

PLACE COMMITTEE

6th June 2018

REPORT OF THE INTERIM DIRECTOR FOR GROWTH AND REGENERATION

CATTLE MARKET, BREWERY

1.0 PURPOSE OF REPORT

- 1.1 To seek approval from Committee Members to agree the basis for the grant of a sub-lease for that part of the Melton Cattle Market site forming part of the Southern Opportunity Area which will be used by Round Corner Brewery Limited to create a brewery and associated tap room.
- 1.2 To approve the recommendations set out in item 2.0 below.

2.0 RECOMMENDATIONS

That Committee agree the recommendation to delegate to the Director of Growth and Regeneration authority to negotiate and conclude terms, in consultation with the Chair of the Place Committee and Leader of the Council for:

- (i) the grant of a licence to underlet to allow the subletting, by Gillstream Markets Limited, of those parts of the buildings contained within their short-term lease of the south side of the market, to be designated as a brewery (see plan in Appendix 1) to Round Corner Brewery Limited (RCBL) together with all necessary lease variations, as required to permit this use.
- (ii) In the event that the existing 5 year short-term lease within which there is an option to extend by a further 5 years to take the term to 2027 proves to be a constraint to the grant of the sub lease to RCBL then Committee to approve the extension of this delegation to the Director of Growth and Regeneration to negotiate and agree terms for the grant of a new longer term lease to Gillstream Markets Limited for the Opportunity Area. Terms would only be agreed once a satisfactory investment plan and appropriate levels of due diligence and assurance around matters such as tenant covenant, viability and deliverability of the plan have been completed.

(Note - These two recommendations need to be considered together in the event that the terms upon which Round Corner Brewery require occupation fall outside the scope of the current short-term lease (5 years from July 2017 with an option to renew for a further 5 years) then the delegation as set out in this recommendation allows sufficient flexibility for a potential new longer lease to Gillstream of the southern Opportunity Area to be negotiated and granted. This way a longer term could be granted to RCBL reflecting the terms of a new longer lease term or

extension of the existing short-term lease held by Gillstream, to suit negotiations with the brewery.)

3.0 KEY ISSUES / BACKGROUND

The Council's long leasehold interest in the Cattle Market is one of the most important built assets the Council holds and manages, providing income to the Council through leasing and generating interest in and vibrancy of, the town centre. A vibrant and financially stable cattle market and with it ancillary uses such as banqueting, pet and livestock sales, markets, festivals and artisan food retailing plays a vital role in the success of Melton town centre.

The Cattle Market provides an important financial return for the Council through rent and Business Rates. With rental structures that are based part on a base rent and part on turnover the more successful and vibrant the market is the more income the Council and its tenant Gillstream receive. It is therefore in everyone's interest to have a market which is successful and can flex to suit market trends including utilising parts of the Opportunity Area for alternative uses other than existing. This report deals with the proposed grant of a sub-lease from the Council's tenant, Gillstream to allow the utilisation of part of the market buildings within the Opportunity Area, as a brewery.

Being at the heart of the town and the community it is important that the market provides as wide an offer for residents and visitors alike and adapts and develops to meet changing demands generating investment opportunities particularly around jobs, training and employment.

By adopting a partnership approach with the Council's tenant – Gillstream Markets Limited - and, identifying future areas for short, medium and longer-term investment and improvement can only strengthen the offer. This partnership approach is consistent with Council's Corporate Plan and Growth and Prosperity Plan with its vision for the future:

'To work in partnership to promote and support sustainable economic growth, making sure Melton is an exciting and inspiring place to do business.'

The Council along with the Leicestershire LEP have invested over £5m on the north side of the site but the level of investment in the southern side has been limited in recent years. A vibrant and well performing market will help the Council to meet a number of objectives including:-

1. **Promoting Innovation, Enterprise & Growth in Key Sectors:** To develop a strong competitive economy by encouraging emerging technologies and innovation.
2. **Enhancing Aspirations, Skills and Economic Activity in the Borough:** To develop a workforce that meets the needs of the local marketplace and raise ambition.
3. **Improving the Vitality of the Town and surrounding Villages:** To create better places for local employment, shopping and entertainment.
4. **Maximising Inward Investment Opportunities:** To work with other agencies to maximise resources and promote a competitive economy.

Current Arrangements - In 2017 the Council granted a new 20 year lease to Gillstream Markets Limited for the main livestock market at the north of the cattle market site. A short -

term lease was also granted on what is known as the “cinder” car park also to the north of the site. The balance of the site excluding the main car park and vacant buildings adjacent to it, were let on a short-term lease agreement, in this case 5 years with an option to extend for a further 5 years. This area is known as the Southern Opportunity Area.

Although the activities on the northern parts of the site are somewhat different to the much more mixed use on the southern side – the Opportunity Area, the site is very much managed and operated as a single site. To separate the Opportunity Area, effectively annexing it from the northern activities would mean the site would have to be operated in a significantly differently way than it has been for many years. There is a logic therefore for not only looking at the site in its totality but also operating arrangements that reflect the integrated nature of it.

There are a number of issues which have been brought to the Council’s attention by Gillstream as regards the Opportunity Area. These include the recent rating revaluation, condition of buildings and the election for VAT which alongside some trading issues have impacted on the southern side. New lettings and with it investment should help generate new activity and interest in this area of the market,

Gillstream have been working with a new venture, Round Corner Brewery Limited (RCBL) to set up a brewery in the heart of the town centre. Terms for the grant of a lease to RCBL, which in this case will be a sub under lease, the Council being the long leaseholder, Gillstream being the Council’s tenant and going forward a proposal for RCBL to be Gillstream’s tenant of part of the Opportunity Area, are being finalised.

Gillstream have confirmed they will now be seeking approval from the Council to progress with legal documentation. On grant of a leasehold interest RCBL will invest, carry out works and open their “brewery”, utilising approximately 300sqm of the market hall. Growth of the facility and how it diversifies for example, the size of the public areas where brewed beer can be sampled and potentially in future years food served, will depend very much on the success of this new venture for Melton.

The Council have supported this initiative. It is consistent with the draft master-plan for the area prepared by Maber Associates in 2017. Planning consent for a change of use to permit the brewery use was granted last month.

Whilst the 2017 Maber master-plan setting out investment options for the Opportunity Area has no specific status in that the Council have not confirmed this is the agreed way forward for this area nor has it set aside any specific funding to deliver the range of initiatives set out in that document (combined cost of £5m+), it does show how the market could be enhanced and where investment if available, could be directed. The plan has not been adopted and therefore has no “planning status” however, it has proved invaluable in seeking to establish with Gillstream areas for potential future change and targeted investment. A brewery central within the site, utilising existing buildings formed an integral part of the Maber work.

Alongside the proposed brewery letting, officers are working closely with Gillstream on an investment plan, a high level vision, ideas and draft funding plan which they will then look to refine with Gillstream to deliver something for further consideration by the Council. This will support a proposition from Gillstream to grant a longer term lease covering the Opportunity Area in this case likely to be co-terminus with their longer term lease on the main livestock areas to the north of the site, Given their 20 lease arrangement on the north of the site, they remain the logical partner for the Council to work with to deliver improvements through investment into the Opportunity Area but this is by no means determined and Gillstream still need to convince themselves and the Council that investing in and taking an equally long term commitment on the south side is the right thing to do.

There is no urgency for either the Council and Gillstream to settle the investment plan and alongside it finalise the terms on which a longer term lease would be granted. Gillstream have a 5 year lease plus an option to extend for a further 5 years and the Council has a tenant responsible for the site, paying rent.

The objective is to set the vision, establish the opportunity, identify funding and funding models and then wrapping lease terms around this to suit both parties. This will take time and officers are working closely with Gillstream to support this process.

It will however be important when considering lease terms and investment plans that the opportunities such as that before the Council for the brewery are, where possible, not constrained by the existing lease agreements in place and the time it is likely to take to agree a longer term Investment Plan for the site. Officers have been advised that over £1m of funding has already been raised by RCBL.

Officers have been advised that there is to be an initial investment in the buildings in the order of £120k then a much more significant investment for the equipment and the operation of the facility. Advice is that this is funding raised from the investment market. Officers can confirm that none of this is being provided by the Council or wider public sector.

Gillstream have just over 4 years unexpired on their existing lease of the Opportunity Area and then an option to renew for a further 5 years. Given they could exercise that option they have in effect a 9+ year term to offer the brewery by way of an underlease if they chose to do so and this was a viable term for the brewery. Officers are awaiting feedback on this point.

If the lease terms by which Gillstream occupy the southern section of the site prove unsatisfactory then, the recommendation set out in this report (Section 2 above) if approved, delegating to the Director of Growth and Regeneration, will provide greater flexibility to officers to accelerate and progress negotiations on a range of other matters with Gillstream which may include a longer lease term

4.0 POLICY AND CORPORATE IMPLICATIONS

4.1 There are clear links to priorities within the Corporate Plan in particular :-

- Meet the economic needs of the Borough
- Maximise the potential of Melton Mowbray Town Centre

5.0 FINANCIAL AND OTHER RESOURCE IMPLICATIONS

5.1 The Council receives income from the market operations in two ways, rental income from the grant of various leases and Business Rates. As part of the considerations for the grant of new leases and approvals for the grant of subleases/underleases will be the potential financial impacts on the Council in terms of future rents received. The Director of Growth and Regeneration when consulting with the Place Committee Chairman and Leader of the Council in the matter of leases and licences relating to the brewery sub letting and potentially the wider Opportunity Area will set out clearly the financial implications related to the terms of any proposed and associated recommendations

6.0 LEGAL IMPLICATIONS/POWERS

6.1 The Council has the necessary powers to grant leases on Council owned, leased or managed assets. The Constitution passes down a number of delegations to senior officers but these may not adequately cover the proposed licence to underlet to RCBL hence approval is sought from Place Committee to extend the delegation held by the Director of Growth and Regeneration to negotiate, conclude terms then enter into legal agreements.

7.0 **COMMUNITY SAFETY**

7.1 There are no direct community safety implications arising from this report. However, as part of the development of an evening economy which the brewery and tap room in time may bring, there will be links to creating a safer town.

8.0 **EQUALITIES**

8.1 A refreshed Equalities Impact Assessment is due to be completed in 2018.

9.0 **RISKS**

9.1

Very High A				Risk No.	Description
				1.	Lease terms cannot be agreed between the parties and the brewery investment is lost.
High B					
Significant C					
Low D					
Very Low E			1		
Almost Impossible F					
	IV Neg- ligible	III Marg- inal	II Critical	I Catast- rophic	

Impact

10.0 **CLIMATE CHANGE**

10.1 There are no direct climate change implications arising from this report.

11.0 **CONSULTATION**

11.1 The matter was considered by Policy Group on Monday 21st May 2018 and recommendation made to bring the proposed delegation before the Place Committee at its June 2018 meeting..

12.0 **WARDS AFFECTED**

12.1 All wards are affected

Contact Officer:

Appendices Appendix A: Site Plan showing extent of proposed brewery

Date: 25th May 2018

Back ground papers: None

Committee: