

**Further development of the Lockmeadow leisure complex**

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

**Executive Summary**

The Lockmeadow Leisure Complex remains a key element in the Council's strategic priority to make Maidstone a thriving place, although progress in exploiting its potential has been limited by the Covid-19 pandemic over the past year. This report sets out a proposal for the continuation of development works at the Complex in line with our overall strategy and with the capital programme. Three linked projects are proposed, which 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, subject to approval by full Council on 24<sup>th</sup> February 2021.

**Purpose of the report**

For Decision

**This report makes the following recommendations to this Committee:**

1. To support the proposals for improvement works.
2. To approve the requested capital spend.
3. To delegate authority to the Director of Finance and Business Improvement to seek planning permission for and deal with associated planning matters in relation to the landlord works described in this report and to undertake a procurement process and award such contracts for delivery of the works in line with financial procedure rules and applicable public contracts regulations and principles.
4. To authorise the Head of Mid Kent Legal Services to complete the necessary contract documentation and agreements associated with the works.

**Timetable**

<b>Meeting</b>	<b>Date</b>
Policy and Resources Committee	10 <sup>th</sup> February 2021

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## 1. CROSS-CUTTING ISSUES AND IMPLICATIONS

Issue	Implications	Sign-off
<b>Impact on Corporate Priorities</b>	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
<b>Risk Management</b>	Already covered in the risk section.	Director of Finance and Business Improvement
<b>Financial</b>	The plans contained in this report would require a capital investment of £896,715. This will come out of the £1.5m already allocated in the capital spending programme.	Director of Finance and Business Improvement
<b>Staffing</b>	We deliver the activities set out in the report with our current staffing.	Director of Finance and Business Improvement
<b>Legal</b>	A contract of works would need to be created.  Licences / leases for the food hall tenants would need to be created.	Principal Solicitor - Commercial
<b>Privacy and Data Protection</b>	There are no specific privacy or data protection issues to address.	Principal Solicitor - Commercial
<b>Equalities</b>	The recommendations do not propose a change in service therefore will not require an equalities impact assessment	Policy & Information Manager
<b>Public Health</b>	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>	
<b>Crime and Disorder</b>	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
<b>Procurement</b>	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 to take control of a centrally located site which plays a key role in Maidstone's leisure offer and would help the Council realise its priority of making the borough a Thriving Place. Projected financial returns from the acquisition met the Council's investment criteria. However, it was envisaged that further investment would be required to maximise returns from the site and to ensure continued high levels of tenant occupancy. This investment was built into the financial appraisal carried out at the time and included within

the decision report of 27 March 2019 to Policy and Resources Committee on the site acquisition.

- 2.3 Fidum (a property 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 COUNCIL'S 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 29<sup>th</sup> April 2020 to improve the look of the building and the site in general. The plans were approved by Planning Committee on the 23<sup>rd</sup> July 2020 and work commenced 10<sup>th</sup> 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 - PROPOSALS**

### ***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 maximise income from the site. The options investigated were as follows.

Option A – 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 B - 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 C - 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.

'Do nothing' is not considered to be an option, as income would continue to fall short of projected levels, and leaving vacant space in the Complex would ultimately impact the overall offer negatively.

- 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 on 20 October 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 fully supportive 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. We already have a number of expressions of interest.
- 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 £15,000 pa 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. Our cash flow estimates show a return on the investment at 34 months.

- 5.11 This project is much more than filling space, as 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.
- 5.12 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 Retail Inspired report.
- 5.13 In 'normal' life the monthly footfall of the complex ranges between 90-100,000 visitors. We believe we can increase this with regular events and activities and with a solid marketing strategy. These footfall figures were produced before the Odeon refurbishment.
- 5.14 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***

- 5.14 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.
- 5.15 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.
- 5.16 Even before the impact of COVID-19 Al fresco dining was increasing in popularity in the UK. Town centre venues such as The Brenchley finds 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.
- 5.17 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.
- 5.18 The proposal is to expand the external terrace area leading on from the existing Feathers terrace.
- 5.19 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.

- 5.20 The cost for increasing the size of the existing terrace with shared use is £295,109.84 the cost includes grounds clearance, new entrance with ramped access, lighting, and furniture.

### ***Play area***

- 5.21 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.
- 5.22 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.
- 5.23 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.
- 5.33 The cost for providing the play area is £103,457.25 and includes ground works, safety surfaces and installation of equipment.

### ***General project costs***

- 5.34 In addition to the individual item costs there is £30,323.69 set aside for planning permission and contingency.

### ***Conclusion***

- 5.35 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.

## **6. AVAILABLE OPTIONS**

- 6.1 Option 1 – Carry out steps to generate a return from vacant units

Within this overall option, three approaches are described in the report: A – market the units in their current form; B – create new leisure uses; C – create a food hall. For the reasons described in the report, the third option is preferred.

- 6.2 Option 2 – Carry out a wider programme of investment, including a food hall, outside seating and a play area

The Council could additionally create outside seating and a play area.

- 6.3 Option 3 – Carry out a different or expanded programme of investment

The Committee could choose to amend or expand the planned programme of investment, within the budgetary framework set out in the Council's capital programme.

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## **7. PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS**

- 7.1 This report recommends Option 2, on the basis that creating a seating area and a play area will complement the indoor works to create a food hall and will enhance its chances of success.
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## **8. RISK**

- 8.1 The risks associated with the proposals in this report, including the risks if the Council does not act as recommended, have been considered in line with the Council's Risk Management Framework. It is recognised that the risks associated with the proposals have significantly changed as a result of the coronavirus pandemic.
- 8.2 Specific key high-level risks and mitigation arising from this project are set out below:

<b>Risk</b>	<b>Mitigation</b>
Failure to attract tenants to food hall	Early indications, based on professional advice and contact with potential tenants, indicates that there is a strong demand for the type of units envisaged.
Projected financial returns are not delivered	The assumptions about rent and occupancy in the financial projections are considered to be realistic. However, the space being created is flexible and has the potential for a variety of uses.
Failure of leisure economy to recover from coronavirus	The rapid recovery in demand after the first Covid-19 lockdown suggests that there is a lot of suppressed demand for the kind of activity available at Lockmeadow. However, in the event of a permanent and irrevocable downturn in the leisure economy, our ownership of the entire Complex gives us the scope to seek strategic solutions including finding different uses of the site.

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## **9. CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK**

- 9.1 The strategic context to the acquisition of Lockmeadow, ie setting 'Thriving Place' as a priority, the Medium Term Financial Strategy and the Capital

Programme, have been discussed extensively with Members. Members agreed the acquisition of Lockmeadow and support the Council's ambitions for the site.

- 9.2 The project described in this report was canvassed at an early stage with the Economic Regeneration and Leisure Committee at its meeting on 20<sup>th</sup> October 2020.
- 9.3 Ward members in High Street Ward and Fant Ward have been consulted on the proposals.

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## **10. NEXT STEPS: COMMUNICATION AND IMPLEMENTATION OF THE DECISION**

- 10.1 Should the Committee approve the recommendations of this report, the work described will proceed, with its pace dictated by how quickly restrictions relating to the coronavirus pandemic are lifted.

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## **11. REPORT APPENDICES**

None

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## **12. BACKGROUND PAPERS**

Retail Inspired Feasibility Study