



Report sponsor: David Fletcher,
Director of City Development and Growth

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Housing Regeneration Manager

ITEM 9

Redevelopment of Drewry Lane car park

Purpose

- 1.1 To propose the closure and redevelopment of Drewry Lane car park, owing to the very low level of usage, the ample car parking capacity in the area, and the urgent need for affordable homes in Derby.
- 1.2 To note that a scheme has been designed to deliver eleven apartments and six houses for Council rental on the site, and is shortly to be submitted for planning approval.
- 1.3 To seek the necessary financial and contractual approvals to deliver the scheme.

Recommendation(s)

- 2.1 To delegate authority to the Strategic Director of Communities & Place, in consultation with the Cabinet Member for Regeneration, Decarbonisation, Strategic Planning & Transport, to permanently close Drewry Lane car park to public use, and to make all necessary arrangements in respect of this.
- 2.2 To declare Drewry Lane car park to be surplus to the Council's car parking requirements.
- 2.3 To delegate authority to the Strategic Director of Corporate Resources to transfer Drewry Lane car park from the Council's General Fund to the Housing Revenue Account, and to agree the appropriation value that shall be transferred in exchange.
- 2.4 To approve the creation of the project budget as defined in the confidential version of this report, and to note that this can be funded within the overall value of the current HRA capital programme.
- 2.5 To note that internal approval of the Full Business Case by the Council's PMO Board will be required before contracts for delivery are entered into.
- 2.6 To delegate authority to the Strategic Director of Corporate Resources, in consultation with the Strategic Director of Communities & Place and the Cabinet Member for Adults, Health & Housing, to enter into all contracts and agreements necessary to deliver the scheme within the approved budget.

- 2.7 To note that, subject to the final approved design, a Traffic Regulation Order may be required in order to change the waiting restrictions on Talbot Street.
- 2.8 To note that a Stopping Up Order will be required in order to remove a small area of landscaping from the public highway.

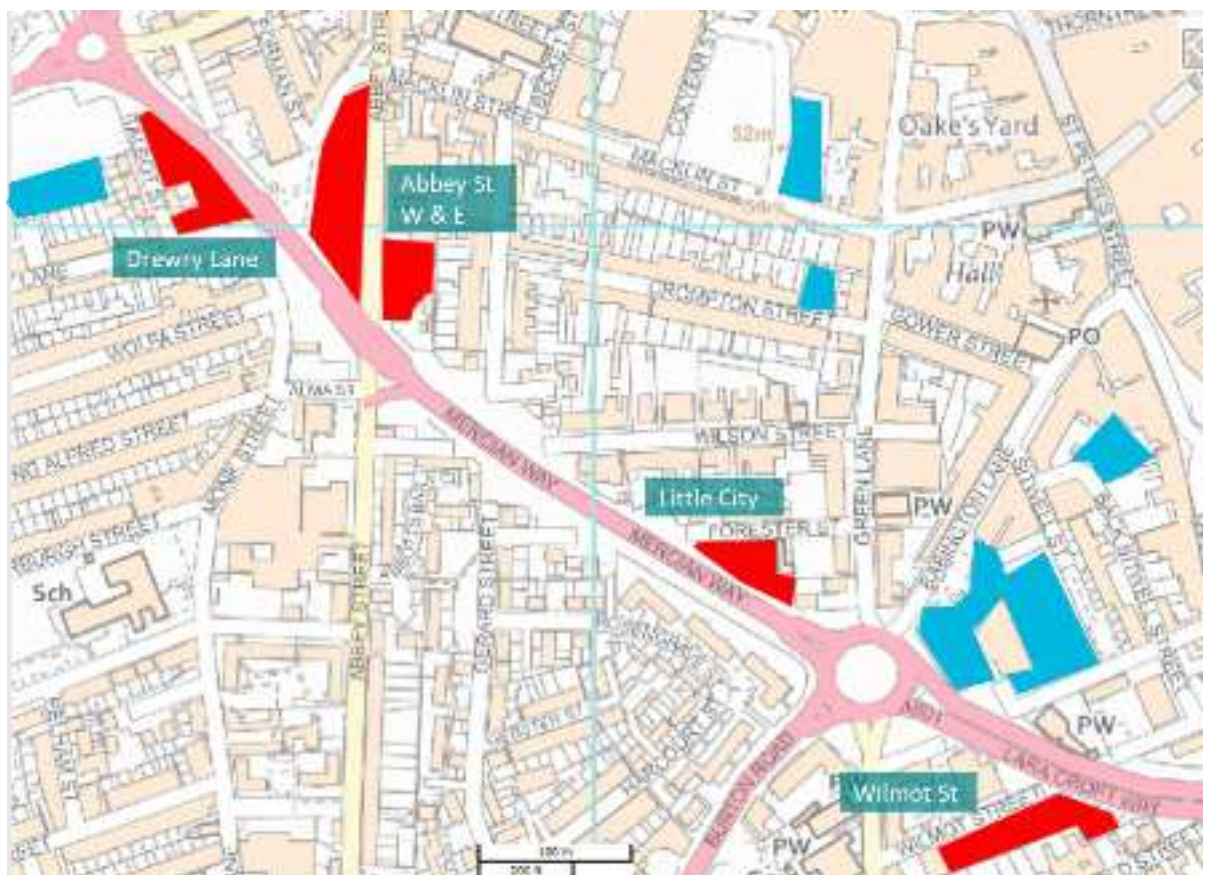
Reason(s)

- 3.1 To facilitate the delivery of new affordable homes to meet the high level of need in Derby.
- 3.2 To support the vitality of Derby city centre by redeveloping brownfield land and growing the resident population.
- 3.2 To ensure the best value use of the Council's assets.
- 3.3 To comply with the Council's Financial Regulations and Contract Procedure Rules.

Supporting information

Current usage of the car park

- 4.1 Drewry Lane car park has 48 spaces and is one of a number of surface pay & display car parks located along the southern stretch of the Inner Ring Road. Other Council car parks nearby include Abbey Street, Abbey Street East, Little City (Forester Street) and Wilmot Street (marked in red below). There are also a number of car parks operated by private providers (non-comprehensive selection marked in blue below).



- 4.2 Drewry Lane car park was originally larger before the construction of Mercian Way. The remaining car park is not especially well located for visitors to the city centre, being on the far side of the ring road. There is no direct access for vehicles from or to the ring road, so it must be approached via narrow residential streets.
- 4.3 Ignoring 2020-21 due to the impact of the pandemic, over the last six years, revenue from sales at Drewry Lane (cash and MiPermit) has been less than £3,000 per annum. Revenue in that period has averaged just under £1 per space per month. Cash sales were removed from Drewry Lane some time ago due to very low usage, so MiPermit is now the only way to pay for parking there.

Year	Sales	Revenue
2022-23 (to 30 Sep)	278	£1,132
2021-22	526	£2,252
2020-21	Omitted due to pandemic	
2019-20	1013	£2,868
2018-19	707	£2,142
2017-18	737	£2,241
2016-17	629	£1,905

- 4.4 We are aware that some season ticket holders and other pass holders may park at Drewry Lane and not appear in these figures, however visual inspections of the car park suggest this level of use is also extremely low. There is ample capacity for the few users of Drewry Lane at the nearby car parks mentioned at 4.1.
- 4.5 The Council is currently carrying out a wider review of car park provision, in order to inform the future strategy and the potential for further disposals. Officers in Parking Services have confirmed that the usage of Drewry Lane is so low that it is not necessary to wait for this review to complete before releasing it for redevelopment.
- 4.6 The loss of revenue from Drewry Lane would have a minimal impact on the Parking Services budget, and may be offset by removing the need for site inspections, cleansing and lighting.

Need for affordable homes in Derby

- 4.7 Developing new Council homes is set out as a priority in both the Council Plan 2022-25 and the Council Delivery Plan 2022-23. The Council has a 30 year business plan for its Housing Revenue Account, with an aim to build or acquire around 100 new homes per year. The main constraint to this is a shortage of suitable and available land to develop. Therefore officers continually review Council-owned properties that are under-utilised and may become surplus to requirements, to assess their potential for redevelopment.

- 4.8 As at the end of December 2022, there were over 6,000 applicants actively looking for an affordable home through Derby Homefinder. Of these, exactly 3,000 needed a 1 bed property and 2,066 needed a 2 bed property, which is what this development will supply.
- 4.9 In 2022 the Council published *Ambition - Towards a New Vision for Derby City Centre*. The proposed redevelopment of this largely unused space will fit with the City Living theme of this document, bringing more residents into a sustainable location a very short walk from the city centre itself.

Proposed redevelopment

- 4.10 The proposed scheme is for 17 properties, comprising a three storey block of 10 one bedroom apartments and 1 two bedroom apartment on the southern part of the site, and a terrace of 6 two bedroom houses facing onto Mercian Way at the northern end, closer to the Lidl store. These properties will be owned by the Council, managed by Derby Homes, and will be made available to rent through Derby Homefinder.
- 4.11 The proposed scheme is subject to planning consent, and so the exact number and type of property may vary slightly from the above, although pre-application engagement has already been carried out.
- 4.12 The project aims to achieve the Future Homes Standard. This involves a “fabric first” approach, and a reduction in operational carbon (i.e. emissions from day-to-day living) by 75-80% from the 2020 Building Regulations level. Only a small amount of electricity will be needed to heat the homes, and they will become truly “zero carbon in operation” once de-carbonisation of the electricity grid is completed in the 2030s. Electric vehicle charging points will be provided as standard.
- 4.13 Traffic noise from Mercian Way is clearly a potential issue, and a noise assessment has been carried out. It is assumed that triple glazing and mechanical ventilation may be required, which would fit with the ambition to achieve high levels of energy efficiency. This will be confirmed through the planning process.
- 4.14 The outline timescale for the development is as follows:
- March 2023 – seek Cabinet approvals, subject to planning and Full Business Case
 - March 2023 – submit planning application
 - May 2023 – commence procurement process for main contractor (package of sites)
 - July 2023 – planning consent issued
 - July 2023 – present Full Business Case to PMO Board
 - August 2023 – formally appoint contractor
 - September 2023 – close car park; commence works on site
 - March 2025 – practical completion of development and handover to Derby Homes
 - March 2026 – end of defect liability period; project closure

Public/stakeholder engagement

- 5.1 Derby Homes will have responsibility for managing and maintaining the properties on behalf of the Council. Colleagues from both the Housing Management and Property sections have been consulted since the start of the project, and will remain closely engaged during the development phase.
- 5.2 Full details of the proposals have been shared with the councillors for Abbey ward, and a briefing has been held. Councillors are aware that they can contact the project team to raise any questions or concerns on behalf of residents.
- 5.3 Residents immediately neighbouring the site on Talbot Street and Drewry Lane have been informed of the proposals by letter. The scheme has been designed to minimise any impact on the privacy and amenity of existing homes. These residents, and any other interested parties, will be able to comment on the proposals through the statutory planning process.

Other options

- 6.1 Do nothing. The car park would remain open and continue to generate a minimal revenue. It would continue to contribute to a surplus of car parking spaces around the edges of the city centre, and would essentially continue to be a poor use of space, and a missed opportunity to deliver against the Council's strategic objectives.
- 6.2 Dispose of the site for commercial development. We have assumed the site would be unattractive for development of commercial space, given its limited size, awkward highway access, and that the adjacent houses would limit the scale and massing of development.
- 6.3 Dispose of the site for residential development. We assume the site would be unlikely to be attractive to a private residential developer, as sale prices are not high enough, neighbouring houses restrict the height and density of building, and a developer would struggle to create a viable development that provided sufficient return on investment. The costs of the proposed Council homes will outweigh their open market value, which is not feasible for a private developer. Any development of more than 14 dwellings would also incur a section 106 affordable housing contribution. It is likely that any capital receipt from sale of the site would be minimal.
- 6.4 Develop the site in partnership with a Registered Provider or other party. Although the Council does have valuable partnerships with other Registered Providers of Social Housing (i.e. housing associations), this site can contribute to the strategic aim to deliver more Council housing and, as funding is available in-house, there is no particular benefit to a partnering route.

Financial and value for money issues

Capital

- 7.1 The forecast capital cost is detailed in the confidential version of this report, in order to maintain the Council's commercial position in a competitive tender to deliver the scheme. This includes a significant contingency amount due to the ongoing volatility of prices and the construction market, in the context of wider economic uncertainty.
- 7.2 In terms of funding, 40% of the project cost can be funded from Right to Buy receipts. These receipts must be spent on replacement affordable homes within five years or must be paid back to the Government. The remaining 60% is modelled to be funded from the Housing Revenue Account (HRA) and can be contained within the current capital programme.
- 7.3 Officers are currently assessing the potential for a bid to the current round of the Brownfield Land Release Fund. If that opportunity progresses, separate approval to bid will be sought from Cabinet.
- 7.4 In terms of value for money, the current cost estimates are higher per square metre than a commercial housing scheme. This reflects the constrained nature of the site, the need to remove some contaminated soils, the bespoke design required, and the Council's ambitions to achieve high standards of efficiency and minimise carbon. The scheme will be competitively tendered later in 2023/24 as part of a package of sites, in order to seek economies of scale from contractors and assure best value.
- 7.5 The housing scheme would be funded from the Housing Revenue Account, which is a legally separate ringfenced account. A debt adjustment would be made between the HRA and the General Fund in respect of the asset transferred.

Revenue

- 7.6 The project's Outline Business Case has been reviewed and approved and will be further refined into a Full Business Case as costs become more certain.

Assuming borrowing over a 50-year period at 4.35% interest and making the agreed assumptions on annual rent increases and cost increases per the HRA Business Plan, the scheme would achieve a cumulative revenue surplus by year 47, and would have generated a surplus greater than the outstanding debt by year 49, showing that the development would be viable.

- 7.7 The loss of income as a result of closing the car park is not material, at between £2,000 and £3,000 per year, and is likely to be offset by removing the cost of site inspections, cleansing, lighting, NNDR and maintaining equipment.

7.8 The principal financial risks to the project are:

- Continued inflation in construction costs
- Weaker than forecast growth in private sector rents (because starting rents will be set at 80% of market rent)
- Poor response to tender for main contractor
- Potential for contractor failure, in the context of recession and falling house prices

Mitigation is in place for these risks at outline stage. All risks will be reviewed in detail at Full Business Case stage before a final decision is made to proceed.

Legal implications

- 8.1 While there are no technical land ownership issues to address, as the Council owns the Drewry Lane site, its re-purposing for use for housing will require administrative and financial adjustments to be made between the General Fund and the Housing Revenue Fund to reflect the latter's appropriation of the site from the former.
- 8.2 Although section 44 of the Road Traffic Regulation Act 1984 provides the Council with power to provide off street parking places within its area, there is no duty on the Council to continue to provide such places. The report acknowledges the need for a traffic regulation order to formally remove the parking bays at the car park. Similarly, the existing car parking places order will need to go through a formal process to have it extinguished. To the extent that blue badge holders may from time to time use the car park, the need for an equality impact assessment is advised, not least one that sets out the alternative parking provision that exists nearby which will remain available for such users and the identification to those users of the alternative location(s).
- 8.3 There are alternative means available to secure the extinguishment of the highway strip referred to within the report using either Highways Act powers or by way of application to the local magistrate's court. Both are prescribed processes and it will be necessary to allow for time, for whichever method is opted for, to run its course. In this regard, it is important to understand now what, if any, statutory undertakers equipment may lie in that area, to allow time for negotiations to secure their agreement, including in relation to costs, for removal/relocation of their equipment elsewhere.

Climate implications

- 9.1 A Climate Change Impact Assessment has been carried out, and the project scores positively for Transport (due to EV charging points, cycle storage and the sustainable central location), Influence, Adaptation, Energy, and Buildings.



- 9.2 The project scores positively for transport, because it is in a sustainable central location that supports walking and cycling. Cycle storage will be provided for all properties and EV charging points will be provided for all parking spaces.
- 9.2 The project scores positively for Energy and Buildings because we aim to build to Future Homes Standards. This will significantly reduce operational carbon emissions over the lifetime of the development, compared to current Building Regulations standards of efficiency. We also aim to include photo-voltaic panels so low carbon energy can be generated *in situ*.
- 9.3 However these positives are offset to some degree by the embodied carbon in the construction. No detailed construction strategy has yet been developed. We will explore lower carbon alternatives where possible, but the limited financial headroom within the business case means it is likely the development will use conventional brick, steel, glass and concrete to a large extent. The environmental impact of the development will be considered as part of the Full Business Case, at which stage we will be able to make estimates of the carbon quantities involved.

Socio-Economic implications

- 10.1 The purpose of developing new Council homes is to provide secure, affordable and high quality homes for people whose housing needs may not be met by the private market. Some of the people on the housing register are among the most disadvantaged in the city, and the proposed use of the land targets support towards these people much more effectively than continued use as a surface car park.

Other significant implications

- 11.1 Covered in the report.

This report has been approved by the following people:

Role	Name	Date of sign-off
Legal	Olu Idowu	21 February 2023
Finance	Amanda Fletcher	1 March 2023
Service Director(s)	David Fletcher	17 January 2023
Report sponsor		
Other(s)		

Background papers:
List of appendices: