and this would entail drawing up a specification and a lease agreement that meets the Council's expectations. The operational and developmental risks would be met by the developer and they would receive the rental income from the occupants of the building. The Council would probably receive a one off payment for entering into a long term lease and then a more modest ground or rack rent. The Council will lose some control of the site and its income would be more modest than in model 2, but its risk would be significantly mitigated.
- 3.12 There is a variation on Model 3 that would involve direct negotiations with a retailer for the lease of the site. The Council has already been approached by a retailer expressing an interest in leasing the site directly from the Council. The European Union procurement directives are concerned only if they cover procurement. Therefore, if the Council is not paying a developer

either in terms of cash or in kind (i.e. provision of land in return for a service) then the procurement directive does not apply. Consequently, the Council can enter into direct negotiation with the retailer following their unsolicited representation to the Council.

- 3.13 The Council are seeking independent advice on land value in order to inform discussions regarding lease discussions. The advice sought will relate to the value of the land, the amount of income that can be anticipated from a lease agreement and the form in which a lease agreement can be expected. In other words, whether there would be a one off payment or a payment dispersed over a period of years.
- 3.14 It would be beneficial for adjoining sites to be incorporated into the proposed development. These would provide for a larger development footprint, improved visibility of the development from the High Street and potential increased income to the District Council. The development brief will provide for the successful developer to negotiate with the owners of the adjoining sites to acquire their interests. However the situation could be more complicated by the owners of the building adjoining the market hall indicating they would be interested in a joint redevelopment arrangement whereby their building and the market hall would be the basis of redevelopment. The challenge is that the owners of the adjoining building are developers and are unlikely to want to engage another development company in the redevelopment.
- 3.15 If negotiations to purchase the adjoining sites fail, the District Council has previously approved using Compulsory Purchase powers when available for land assembly purposes. It is suggested this course of action is pursued if it is proved necessary. In this event the Market Hall site will be developed as a first phase to be followed by the re-development of the adjoining sites as a second and possibly third phase once acquired.
- 3.16 It is suggested that Model 1 and Model 2 are the least attractive in that they lead to either complete loss of control of the site or carry too much risk. Therefore, Model 3 or its variation is being recommended with the caveat that further discussions take place with the owners of the adjoining building to determine the feasibility of entering into a joint agreement. It is proposed that Executive Cabinet recommend to Council the release of £90,000 from capital receipts in 2007/08 to fund taking the Market Hall to market.
- 3.17 In pursuit of Model 3 it is proposed that the consultants CBRE, who were engaged in 2004 to prepare a development brief for the market hall be re-engaged to refresh that brief. CBRE are presently working with the Council preparing a town centre Area Action Plan (AAP). They have indicated that they can refresh the development brief and can assist the Council bring the site to market. The indications are that this can be undertaken quickly and the process of marketing the market hall site can be undertaken early in 2008.

- 3.18 The guidance that would be given to the consultants would be to ensure that the site was devoted to retail development and they would be instructed to ensure the nature of the retail development would be of a kind that reflects the districts retail needs. This would in effect mean a retailer of national repute that appeals to that aspect of the market that is significantly represented in Bromsgrove district. Bromsgrove is the most affluent district in Worcestershire which is one of the most affluent counties in the country, yet the current town centre retail offer does not reflect this economic sector and consequently income is lost from the town centre. The proposed retail development will aim to redress that imbalance and attract retail purchasing to the high street.
- 3.19 The current site includes a ground level car park and it would be proposed that car parking arrangements would be considered in any developers brief.
- 3.20 The process of taking the market hall to market is that the brief would be produced along with supporting documentation. Expressions of interest would be invited from developers. These expressions of interest would be assessed. A number of the developers would be invited to submit fuller proposals and these would be considered and consulted upon with the public.
- 3.21 Following this process a developer would be chosen and invited to draw up a full specification and project proposal. It is expected that this entire process from drawing up the brief to work commencing on site will take up to 15 months.
- 3.22 It is suggested that the market hall would close in early Autumn 2008. At this point a developer would have been identified and a project plan including a time line produced. The Council wants to ensure the market hall remains open and operating until such time that work on the building has been programmed. The challenges of another boarded up building and its impact on residents perception could be significant.
- 3.23 The closure and redevelopment of the Market Hall site will necessitate either ceasing the provision of a market or undertaking its relocation. It has already been indicated that indoor markets are in overall decline. Therefore, it is proposed that relocation would be to an out door venue and the site for this would be the high street. Discussions would need to take place with the County Council regarding relocating the market in the high street as the County Council are the owners of the street.
- 3.24 It is being proposed that an out door market be established on Tuesdays and Saturdays in Bromsgrove High Street. It is anticipated that some twenty traders can be attracted and accommodated in attractive gazebo style units. It is recommended that £30,000 is included within the capital programme for 2007/08 to facilitate this.

3.25 Exploratory discussions have taken place with traders about transfer to the high street and visits have been made to other out door markets to obtain information on their management and organisation. However, the Council has experience of operating out door markets in that it has been organising a farmers' market on the high street for seven years.

3.26 The Council has been holding informal discussion with high street shopkeepers who appear to largely support the proposal of the market moving to the high street. Similarly, although some of the current market hall traders have expressed reservations about the transition to an out door market others have recognised the advantages.

3.27 The process of managing the transition will be undertaken in an agreed time period that links with the plans for redevelopment. Actions would be taken to ensure consultation with the Council's employees at the market hall and the market traders will be given adequate notice of termination of the indoor market. It is acknowledged that it is important that the market hall does not remain unoccupied for a prolonged period as management of an empty building has a large number of implications.

4. FINANCIAL IMPLICATIONS

4.1 The current budget for the Market Hall is:

Expenditure	£140,096
Income	£109,597
(Net cost)	£30,499

4.2 The main expenditure items are as follows:

Salaries and wages	£51,460
Support Service recharges	£30,392
Business rates	£20,374
Depreciation	£17,550
General operating expenses	£20,320
TOTAL	£140,096

4.3 The cost of the work in preparing the brief and marketing documentation would cost £50,000. There will be legal costs in addition to the costs associated with marketing the site. The legal costs have not been identified, but are likely to be in the region of £40,000. Subject to approval it is proposed that further discussions take place with CBRE regarding their fees. In order that the project can progress it is proposed that Executive Cabinet recommend to full Council the release of £90,000 from Capital Receipts in 2007/8 in order that the work can progress.

4.4 The closure of the market will involve consultation regarding Council employees involved in operating the market and there could be implications for redundancy and pension payments that have as yet to be quantified.

- 4.5 The transfer of the indoor market will have to be accompanied by the purchase of outdoor stalls and it is recommended that £30,000 be included in the capital programme for 2008/09 as part of the review of the medium term financial plan.
- 4.6 The closure of the market will result in a loss of income from the rent paid by stall holders, although this will be compensated for by the hire of stalls in the high street. A scheme of charges for the hire of stalls in the high street is to be determined. During the period of construction there will be a partial or total loss of income from the car park. Currently the car park generates close to £200,000 each year. The loss of some or all of this income will need to be mitigated or other actions taken to account for the loss. If it proves necessary to close the car park for a prolonged period (more than 3 months) during the development stage there is a potential for significant loss or reduction of income. It would currently appear that this will create substantial disruption as there may not be sufficient places in other car parks that will accommodate the transferred vehicles.
- 4.7 It is vital that we furnish the new market in the high street to a higher standard than previously provided at the market hall. This is to ensure that we attract really professional traders and that we make a good public impression from the outset.

New stalls : 20 X £500 each =	£10,000
Advertising :	3,000
Launch event :	2,000
Site works	2,000
Contingency	<u>2,000</u>
	£19,000

- 4.8 The issue of movement and storage of market stalls need to be considered. It will be necessary to purchase a purpose built trailer to transport the stalls. The stalls and trailer can be stored at the Depot.

5. LEGAL IMPLICATIONS

- 5.1 Planning permission will be required for the re-development of the market hall. The Bromsgrove District Local Plan identifies this part of the town centre as being suitable for retail use. However, the normal planning procedures would have to be followed, and there may be additional planning considerations in relation to the abutting conservation area.
- 5.2 It should be noted that the District Council does not own the High Street; the land owner is the County Council. The District Council will have to enter into negotiations with the County Council to secure the transfer of the market stalls to the proposed new outdoor site on the High Street.

- 5.3 Leading on from 5.2 above, the relocation of the market stalls to the High Street is also likely to necessitate a new pedestrian order for the High Street and changes to the current Byelaws.
- 5.4 There are also possible employment law implications arising out of the possible redundancy or redeployment of the current market hall staff.

6. COUNCIL OBJECTIVES

- 6.1 This project forms a central element of one of the Council's priorities which is the regeneration of the town centre. This work would be amongst the initial actions pursued to regenerate the town centre. Furthermore it will improve the quality of services to the community and increase services to the residents of the district.

7. RISK MANAGEMENT

- 7.1 The main risks associated with this proposal are:
- Loss of income in the short term: Extensive consultation has taken place with experienced traders and comparisons are being made with markets (best practice) in other towns. The Council's experience with Bromsgrove Farmers' Market and other high street events over the last 7 years has given us the necessary expertise to evaluate and run this venture successfully. It is expected that in the longer term the Council will receive improved revenue via increased rentals and business rates.)
 - Opposition from shopkeepers: The Council is regularly in touch with the town centre shopkeepers and has received support both for the redevelopment of the market hall site and for the relocation of the market into the high street.
 - Opposition from Market traders: This has already been expressed and is unlikely to find further sympathy with the local public or the local press.
 - The Council will lose income from the closure of part or all of the car park.
 - The Council will encounter various risks depending on the marketing model pursued. These are contained in the main body of the report, but depending on the model pursued actions to mitigate the risks will have to be agreed. If model 2 is selected it will be critical that appropriate technical and legal over views are taken. It will also be important that the project management of the construction work is placed with a company that the Council is convinced have the competence, capacity and financial cover to undertake the work.
 - Decisions will need to be taken regarding the closure of the market hall and giving the traders notice. It is crucial that residents and traders can see evidence of action and closure of the market hall will be a clear signal of change. However, it is critical that this is linked to the developer commencing work. The wrong signals will be sent out if

the market hall is closed and is boarded up for a prolonged period of time. Maintaining an empty building is a demanding managerial process. Furthermore, keeping traders informed of deadlines is important so that sufficient notice is given, but the work of the market continues until a date for closure is set.

8. CUSTOMER IMPLICATIONS

- 8.1 It is believed that there is ample evidence to demonstrate customer benefits from the proposal and customer enthusiasm for the proposal. When completed the facilities will offer more retail choice and services in an improved environment. In due course commercial marketing / advertising will replace this. Staff will be briefed internally on the purpose, scope and progress of the project.
- 8.2 All indications are that this will be a popular venture with the general public and the town shopkeepers and will bring more shoppers into the town. This is the experience from the Farmers' Market, now in its eighth year.

9. EQUALITIES AND DIVERSITY IMPLICATIONS

- 9.1 None immediately apparent.

10. OTHER IMPLICATIONS

Procurement Issues. The preferred solution recommended is one of engaging with a blue chip retailer in keeping with the proposals contained in the variation Model 3 above. If this variation is pursued there will not be a requirement to adopt the OJEU procurement procedures.
Personnel Implications. Loss of one post which will be managed in accordance with the Council's policy.
Governance/Performance Management: None immediately apparent
Community Safety including Section 17 of Crime and Disorder Act 1998: Liaison with CS and Police essential to "design out crime"
Policy : None immediately apparent
Environmental: Appropriate attention to relevant policies at time of planning application. Spadesbourne Brook runs beside development

11. OTHERS TO BE CONSULTED ON THE REPORT

Portfolio Holder	Yes
Chief Executive	Yes
Executive Director – Partnerships and Projects)	Yes
Assistant Chief Executive	Yes
Head of Planning & Environment Services	Yes
Head of Financial Services	Yes
Head of Legal & Democratic Services	Yes
Head of Organisational Development & HR	Yes
Corporate Procurement Team	Yes

12. **APPENDICES**

None

13. **BACKGROUND PAPERS**

Bromsgrove Town Centre report – 7th November 2007

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