

To: Cabinet
Date: 16 June 2021
Report of: Tom Bridgman, Executive Director of Development
Title of Report: Covered Market Leasing Strategy

Summary and recommendations	
Purpose of report:	To seek approval to implement the recommendations set out in the refresh of the Covered Market Leasing Strategy
Key decision:	Yes
Cabinet Member:	Councillor Ed Turner Cabinet Member for Finance and Asset Management and Councillor Susan Brown Cabinet Member for Economic Development and Partnerships
Corporate Priority:	Inclusive Economy
Policy Framework:	Council Strategy 2020-24
Recommendation: That Cabinet resolves to:	
1. Approve the Covered Market Leasing Strategy	

Appendices	
Appendix 1	Covered Market Leasing Strategy
Appendix 2	Exempt Appendix 2 – Financial Impact
Appendix 3	Risk Register

Introduction and background

1. With the many challenges facing the retail and hospitality sector post pandemic, the Covered Market needs to evolve in line with other markets. Moreover, the market sits at the heart of the city centre and has a major role in attracting visitors, local and tourist, to support footfall and city centre resilience more generally.
2. The future strategy for the Covered Market has 4 main elements which all inform one another, supported by an emerging action plan, which is set out at the end of this report:
 - Leasing Strategy
 - Communications & Marketing plan

- An Operational Strategy
 - Masterplan & Investment plan
3. In 2015, market specialists The Retail Group were commissioned to provide advice in relation to the Leasing Strategy for the Covered Market. The intention was that the strategy would set out the ambitions of the Council in relation to the Market for the next 10 years, but with the ability for the Strategy to be refreshed at year 5 (2020) in order to pick up on emerging trends in the retail and markets sectors.
 4. The refresh of the Strategy is now complete and is the subject of the key decision set out in this report.
 5. A summary and update of activity against the other three workstreams is also set out for completeness.

Leasing Strategy 2020 (and amendments to the 2015 version)

6. The Leasing Strategy, included as Appendix 1 to this report, sets out the Council's ambitions for the Covered Market over the next five years. The Covered Market plays a vital role in the recovery of the City Centre and the Strategy confirms the Council's commitment to maintaining a vibrant market which appeals to a wide customer demographic and a route map to work with existing and new tenants to delivery this.
7. The leasing strategy includes:
 - Trading style – promoting a diverse choice of products and services within the market
 - Trading hours – detailing the ambition to extend the opening hours to support the evening economy.
 - Unit size – Units should be created which are appropriate to support small, pop up businesses where feasible.
 - Lease types – standard leases should be reviewed and instead a mix of short, medium and long term leases offered when negotiating new leases.
 - Rents – while the strategy does not comment specifically on rental levels it does note that they are key to achieving a sustainable market.
 - Planning uses – including the importance of the market as a heritage asset.
 - Products, tenant mix and occupiers – balancing the tenant mix to create a market in line with consumer trends.
 - Assignment – Tenant responsibilities when presenting a suitable assignee.
 - Physical considerations – including the recommendation to split larger units and prevent future amalgamations
8. The notable differences in the 2020 Leasing Strategy is the advice around lease structure, including term and rent structure, along with Tenant Mix targets.
9. The Leasing Strategy also informs the Masterplan brief, to help define the long term aspirations for the market.

Covered Market Vision

10. The Covered Market remains at the heart of the city centre, as a historic indoor market that provides an exciting, contemporary and environmentally-friendly platform for independent, local businesses and dynamic start-ups. The market offers a range of locally-produced, high-quality and sustainable fresh produce, goods, food and drink, and host a variety of art and performance-based cultural activities to provide an original destination that evolves to meet the changing needs of Oxford's residents, workers and visitors through the day and into the evening.

Tenant Mix

11. The retail landscape has changed considerably since the 2015 strategy was approved, with further impact as a result of COVID anticipated. It is expected that customers will gravitate towards Food & Beverage (F&B) and Convenience goods which will enhance, but not replace, the traditional retail experience. The key moving forward is to actively work to create a multi-functional destination and to support the overall visitor and shopper experience.
12. The current tenant mix remains weighted towards Comparison Goods as shown in the table below. The ambition and recommendation within the leasing strategy, is to move the tenant mix to a more equal weighting between each of the three product categories. This recommendation builds on the 2015 strategy where the weighting of comparison goods has been reduced from 55% in line the changing retail landscape.

Category	Example Use	Current Weighting	Target Weighting
Comparison Goods	Clothing, gifts, soaps, toys, sports equipment	38%	34%
F&B	Café, restaurant, bar or takeaway	23%	33%
Convenience	Meat, cheese, fruit & vegetables, fish	27%	33%

N.b. the Current Weighting does not take into account any units which were vacant at the time of survey

13. It is hoped this new mix will be mutually reinforcing. By bringing additional footfall into the market, it will support existing and new traders alike.
14. The move to this new tenant mix will need to be managed over time, through the natural churn of the existing tenant base, and active promotion to target uses, to help find the new proposed balance. The leasing strategy also sets out examples of the types of businesses that should be targeted in the line with this mix.
15. In order to progress the tenant mix, and appeal to a new customer demographic, the intention is to extend the market opening hours. Currently the market is open 8am to 5.30pm Monday to Saturday and 10am-5pm Sunday. The leasing strategy sets out an aspiration to extend this to 11pm a minimum of 3 nights per week.
16. The extended opening will be supported by the proposed introduction of a bar and events space into Unit 60-62 in the Central Square. Heads of terms have been agreed with the Tap Social, who propose to incorporate a calendar of events during both the day and evening to increase footfall and improve dwell time within the

market. It is then hoped this will give the existing traders, particularly in the F&B category confidence to extend their own opening hours.

17. It is noted that traders have raised concerns regarding the security of the market with later night opening and the introduction of a bar operator. The Council are creating a new security strategy to address these issues. Tenants will be consulted once this is complete and prior to a licensing or planning application being made. The Council are also installing CCTV as part of the ongoing investment into the market. We will work with individual tenants to address any specific issues around security.
18. The security and fire review has determined that the most suitable entrances to remain open are Avenue 1 High Street and Avenue 1 Market Street. Avenue 1 High Street already benefits from the proximity of the Varsity Club which has an entrance onto Avenue 1 just outside of the Market gates.
19. The letting is an initial 12 month trial and is likely to commence from late summer this year. Should it be successful the Council would look to secure a longer term lease with the operator in order to support the wider animation and activation strategy within the market, the central square will become the main focus for this.
20. The Council is also looking to split a number of larger units when they become vacant, in line with current trends and demand for smaller (and therefore relatively cheaper) spaces. Work on this will begin this year with 3 units being turned in to approximately 8 new ones. This type of unit refurbishment has led to successful lettings to a fishmonger, craft ale supplier and a wine retailer. The latest unit to be split is the ex Lindseys unit, 46-48. The works are due to complete in May and Units 47-48 are currently under offer.
21. While the longer-term leasing strategy is implemented, the Council is also working with Makespace Oxford, the operator of the Meanwhile in Oxfordshire project being delivered in partnership with OxLEP, to explore the opportunity to activate vacant units in the market not earmarked for splitting, or where tenants have already been identified.

Lease Structure

22. Lease structure is key in enabling the management of the tenant mix and enabling the market to adapt to changes in retail trends. The majority of leases are in excess of 10 years which is no longer reflective of tenant requirements. The 2020 strategy therefore recommends that the Council offers three lease types to incoming tenants:
 - Long terms leases of 5+ years - this lease type will be offered to key, anchor tenants to ensure the continuity of the market offering. This will likely apply to the fresh produce suppliers (Greengrocers, butchers etc).
 - Medium term leases of 3-5 years which will be offered to the majority of new incoming tenants. This is in line with retail lease trends.
 - Finally short term leases, below three years and including short term pop-ups. These will enable incoming tenants to trial their business and will create 'churn', enabling frequent points of difference for the regular customer.
23. The pop up leases will be offered on the smaller units within the market with the intention being that once the business has proven successful within the market they will transition and grow, taking a longer term commitment in a larger unit. This would enable to offering to customers change regularly. Work is underway with the

Council's economic development team to see whether any future business support grant can be used to help businesses access these spaces for test trade, start-up, or grow-on space to develop their business model.

24. As the City Centre recovers from the pandemic it is becoming clear that turnover rents will form an important part of the recovery of spaces such as the Covered Market, to enable a more collaborative relationship between Landlord and Tenant. As such The Council will consider the introduction of turnover rents, where appropriate, typically with a base rent built in to protect the Council and ensure active trade, This is would likely be considered where incoming businesses would look to open to support the later evenings to encourage a partnership between landlord and tenant to maximise the success of the activation project. Further analysis of the impact of Turnover rents would be undertaken before this is progressed.
25. There is also the intention to introduce a Service Charge to the Covered Market in the medium term (2-3 years). This is likely to be a phased approach, with it initially applying to those wanting to open in the evening, and therefore benefitting from additional services. It would not be introduced to all tenants until there is a critical mass of leases enabling the transition. The introduction of the Service Charge would support future maintenance and marketing initiatives and it would only be used to deliver a defined list of services that support tenants and will be in accordance with the RICS Service Charge Code.

Trader Consultation

26. In discussion with traders, it is clear there is broad recognition of the need for change within their own businesses, as well as the market, with many of their business models having adapted before, but also during the pandemic to offer click and collect and online ordering for delivery.
27. The Retail Group have consulted with traders to gather their thoughts on the future of the market. The consultation was met positively with over 90% of tenants providing a response. As the strategy has developed, The Retail Group have presented their findings to the traders and it is a regular agenda item on the monthly trader and OCC Zoom calls. The Council have presented traders with the final draft report, as set out in Appendix 1, and have not received any further feedback of note.

Communications & Marketing Plan

28. The effects of the pandemic have been a major factor in the declining footfall over the last year. Since the market re-opened from the first lockdown in June 2020, footfall has been in the region of 50 – 70% down on the 2019 equivalent. This reflects a similar pattern to the city centre, with the market being marginally ahead on some weeks.
29. To continue to support the market and the existing trader base to rebound, as well as to help delivery of the leasing strategy, the Council has now employed a part time marketing officer, with a communications & marketing budget.
30. The main aims will be to support traders on social media, launch a new and improved website, including You Tube channel and to develop and deliver a marketing plan, which is being worked up in consultation with traders.

31. There will be an annual events programme that will have a focus on local culture, built around annual campaigns that also responds to local, national and international trends.
32. Seasonal campaigns will be aimed at responding to changing consumer behaviours, driving footfall and promoting the market's unique shopping environment. The Council will maintain strong engagement with tenants and stakeholders throughout and build on our current communication channels.

Operational Strategy

33. A new operational strategy will be implemented, led by the Council's Markets Manager. This will cover day to day management and operations of the market, including:
- Trading hours, detailing the aspiration to extend the opening hours.
 - Planning and Heritage, including when an application may be required and the process for this.
 - Design guidance relating to shop fronts and signage, to encourage a high quality fit out
 - Deliveries and use of the yard, including reinforcing the time limit of 1 hour for loading and unloading and not enabling parking without a permit.
 - Key holders and emergency contacts
 - First aid
 - Fire safety and security evacuation procedures
 - Health and safety including food safety and the process for registration with Environmental Health
 - Code of conduct and zero tolerance policy
 - Housekeeping and the responsibilities of the Tenant to keep their shop front clean and tidy, with the right for the Council to remove any A Boards in excess of one per unit or where an obstruction is caused.
 - Waste management
 - Marketing and Social Media, which details the work that the Council will undertake with contributions from Traders
 - Sustainability and the introduction of the EAV Bike trial.
34. As part of the operations strategy, the Markets Manager will work with traders and the Marketing Officer to continue to drive and promote excellence and quality. This will include:
- Review of entrances to make more visually exciting and more prominent, including promoting opening hours, remove negative signage and replace with more positive statements and information.
 - Provide business support training for traders including window displays, promotions & commercial initiatives such as loyalty schemes and joint promotions across the Market.

- Encourage more combined promotions between traders and more co-ordinated promotions & increased social media
- Installation of CCTV to improve security and give trader confidence
- Encourage more traders to trade Sundays and extend opening hours beyond 5.30pm.
- Target local businesses to secure an anchor status farm shop/deli. Publish list of target categories on market website. Simplify and make obvious how interested parties get in touch/apply
- Enable the trial of the EAV bike to support traders in advance of the introduction of the Zero Emission Zone

Current capital investment and longer-term masterplan work

35. The Covered Market is an aging asset which does require a rolling programme of works to ensure the structure of the property remains in good condition. Works are made more complex by the listed status of the property, and this often leads to a longer programme and higher costs of works.
36. The Council is committed to a rolling 7 phase programme of work to refurbish & restore the roof, making it secure and safe. The overall investment made in this workstream will be around £1.7 million for which provision has been made in the capital programme. Phases 1-5 have been completed and work has recently started on phase 6. This sits alongside the redecoration of the internal roof structure within the market and the refurbishment of facilities for traders which completed last financial year.
37. As noted above, with demand for smaller unit sizes, as demonstrated by both the Leasing Strategy and the enquiries received, work will continue to split larger units where appropriate, subject to individual business cases.
38. A multidisciplinary team has also been commissioned to establish a concept Masterplan for the Covered Market. This will set out a long-term vision for the Market to guide growth, regeneration and improvements to support its future. It will set out objectives and strategies to manage change in the Market, while protecting what is important about it. It will look at how the Council can best utilise the space within the market and create a sense of destination for customers. It will review the entrances, the relationship with Market Street as well as the internal areas of the Market. The Masterplan timeline currently anticipates a preferred option being recommended towards the end of 2021, alongside an outline business case to support the request for additional capital investment. This will be presented to Cabinet and Council for consideration. A series of options, developed following workshops with traders and key stakeholders will be consulted on over the summer.

Action Plan

Short Term (next 12 months)

39. The priority will be ensuring the market's recovery following the lockdown period. This will include marketing campaigns, including Social Media campaigns, to advertise the reopening of the market and encourage customers to 'shop local', as well as the launch of the new website. A social media and website campaign to

attract new independent businesses will also be undertaken with a focus on targeting the uses detailed in the Leasing Strategy (Appendix1 – Covered Market Leasing Strategy).

40. The Council intends to commence the later opening trial supported by the introduction of the bar operator and planned events. The planning application for the CCTV is due to be submitted in May to enable this. Traders will be welcome to provide feedback on the trial over the 12 month period via the monthly Zoom calls. The intention is that this letting will support an increase in both footfall and dwell time within the market.
41. The Council is also working with Makespace Oxford to avoid vacant units by introducing short term pop up and temporary lettings while more permanent operators are sought.
42. Work will be carried to split a number of larger units into smaller ones where the business case shows this would be a suitable route. The Council will also work with incoming tenants, and traders looking to undertake refurbishment to meet the standards set out within the new operational strategy.

In anticipation of the proposed roll out of the Zero Emission Zone to cover the market in 2022, the Council will continue to work with traders to support their transition, including through the delivery and management of electric bikes for traders to undertake deliveries, but also to ensure the initial exemptions and support through the programme is fully understood.

Medium Term (2 to 3 years)

43. The aspiration over the next two to three years is to establish the Covered Market as part of the Oxford evening economy. With the close proximity to the Varsity Club this should create a 'hub' of evening activity and events. Once the trial letting to Tap Social is complete, the aim is to enter into a longer term agreement and expand the calendar of events offered within the Market. Complimentary uses, particularly in the central square will form an important part of this.
44. The focus will also be on transitioning new leases to the 3-5 year lease structure to enable future flexibility and the ability to adapt to market trends. This will also make the market more accessible to a wider range of independent traders who may not have been comfortable with a longer commitment. As part of this, the Council will look to convert successful pop-up uses to permanent lettings within the Market.
45. As part of the marketing strategy there will be a calendar of seasonal events aimed at increasing footfall and improving dwell time within the Market. It is also proposed that The Council establish the Covered Market as a consistent and recognisable brand during this time frame, including through website and social media.
46. There are also marketing strategies to celebrate major milestones such as the Market 250th anniversary in 2024 and Trader milestones.

Long term aims – Masterplan (4 years plus)

47. The long term aspirations for the market identified within the leasing strategy will be incorporated into the Masterplan work. The Masterplan will identify a number of options for the Covered Market which will require a further business case should any option be taken forward. The masterplan remit will also extend to the use of the yard, waste management and deliveries in and out of the market, supporting the use of sustainable delivery vehicles.

Options Considered

48. It has been considered that the Leasing Strategy continues as is currently drafted. However, this is not recommended. The retail landscape has evolved considerably over the last 5 years with a move towards online retailing. Centres such as the Covered Market have to meet this change in demand with more emphasis on multi-functional space and on food and beverage and service led operators.

Financial implications

49. Please refer to Exempt Appendix 2 – Financial Impact

Legal issues

50. No direct Legal implications arising as a result of this report.

Level of risk

Please refer to Appendix 3

Equalities impact

51. An equalities impact assessment is not applicable.

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