

Report to: Cabinet
Date of meeting: 11th November 2013
Report of: Property Development Project Manager
Title: New Watford Market Update

1.0 **SUMMARY**

- 1.1 The purpose of this report is to update Cabinet on the progress of the delivery of the new Watford market and its future operation.
- 1.2 The design entails a new, vibrant WBC led covered market located in the current car park at the side of the TJ Hughes building (23-33 The Parade) and also includes expansion into the Parade with some temporary stalls. It is designed to be complementary to the smaller market that Intu is proposing to build as part of the Charter Place redevelopment.
- 1.3 The estimated cost for the project is £2.65m which reflects substantial design changes including full roof coverage throughout the market and a first floor storey to accommodate more units.
- 1.4 A planning application for the new market has been submitted and a decision is expected before Christmas 2013. The scheme includes 45 units.
- 1.5 Following an open tender exercise, Town & Country Markets were selected to provide advice prior to opening of the market in relation to design, business support and operational matters. They have also been selected to operate the new Watford Market once completed and are expected to enter into a lease and a management agreement.

2.0 **RECOMMENDATIONS**

It is recommended that Cabinet

- 2.1 Notes that the Watford Health Campus Partnership LLP has been instructed to design the new Watford Market and to prepare Employer's requirements for the building contract
- 2.2 Notes that a planning application has been submitted.
- 2.3 Notes that Town & Country Markets have been appointed as the operator to manage the new Watford Market following completion and also been appointed to provide design advice, business support, secure pre-lets and develop appropriate management policies.

- 2.4 Notes the Terms and Conditions for traders in the new Watford Market
- 2.7 Approves a revised capital budget estimate of £2.65m and recommends the change to the Capital Programme to Council.

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Report approved by: Manny Lewis, Managing Director

3.0 **DETAILED PROPOSAL**

3.1 **Design**

Under powers delegated by Cabinet on 8th July 2013, the Managing Director instructed the Watford Health Campus Partnership LLP to design and deliver the New Watford Market Project. In consultation with market traders and councillors the design has been developed up to planning application stage. A planning application was submitted on 8th October 2013.

The design consists of modular units under a canopy roof, which provides shelter from wind and weather. A total of 45 modular units will be provided. Compared to initial designs the scheme now includes maximum roof coverage and a second storey, both elements emerged from consultation with traders and councillors. The modular units will also be insulated to protect from temperatures and prevent condensation. The full application is available to view online (13/01067/FUL). Copies of the summary document submitted for Planning will be available at the meeting.

3.2 **Market Management Company**

Town & Country Markets (TCM) have been appointed to advise the Council prior to completion of the new market and to operate the market following completion of construction works. They have a strong track record in retail operations, managing indoor and outdoor markets and redevelopment of markets.

TCM's input to date has been to advise on operational matters of the market and how the design can accommodate these issues as well as meeting with traders in the existing market to understand their trades, requirements and needs. In the following weeks they will hold one to one meetings with traders who wish to come into the market to secure pre-lets. TCM will speak with both existing and potential new traders to the town.

TCM will enter into a Lease and Management Agreement with the Council which will govern the operation of the market. The Heads of Terms have been agreed and

signed. It is anticipated that the final legal documentation will be completed by the end of 2013. The Heads of Terms secure the Council a minimum of £70,000 annual income. This amount covers its rental obligation to BMW Trust who own the freehold of part of the site, service charge obligations and other ancillary costs.

As part of the MMC's business support to the traders they will advise on managing trading in the new modular units. This will be particularly important to deal with storage and supplies. A car parking facility for the traders is being discussed with Intu using one of the satellite car parks.

3.3 Terms & Conditions for the new market

TCM have developed the Terms & Conditions which apply to traders that enter into a lease for a unit in the new market. The market will be trading 6 days a week. This is to ensure a vibrant town centre and TCM are confident that there is enough interest from traders to support a 6 day trading week.

TCM will agree a trader mix strategy with WBC. It will be up to TCM to attract and decide on the best traders for the new market to ensure its long term viability. If it is in the interest of the market there can therefore be more than one trader selling the same product. An application process will be applied to determine the traders transferring to the new market.

The traders will be expected to enter into a lease outside the Landlord & Tenant Act 1954. The term of a leases will be either 1 or 3 years. If a 3 year lease is entered a rolling break clause on 6 months notice following the initial 12 months will be incorporated. Day trader units will be operated under a casual day licences. Where a day trader commits to regularly attending the market on the same day(s) each week, a standard registered trader form will be completed. This commits the trader to a notice of two weeks should they wish to cease trading within the market at any time.

The traders will have to pay rent and service charge as well as other outgoings such as utilities bills and rates. The level of rent and service charge payment proposed are less psft pa than the traders currently pay but they will be up-rated annually by RPI. However, their frontage will also be reduced compared to their existing frontage and this has been reflected in the rental levels. TCM has also proposed a 50% reduction in rent for the first year, January to March 2015 to help traders establish themselves at the new location over the winter period. This is a positive and responsive approach.

Relocation costs and compensation for individual trader where due will be determined in discussion with Intu and consultation with traders to discuss the details has been planned for the end of October.

A drop in day to brief all traders took place on 29 October 2013.

3.5 Capital costs

Initial cost estimates for the project were £1.5m. the budget has been revised to £2.65m. The increase in cost is due to a combination of factors:

- the final design now incorporates a second storey, public lift and maximum roof

- coverage, which was not taken into account initially;
- a banner design has been included to the side of the structure to provide additional shelter from wind and weather;
- reprovided utilities as the existing substation cannot cater for the former TJ Hughes building (23-33 The Parade) and the market. An additional substation needs to be built to meet the electricity demand.
- full resurfacing and decking now to be included in the specification
- all modular units will now also be provided with a basic specification, which allows for appropriate insulation of the modular units. Further value-engineering will be carried out to ensure value for money. This includes the investigation of other modular unit options.

Going forward, the Council will secure the procurement of a principal contractor and a separate contractor for the supply of modular units.

3.6 **Revenue implications**

The Heads of Terms with TCM ensure that the Council will recover its costs in terms of rent, service charge and internal management fees. Further profit share arrangements will be in place should the net income exceed a specified threshold. The combination of the MMC's income projections and the savings that the Council is also making in transferring the current market operations to Intu – as reported in the MTFs – means that the capital cost of the scheme can be recovered within 10 years.

Town & Country Markets will also make a one off capital contribution to the new development.

All operational cost will fall to TCM and incentives will be agreed to minimise the operational costs to maximise profits whilst maintaining a vibrant market.

The Council will be responsible for structural maintenance and it is recommended that a fund for structural maintenance is established from the rental receipts to cover any potential costs.

4.0 **IMPLICATIONS**

4.1 **Financial**

- 4.1.1 The Director of Finance comments that the proposal surrounding the New Market is likely to produce revenue savings for the Council, however, the full impact of this is not known at this stage. There are a number of costs and savings included in the proposal and these will need to be firmed up as the project progresses, and then monitored to ensure that they are achieved.

The estimated capital expenditure now required to complete the project is above that included in the current approved budget, the additional expenditure and associated funding will therefore need to be approved by Full Council.

4.2 **Legal Issues** (Monitoring Officer)

4.2.1 The Head of Democracy and Governance comments that the legal implications are dealt with in the body of the report. The Council will be entering a management agreement as well as a lease due to part of the market falling within the Parade area.

4.3 **Equalities**

The new market will comply with the provisions of the Equality Act to cater for people with disabilities and the tenant mix will ensure that the offer will cater for all age groups. The market will cater for existing as well as new traders. The selection of traders will be undertaken on a fair and competitive basis.

4.4 **Potential Risks**

Potential Risk	Likelihood	Impact	Overall score
<i>Delay of construction due to Utilities companies</i>	3	3	9
<i>Overrun on project costs</i>	1	4	4
<i>Not being able to agree Legal documentation with TCM</i>	1	3	3
<i>Lack of demand from potential traders</i>	1	4	8
<i>Slippage of timescales</i>	2	3	6
<i>Building has to be shut for 18 months.</i>	3	3	9
<i>Those risks scoring 9 or above are considered significant and will need specific attention in project management. They will also be added to the service's Risk Register.</i>			

4.5 **Staffing**

4.5.1 One post of the market manager is considered to be affected by TUPE.

4.6 **Accommodation**

4.6.1 N/A

4.7 **Community Safety**

4.7.1 The new market will be fully securable and the entrances covered by CCTV.

4.8 **Sustainability**

4.8.1 Sustainable building methods will be encouraged as part of the commissioning of the building contract. Additionally, TCM will be under obligations to minimise waste, reduce energy and apply sustainability measures where appropriate.

Appendix – circulated separately