

**Request for capital funds for the further development of
the Lockmeadow complex**

Final Decision-Maker	Policy and Resources Committee
Lead Head of Service	Georgia Hawkes, Head of Commissioning and Business Improvement
Lead Officer and Report Author	Alexa Kersting-Woods, Leisure Property Manager
Classification	Public
Wards affected	All

Executive Summary

This report contains a request for approval of a capital spend of £89,674.78 to enable the continuation of development works at the Lockmeadow Complex.

The funding would come from the existing £1.5m allocated to Lockmeadow in the capital programme approved at The Policy and Resources committee meeting on 20 January 2021

Purpose of the report

For Decision

This report makes the following recommendations to this Committee:

1. That the Committee support the suggestions for improvement works
2. That the Committee approve the requested capital spend.

Timetable

Meeting	Date
Policy and Resources Committee	12 th February 2021

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1. CROSS-CUTTING ISSUES AND IMPLICATIONS

Issue	Implications	Sign-off
Impact on Corporate Priorities	The acquisition of Lockmeadow and proactive management of the site will materially improve the Council's ability to make Maidstone a Thriving Place.	Director of Finance and Business Improvement
Risk Management	Already covered in the risk section.	Director of Finance and Business Improvement
Financial	The plans contained in this report would require a capital investment of £896,714.78 This will come out of the £1.5m already allocated in the capital spending programme.	Director of Finance and Business Improvement
Staffing	We deliver the activities set out in the report with our current staffing.	Director of Finance and Business Improvement
Legal	A contract of works would need to be created. Licences / leases for the food hall tenants would need to be created.	Principal Solicitor - Commercial
Privacy and Data Protection	There are no specific privacy or data protection issues to address.	Principal Solicitor - Commercial
Equalities	The recommendations do not propose a change in service therefore will not require an equalities impact assessment	Policy & Information Manager
Public Health	The use of local supply chains for the Market and potentially a Food Hall will bring added social value and reduce the	Senior Public Health Officer

	<p>impact on the environment also providing higher quality food. However, it is still important to consider the food provision within the development and how the offering will provide healthier choices for children and families to have a healthy balanced diet, therefore not contributing to rising childhood obesity levels within the Borough.</p> <p>The formation of a children's play area in a town centre would create a space for children to play, socialise and be active.</p>	
Crime and Disorder	Security of the play area would be provided through our existing security provision at Lockmeadow. This is through 24-hour on-site security guards and monitored CCTV.	Director of Finance and Business Improvement
Procurement	There would need to be a recruitment process for the construction works, including the installation of the play area.	Director of Finance and Business Improvement

2. INTRODUCTION AND BACKGROUND

2.1 Lockmeadow comprises:

- leisure centre with an Odeon multiplex cinema, 18-lane bowling alley, a trampoline park, five restaurants and a two-level David Lloyd swimming pool and gym complex
- car parks
- a market hall operated by the Council.

2.2 In November 2019, the Council purchased the long leasehold interest (105 years unexpired). The rationale for the purchase was twofold. Firstly, taking control of a centrally located site which plays a key role in Maidstone's leisure offer which would help the Council realise its priority of making the borough a Thriving Place. Secondly, the acquisition would generate a financial return in line with the Council's commercial investment strategy.

- 2.3 Fidum (a facility management company) were appointed to oversee the day-to-day management. In March 2020 we appointed a Leisure Property Manager to oversee both the Lockmeadow Complex and Maidstone Market. The post holder sits within the Corporate Property Team.

3. ACTIVITY SINCE THE COUNCILS ACQUISITION

- 3.1 Our overriding objective has been to make Lockmeadow a top leisure destination for residents and for visitors. This means an all-round offer, including not only leisure facilities and dining, but also events and activities which make better use of the riverside and specifically offer activities which will attract large numbers of visitors.
- 3.2 In the past the Lockmeadow complex was a very popular place to go for leisure activity in the town with high footfall and good levels of public awareness. Over the years its popularity has been in decline, so improving the site's marketing was a priority for the Council. A tender process was held to find a marketing consultant. The successful bid was a partnership between Floresco Communications and the council's own Communication Team.
- 3.3 A marketing strategy was drawn up and included targets of increasing social media following, increasing public awareness of the different tenants and increasing footfall.
- 3.4 Our tenants reported a very promising start to 2020 with Hollywood Bowl and Gravity both healthily exceeding income targets in February.
- 3.5 The previous landlord had commissioned some improvement works in 2016, mainly interior design and a new front entrance. These improvements dated the rest of the building so funding was agreed by Policy and Resources Committee at its meeting on 29th April 2020 to improve the look of the building and the site in general. The plans were approved by Planning Committee on the 23rd July 2020 and work commenced 10th August. Work was completed in December 2020 and included modernisation of the external facia, removal or replacement of railings and a new, more welcoming entrance to the car park. In addition, the cattle shed type structure at the rear of the car park was removed to open the site to its attractive riverside location.

4. THE IMPACT OF COVID 19

- 4.1 When the three lockdowns were implemented all tenants in the centre had to close. The only exception is Frankie and Benny's who have provided a takeaway service.
- 4.2 Tenants in the centre have faced financial difficulties. Two tenants have so far faced a material change in their circumstances. The Restaurant Group, owner of Frankie and Benny's, entered a Creditors Voluntary Arrangement and is now paying the Council a rent based on turnover rather than the

previous fixed rent. GBK has gone into administration and will not be returning to site although they still hold the lease.

- 4.4 Odeon has completed a significant refurbishment and is now an Odeon Luxe, their premier brand. They are currently unable to open but the expectation is that this will provide a key visitor attraction.

5. PHASE 2 IMPROVEMENTS- PROPOSAL

FOOD HALL

- 5.1 For approximately 4 years there have been two vacant units located on the ground floor of the centre. Although there have been a few enquiries no businesses have progressed beyond an initial viewing.
- 5.2 Traditionally sites like Lockmeadow tend to attract chain restaurants and these businesses were already struggling financially pre Covid 19 and even more so now.
- 5.3 A new approach is needed to attract tenants and we believe developing a food hall is the correct way forward. The options we can take are:

Option one – continue to try and market the empty units as they currently stand. We could attract large new tenants, and hopefully find popular providers that would increase footfall to the complex for the benefit of all our tenants. However current market trends show that there are not many of these types of tenants looking to take on new premises and our experience on site reflects that.

Option two- use the empty units to attract new leisure offers, for example a virtual reality gaming hub. The advantage of this is that our existing food providers could see an increase in custom. The disadvantage is that we already have quite a limited food offer and customers like to have choice, and this could drive people away.

Option three -is to convert the empty units into a Food Hall. This is a growing trend which has evolved from the old-style food court, the difference being that these are aimed at attracting independent businesses. They also provide the customer with a fast-casual food option but with wider choice and higher quality than traditional fast food. This option will be more demanding on resources as there will be multi-tenants but we do have the structure in place to manage this.

- 5.4 The food hall model offers distinct advantages for both landlord and tenant. For the landlord, having several tenants in a space spreads the risk of long-term voids and loss of income when a sole tenant moves out. Lower rent and lower risk for the potential tenant is attractive particularly if they are new to the restaurant business. Tenants will not have to fund significant start-up costs to refurbish a building as in most of the models for food halls the landlord provides the operating space in return for a

percentage of the profits or other similar arrangements. The tenant then just needs to transform the space to reflect their brand.

- 5.5 At a meeting of the Economic and Regeneration Committee in November 2020 support was given the concept of the development of a food hall and to commissioning a feasibility study to assess its viability.
- 5.6 Retail Inspired, experienced retail, high street and market consultants were appointed to conduct the feasibility study.
- 5.7 Retail Inspired's study is attached as Appendix A and fully supports the creation of a food hall at Lockmeadow with the following recommendations.
 - 1) If the two vacant units are included with the now vacant GBK unit, the location and size of the space is suitable for a food hall incorporating up to 8 businesses, including an element of incubator space to allow businesses to grow
 - 2) Potential level of income would be on a sliding scale, taking into consideration a variety of leasing options to allow for fledgling businesses to test and operate
 - 3) MBC have two main models to adopt, depending on whether an operator is brought in to launch and manage the Food Hall or the council retain control of leasing through their existing company and nurturing businesses to support the growth and success in Maidstone. The recommendation would be for MBC to work with the existing managing agent to attract local food businesses to operate within the food hall and work collaboratively alongside the businesses already operating in Lockmeadow.
 - 4) The risks have been assessed, considered, and documented; however, launching a food hall and being one of the first in Kent will support the regeneration of the town centre, increase footfall and dwell time within Lockmeadow and therefore contribute to the aspiration of MBC creating a town to work, live and play
- 5.8 Advice from commercial letting agents ESH and Harrison's is that these types of units are very marketable, even more so in the current climate. To date we have three expressions of interest, Indian street food, coffee and bakery and locally sourced gourmet burger.
- 5.9 Retail Inspired identified in their report that food halls are being created across Kent but none near Maidstone. Creating one at Lockmeadow now would put us ahead of competition including the potential inclusion of one in the Len House development.
- 5.10 Financially this model does provide a reasonable return for our investment and allows us to fill space that would more than likely remain empty for a considerable amount of time. We predict setting a very competitive rent of £15pa which includes service charge, insurance, and utilities and a ready

to go unit. In addition to this we would take an additional 20% of turnover. See appendix B for an example of cash flow which shows a return on the investment at 34 months.

- 6.0 This project is much more than filling space it will allow us to 'grow' local businesses who will hopefully eventually progress into larger premises in the town. We have experience of this recently when we supported event catering company Gourmet Griddle to continue to trade during the pandemic. They are running a takeaway business from the Lockmeadow car park and are achieving exceptional performance based on their expectations.
- 6.1 Our experience with Gourmet Griddle and through researching the food hall concept we feel we are confident that we can adopt the 'in house' management model recommended in the Retail Inspired report.
- 6.2 The cost for converting the front 2 units at the complex and opening out to the entrance to create a food hall with 8 individual food outlets, communal seating and toilets is £467,824. This cost includes creating 8 individual operating kitchens and serving counters, communal seating, and toilets and all the required ventilations and services.

INCREASED OUTSIDE SEATING

- 5.8 Currently there is very limited outside seating at Lockmeadow, Frankie and Benny's and Feathers have small terraces. However, due to their size they are mainly used as smoking areas.
- 6.2 The lack of outside seating has an impact on how busy the complex is during hot weather with the restaurants reporting a drop in custom.
- 6.3 Even before the impact of COVID-19 Al fresco dining was increasing in popularity in the UK. Town centre venues such as The Brenchley find its outside space is full during the summer months. Outside space is also used during the winter with the aid of patio heaters. The White Rabbit used to offer good outside space for a sunny day drink but since becoming a Miller and Carter restaurant the garden is only open to diners.
- 6.4 Increasing the outside space is also another way of making the most of Lockmeadow's riverside location. The complex is often described as 'having turned its back on the river' and this could be a way of changing this perception.
- 6.5 The proposal is to expand the external terrace area leading on from the existing Feathers terrace.
- 6.6 The terrace expansion will increase the outside space for the Feathers unit and provide shared use terrace space for the food hall and other tenants.

- 6.7 The cost for increasing the size of the existing terrace with shared use is £295,109.84 (example is shown in Appendix c) the cost includes grounds clearance, new entrance with ramped access, lighting and furniture.

7. PLAY AREA

7.1 The complex has a good area of green space covered largely with shrubs and therefore not very attractive and not used by the local community. The residential population of the local area is continuing to grow, and we would like Lockmeadow to add to the appeal of residing in the area.

7.2 The proposal is to install a small children's play area with a view to providing a space for children to explore and play. The play area will be in the area between the Millennium Bridge foot path and the Town Square and would increase footfall to the site and has the potential to attract customers for all our tenants.

7.3 Advice has been sought from the Parks and Open Spaces team to consider what equipment to install and we want to provide play equipment that fits into the riverside setting. It will be designed so that children with different abilities can play together and stimulates children's imagination.

7.4 The cost for providing the play area is £103,457.25 and includes grown works, safety surfaces and installation of equipment.

8. GENERAL PROJECT COSTS / COMMENT

- 8.1 In addition to the individual item costs there is £30,323.69 set aside for planning permission and contingency.
- 8.2 The Food Hall offers the best in terms financial return for the complex however adding the terrace expansion and play area will enhance the appeal of the site to potential tenants and attract customers.

9. REPORT APPENDICES

- A. Food hall feasibility report
- B. Example of Food hall cash flow
- C. Illustration of external terrace expansion.

10. BACKGROUND PAPERS

Minutes of the Economic Regeneration and Leisure Committee Meeting 20th
October 2020.