

SUBJECT:	CORNHILL MARKET
DIRECTORATE:	MAJOR DEVELOPMENTS
REPORT AUTHOR:	JO WALKER, ASSISTANT DIRECTOR, WESTERN GROWTH CORRIDOR

1. Purpose of Report

- 1.1 To provide an update on the delivery of the new Cornhill Market, including the arrangements for the management, marketing and lettings process.
- 1.2 To review and approve the proposed schedule of rents in respect of the market stalls, which will allow for the formal lettings process.

2. Background

- 2.1 The regeneration of the building formerly known as 'Central Market' is a key project within the Town Deal Programme. The project will make an important contribution to the long-term vibrancy of the City Centre by providing a new and differentiated market offer, which will combine retail, food & beverage and communal dining, all within a restored and attractive heritage asset.
- 2.2 Over £7 million funding is being invested to upgrade the building (and adjacent City Square) so that it is fit for purpose for a modern market offer. This follows the approval of the Full Business Case for the project in July 2021. The schedule of works includes:
 - Opening of the principal facades to the north and east elevations through the removal of the "blind" arches and the insertion of new full height glazing, providing sight lines into the building.
 - Comprehensive refurbishment of the external built fabric and the interior of the building.
 - Replacement roofing and glazed lanterns.
 - New heating and lighting.
 - Refurbished perimeter stalls and new, free-standing island stalls (35 stalls, including 22 island stalls)
 - Installation of extraction to ensure suitability for hot food and beverage stalls.
 - Mezzanine floor, allowing for an additional food and beverage unit with communal seating areas.
 - Glazed, self-contained food retailing space under the mezzanine level.
 - A new self-contained restaurant unit, with balcony, accessed from Sincil Street.
 - Public realm improvements to City Square, providing a flexible space for the public to enjoy and for market-related activities and events.
- 2.3 The construction work is now approaching completion and arrangements are being made for the operational phase. This report provides an update on the work carried out to date to successfully secure an anchor tenant for the restaurant unit. The report

further sets out the proposals for managing the main market operation through the final fit out, marketing, lettings phase.

- 2.4 In order to move forward with the formal lettings process, a schedule of rents must be agreed in relation to the main market stalls. This schedule is presented as part of this report, for review and approval.

3. Restaurant Unit – Turtle Bay

- 3.1 The construction work to complete the regeneration of the market hall and adjoining restaurant unit is now nearing completion. The main structural works have been completed and the restaurant unit is now under lease to Turtle Bay, a Caribbean-themed restaurant chain with approximately 50 outlets. Turtle Bay contractors are currently carrying out a full fit-out and the restaurant is expected to open to the public in September 2023.
- 3.2 Turtle Bay will provide a new ‘destination’ dining space within the Cornhill Quarter and will complement the wider market offer, as well as supporting the commercial viability of the overall regeneration project, all in line with the original business case proposals.

4. Market Hall - Management and Marketing

- 4.1 Works to complete the internal fit-out of the main market hall are also progressing well and the manufacture of the stalls is now underway. The market hall is expected to open Autumn/Winter 2023.
- 4.2 The market hall will be retained and managed by City of Lincoln Council and arrangements in respect of the management, marketing and lettings are now being progressed concurrently with the final stages of the construction process, to allow for a successful opening later this year.
- 4.3 In line with the recommendations set out within the business case in July 2021, a dedicated Market Manager has now been appointed, on a 2-year fixed term contract, to lead in the development, promotion and operation of the new venue.
- 4.4 Commercial agents, Eddisons, and marketing specialists, The Carbon Group, have also been procured to support with the marketing, selection and lettings process, in order to maximise occupancy and secure a diverse and vibrant mix of stallholders from the launch date.
- 4.5 As part of the marketing process, a new name and branding identity have been agreed – Cornhill Market.



The market is located within the Cornhill Quarter, which is now a vibrant destination, following major investment in the buildings, streets and spaces and the transport hub project. The brand will therefore support in the positive promotion of the market, which will in turn, deliver a new and unique destination to enhance the offer within the Cornhill Quarter and the city centre as a whole. 'Cornhill Market' will also help with orientation, making it easier for visitors to locate the venue within the city centre.

- 4.6 A dedicated website is now being developed for Cornhill Market and prospective traders have been invited to register an interest in applying for a stall.

[The Cornhill Market \(cornhillmarketlincoln.co.uk\)](http://cornhillmarketlincoln.co.uk)

5. Trading Hours

- 5.1 In accordance with the business case, there is a strong demand for food and beverage and a casual dining offer, alongside retailing stalls. As such, it is proposed that Cornhill Market will operate to serve the early evening economy as well as during the daytime.

Proposed opening hours are as follows:

	Building	Minimum Retailers	Minimum Food
Monday	Closed*		
Tuesday	Closed*		
Wednesday	09:00-22:00	09:00- 17:00	11:30- 20:30
Thursday	09:00-22:00	09:00- 17:00	11:30- 20:30
Friday	09:00-22:00	09:00- 17:00	11:30- 20:30
Saturday	09:00-22:00	09:00- 17:00	11:30- 20:30
Sunday	09:00-22:00	11:00- 16:00	11:30- 20:30

**The market will be open on bank and school holidays and there may be different trading hours around Christmas*

The opening hours are the expected minimum for retail and food traders respectively. Consideration will be given to allow traders to extend the hours of trading (where possible) as long as the building is open.

6. Rents and Tenancy Arrangements

- 6.1 City of Lincoln Council has worked with commercial agent, Eddisons, to produce schedule of proposed rents for the different stall units. The proposed rental charges represents an update of the anticipated figures which were presented as part of the business case in 2021 and reflect current market conditions, taking into account the size and type of unit (e.g. retail, food and beverage or fresh produce) and location.
- 6.2 The Proposed Rent Schedule is included as Appendix A and a plan showing the unit numbers is included as Appendix B. The rental charges represent a net rental figure and are exclusive of NNDR and VAT as well as the Service Charge.
- 6.3 In 2021, the total rent to be derived from the market hall, was estimated to be £221,440, in 2023/24, at full occupancy (the business case did though assume a 25% void level). The revised schedule would yield a total rent of £268,800, when fully occupied. This represents a potential increase of £47,360, subject to securing occupancy.
- 6.4 The stall layout and fit out proposals have been refined since 2021, in response to market conditions and demand, in order to support the commercial viability of the scheme whilst maintaining the character of a market hall. The proposed Schedule represents an independent assessment of value carried out by Eddisons and the rental charges are considered to reflect present-day market values, based on the revised and finalised stall layout. The Rent Schedule is therefore recommended for approval, in order to progress the formal application, selection and lettings process.
- 6.5 The proposed form of tenancy agreement is on the basis of a 3-year term, which will include a 6-month fixed period followed by a rolling 1-month break. The proposed agreement will also allow for an annual rent review and for the option of moving from a fixed rental figure to a turnover rent, which is now common commercial practice, particularly in the food and beverage sector.
- 6.6 Turnover rent - whereby the amount of rent is dependent on the tenant's turnover - can offer advantages for both landlord and tenant. For example, if the business is doing well, the landlord stands to benefit from higher rents; where a tenant is starting a new business, the risks are reduced if rent is directly linked to trade. However, the 'point of sale' equipment which is needed to introduce this system is a significant cost and any decision to move ahead with a turnover system will be subject to the performance of the market during the first year, which will form the basis of a future report to Executive.
- 6.7 The proposed form of tenancy, with its easy-in-out terms, will reduce the risk to businesses wishing to trade within the new market space and will therefore help to support and encourage new/growing businesses to access the opportunity.

7. Marketing & Application Process

- 7.1 A marketing prospectus, application form and lettings policy framework are being developed to support the formal selection and lettings process, and the ongoing market operation. This takes account of the feedback from the Policy Scrutiny Committee in June 2023 and is based on the following key aims and objectives:

To ensure that:

- The market offers a range of goods and services that attracts visitors to the market and city centre.
- The market promotes local goods and services and showcases Lincolnshire produce and identity.
- The market provides a range of foods from various different cuisines that can be eaten within the venue or as takeaway.
- The market aims to provide a different offer, which complements but does not replicate the existing High Street, wherever possible.
- The market caters for different dietary requirements (vegetarian, vegan, gluten-free).
- There is a clear process in place for the application, evaluation and response to trading requests.

7.2 The marketing and application process will also set out where product lines are not considered suitable, with the overall objective to create a high quality, sustainable and viable market offer, which will support the vibrancy of the High Street and the wider City.

7.3 Prospective traders will also be required to submit a full business plan and wider information to support their proposal. The application and supporting information will be subject to a full evaluation process, which will consider the quality of the proposal, relative to the vision, objectives and proposed mix of uses, and an assessment of ability of the applicant to meet the proposed tenancy terms. The evaluation process will be published alongside the application form and prospective traders will be notified of the outcome.

7.4 A copy of the draft Marketing Prospectus and Lettings Policy Framework are included as Appendices C – D. These documents will be developed and finalised as part of a wider suite of information, which will also include the final tenancy agreement, in order to facilitate the formal lettings process.

8. Strategic Priorities

8.1 Let's drive inclusive economic growth

This is a key project within the economic portfolio as part of the Town Deal programme. It will contribute towards the vibrancy and sustainability of the City Centre by providing a new and differentiated market offer, building on the success of recent regeneration, and providing a 'hub' for new and early-start food, beverage and retail businesses. The market will also provide the opportunity to showcase local produce, thereby further promoting opportunities for a thriving local economy, linked to local growers and makers.

8.2 Let's reduce all kinds of inequality

Proposals for the market will deliver quality commercial space for new and growing businesses on an easy-in-out basis. The venue will be open and accessible to the whole community and will provide a range of services within a sustainable City Centre location. The project is part of a wider programme which aims to regenerate and support the vibrancy of the City with a focus on inclusive and sustainable growth.

8.3 Let's deliver quality housing

Whilst the funds have an economic focus, the regeneration of a heritage asset and creation of a modern market will contribute to High Street vibrancy and support in the overall place-marketing for the City, which will in turn help to retain and attract new residents, thereby supporting a thriving housing market.

8.4 Let's enhance our remarkable place

The proposals support the regeneration of a heritage asset and build on previous, successful heritage-led restoration within the Cornhill Quarter and wider City. Once completed, the market will support business activity within the City and promote economic vibrancy which will in turn help to sustain and safeguard the place.

8.5 Let's address the challenge of climate change

Measures to improve the efficiency and reduce carbon emissions arising from the new market have been considered and adopted as part of the capital regeneration project. The location of the venue itself is within a highly accessible, city centre location. Providing a new, high quality market which showcases local produce will then further encourage people to shop locally and to make full use of their local centre rather than travelling elsewhere.

9. Organisational Impacts

9.1 Finance

A full financial model was developed as part of the full business case, during 2021. The financial model was updated as part of the Medium Term Financial Strategy 2023-2028, to reflect an increase in costs arising from inflation in excess of the original assumptions. Rental estimates for the market hall stalls were not adjusted at this time, remaining at the proposed 2021 levels subject to 3% inflation per year. Rental income in respect of the restaurant was reflected in the updated budgets.

This report now sets out the anticipated rental charges for the market hall stalls. The proposed rental charges are in excess of the original business case estimates, as follows:

	2023/24 Full Year £	2023/24 Pro-rata £	2024/25 £	2025/26 £	2026/27 £	2027/28 £
2021 Business Case	(221,440)	(55,360)	(171,060)	(174,480)	(177,970)	(181,530)
Proposed Rent Schedule	(268,800)	(67,200)	(207,650)	(211,800)	(216,040)	(220,360)
Increase	(47,360)	(11,840)	(36,590)	(37,320)	(38,070)	(38,830)

The rental figures are based on a 25% void level and currently assume annual rent increases in line with CPI forecasts.

Subject to agreement of individual lettings the projected rental income budget will be revised as part of the next refresh of the Medium Term Financial Strategy. This will also include a further update of operating costs in light of the first months of operation, with any resulting net position considered as part of the overall budget.

9.2 Legal Implications including Procurement Rules

All contracting and procurement activity is being undertaken in accordance with the Council's Contract Procedure Rules, the Public Contract Regulations 2015 and all other relevant legislation.

9.3 Equality, Diversity and Human Rights

The Public Sector Equality Duty means that the Council must consider all individuals when carrying out their day-to-day work, in shaping policy, delivering services and in relation to their own employees.

It requires that public bodies have due regard to the need to:

- Eliminate discrimination
- Advance equality of opportunity
- Foster good relations between different people when carrying out their activities

An Equalities Impact Assessment was included as part of the business case for this project.

This has been considered in the context of the design of the building and spaces and continues to be considered as part of the operational arrangements.

The overriding objective being to ensure that the market delivers a thriving venue which is both inclusive and sustainable.

9.4 Human Resources

A Market Manager has now been appointed to oversee the development and operation of the market on a full time basis, on a 2-year fixed term contract.

This resource was included and quantified within the original business case and updated financial model, together with the wider resources required to enable a successful market operation.

9.5 Land, Property and Accommodation

A marketing prospectus, application form and lettings policy are being developed, with reference to the original business case for the market and wider Council policy.

A commercial agent has been appointed to provide expert valuation advice in respect of the rental charges and the proposed tenancy agreement in order to progress the formal application and lettings process.

The commercial agent will continue to provide expertise and advice in order to secure tenancies and to develop the final service charge schedule.

9.6 Significant Community Impact &/or Environmental Impact

Please see the Council's [Environmental Policy \(sharepoint.com\)](#) for further guidance

The Cornhill Market will deliver a significant asset for the benefit of the local community, with associated environmental improvements delivered through the building regeneration and adjacent public realm space.

All of these benefits are detailed in full within the business case and will be monitored beyond the delivery of the capital project.

9.7 Corporate Health and Safety implications

The contractor responsible for the delivery of the regeneration project has been subject to the Council's control of contractors process.

Proposals for the management and operation of the new venue are being developed in consultation with the capital project delivery team and to take account of the specific building requirements (which will be set out within the final Health & Safety file when the building is handed over).

10. Risk Implications

10.1 (i) Options Explored

A full risk register and options appraisal was included within the business case and accompanying report in 2021.

10.2 (ii) Key risks associated with the preferred approach

Commercial viability – risk that operators will not be secured, occupancy targets will not be achieved, impacting revenue assumptions.

Mitigation – commercial and specialist advice has informed the proposed rent schedule and revenue/cash-flow assumptions; dedicated manager in place; specialist support to be provided during this stage; design allows for some flexibility to accommodate retail/F&B and respond to demand.

11. Recommendation

- 11.1** To approve the proposed Rent Schedule, to allow for the formal letting of the stalls within the new Cornhill Market.
- 11.2** To approve the Marketing Prospectus and Lettings Policy Framework and to authorise Officers to proceed to prepare the final suite of documents required for the purpose of the marketing and lettings process.
- 11.3** To delegate approval of the final suite of documents in connection with the marketing and lettings process to the Director of Major Developments, in consultation with the Leader of the Council and Portfolio Holder for Economic Growth.

Is this a key decision? Yes

Do the exempt information categories apply? No

Does Rule 15 of the Scrutiny Procedure Rules (call-in and urgency) apply? No

How many appendices does the report contain? Four

List of Background Papers: Report to Executive 26th July 2021

Lead Officer: Kate Ellis, Major Developments Director