

CASTLEWARD PROJECT MANAGEMENT ARRANGEMENTS AND PROGRESS REPORT

SUMMARY

- 1.1 The development of the Castleward area is a priority for the Council and Derby Cityscape Limited, and a number of project teams have been pursuing their respective projects, studies, and pre-planning application preparations. The principal output of this project is the development of up to 1200 houses, plus retail and commercial developments. Discussions between Council officers and Derby Cityscape have led to the drafting of a Memorandum of Understanding, between the key partners – Cityscape, Derby City Council, Emda and Housing and Communities Agency and an outline of the partner roles.
- 1.2 During the early part of 2009/10 Derby Cityscape Ltd and the City Council intend to undertake a marketing exercise to secure a partner developer. In order to do that the Council has been asked to
- Formally agree the Memorandum of Understanding
 - Confirm its position in respect of capital receipts for land in the councils ownership required for development.
 - Confirm whether it wishes to construct and operate the multi storey car park outlined in the development strategy.
- 1.3 This report sits alongside two other reports to this Cabinet: Update on City Centre Eastern Fringes Area Action Plan (Item X2) and the Railway Conservation Area Appraisal and Management Plan (Item X3).

RECOMMENDATION

- 2.1 To authorise the Corporate Director of Corporate and Adult Services, to sign the Memorandum of Understanding with emda, HCA, and Derby Cityscape Limited, for the implementation of the comprehensive development of Castleward. Following agreement with the Corporate Director, Regeneration and Community on the final wording.

- 2.2 To agree in principal to commit the Council's land into the development and to defer any receipt until the end of the project, subject to details of the proposals for how the Council will recoup the future loss of car parking income being addressed within the development agreement and being bought back to cabinet for a discussion and also subject to the details of the agreed development justifying this approach in the light of commensurate benefit to Derby coming from the agreed development.
- 2.3 To agree that if and when the receipts are received that they are earmarked solely for the Public Realm programme.
- 2.4 To advise Cityscape that the Council does not, at this stage, propose to construct and operate a multi story car park in Castleward.

REASONS FOR RECOMMENDATION

- 3.1 To enable the redevelopment of Castleward to be implemented by the Council, Derby Cityscape, and our partners, in conjunction with a development partner, within an agreed and legitimate planning framework.
- 3.2 There is not yet sufficient evidence of car parking requirements for the development and construction of a multi storey car park at the outset of the development programme represents too high a financial risk. The issue will be further considered with a developer partner once selected.

SUPPORTING INFORMATION

- 4.1 There are currently three statements of planning policy for Castleward that have a bearing on all of our discussions regarding its development:
 - City of Derby Local Plan Review
 - City Centre Eastern Fringes Area Action Plan
 - Derby Cityscape Masterplan.

These are described in paragraphs 4.2 to 4.5 below.

- 4.2 The existing City of Derby Local Plan Review, identifies Castleward as a key regeneration opportunity with a range of potential uses.
- 4.3 The City Centre Eastern Fringes Area Action Plan has been progressed in support of Derby Cityscape's work on the Castleward Masterplan, which is the third document that has relevance. The Eastern Fringes Area Action Plan has been prepared over a three year period, with consultation throughout, including the DRI and other major landowners. It has been progressed to the Preferred Option stage and Members considered a report on this in November 2008. The amended Preferred Option agreed in November will remain as a supporting document in the selection process for a 'preferred developer' and in any subsequent planning application.

- 4.4 There is a continuing, ongoing dialogue with the DRI regarding their Bemrose and Sovereign Car Parks, which the Plan would want to see included in the Castleward Urban Village development.
- 4.5 The Derby Cityscape Masterplan also promotes Castleward as a residential led mixed use development, and Cityscape are currently advertising an OJEU tender for developers to submit their proposals to act as the lead developer in promoting the whole of the Castleward scheme. These matters will all evolve over the next few months, and COG/Cabinet need to be aware of the current position.
- 4.6 The project teams currently working on Castleward are detailed in Appendix 2, and in summary are as follows:
- Castleward Urban Village Steering Group
 - City Centre Eastern Fringes Area Action Plan Team
 - DRI Development Team
 - Castleward Boulevard Design Project Team
 - Castleward Boulevard Delivery Team
 - Derby Railway Station Partnership Board
 - Derby Railway Station Interchange Sub Group

The structures are shown in diagrammatic form in Appendix 2.

- 4.7 Each of the above project teams has Terms of Reference, with many common elements and similarities. Council officers and Derby Cityscape have been in discussion, together with the recently formed Homes and Communities Agency and emda, to agree a Memorandum of Understanding. The HCA, emda and the Council are the three funding partners to Derby Cityscape, and are the partners who are able to undertake land acquisitions (and if necessary CPO's) on behalf of Cityscape projects. The MoU is to be clear on the roles and responsibilities of the partner organisations and to help build confidence of potential investors. The protocol agreed at the Cityscape Board is that the Council will be the acquiring authority facilitating the priority projects. The draft Memorandum of Understanding is attached as Appendix 3.
- 4.8 The Council is a significant landowner in Castleward, and needs to use these assets to the benefit of the Castleward development, in a manner which is most beneficial to the project but without prejudicing the Council's requirement to achieve best consideration for the disposal of any of its assets. The issues are identified in detail in Appendix 4, and in summary the issues are as follows:
- 4.8.1 Within the Castleward Urban Village scheme there is a significant funding gap. In order for this to be managed efficiently payment for the councils land will be deferred to the end of the project. EMDA and HCA have expressed the opinion that they would expect each public partner to contribute what ever they can, in order to close the funding gap.
- 4.8.2 HCA and EMDA experience invariably means that in order to reduce the impact on cash-flow, the assets are contributed up front at a nominal figure and a return is taken, in proportion to the other public sector funding, at the end of the project as

overage if and when the project breaks even (assuming a reasonable return to the developer of around 15%).

- 4.8.3 There is already overage agreed with HCA on completion of Phase I of the redevelopment that will be split proportionally between partners, based on their contribution. In this case that is HCA 33.5% and DCC 66.5%.
- 4.8.4 If the principle of the City Council transferring existing land interests in the Castleward redevelopment area to the preferred developer at a nominal value as proposed by EMDA and HCA is accepted then this can be potentially achieved by the proviso of a suitable overage agreement.
- 4.8.5 In addition to the council owned land given over to the project the council shall promote the obtaining of all necessary compulsory purchase orders, highway and road closure orders in accordance with the master plan. Funding of such compulsory purchase orders will be recovered from the developer with further details identified and reported to Cabinet at a later date.
- 4.9 The Derby Cityscape Masterplan and the City Centre Eastern Fringes Area Action Plan have both identified the need for a multi-storey car park within Castleward. Consultants identified the need for the car park as part of a review of the long term City Centre Parking strategy. The car park would serve both the city centre and the emerging development within the Castleward redevelopment area.
- 4.10 Council and Cityscape officers have undertaken feasibility studies to assess how the car park should be procured and operated. The primary options would be for the council to build and operate or for the developer to do so. Around 12 months ago appraisals were leaning towards a preferred position of council construction and operation. However there is considerable uncertainty around precise parking needs and demands as a result of
- Less than expected take up of spaces in Westfield
 - The current economic situation
 - Uncertainty of the precise requirements prior to working with a developer partner.
- 4.11 Officers therefore recommend that Derby Cityscape be advised that the Council cannot commit to construct and operate the multi storey car park given the significant financial risk this represents at the present time.
- 4.13 Officers will continue to discuss car parking requirements with Cityscape and the selected developer and will re evaluate the options once the developer's detailed proposals come forward. Should future appraisals demonstrate clearer viability then we will report back to cabinet.
- 4.14 Members will appreciate that the current Liversage car park site is required for phase 1 of the Castleward development. Recommendation 2.3 of this report is that the Council's land be put into the project. In the case of Liversage Street there is significant value from car park income. Members are aware of the pressure on the Councils car parking budget as a result of reduced patronage of the Councils car parks and the Council cannot afford to forego this income. It is therefore

recommended that Liversage car park site be transferred into the development project on the assurance that the value of current car park income is returned to the Council.

OTHER OPTIONS CONSIDERED

- 5.1 The 'do nothing option' is not tenable, given the Council's commitment to supporting Derby Cityscape's Masterplan implementation.
- 5.2 To leave Castleward to 'the market' could lead to either substantial delay or even a total failure to deliver development in Castleward. This would also have an impact on the housing target of 1200 new dwellings, with Cityscape and Council outputs not being achieved.
- 5.3 Not to intervene could also lead to Castleward being redeveloped in a piecemeal fashion, not particularly compliant with our planning policies.
- 5.4 Given the current state of the economy, intervention by the Council and its partners in the manner described in this report is the only feasible option, and even that could have substantial risks of delays in implementation.

For more information contact:	Richard Williams Tel: 01332 255974 e-mail: richard.williams@derby.gov.uk
Background papers:	None
List of appendices:	Appendix 1 - Implications Appendix 2 - List of Project Teams Appendix 3 - Draft Memorandum of Understanding Appendix 4 - Transfer of DCC owned land

IMPLICATIONS

Financial

- 1.1 The Memorandum of Understanding will place financial obligations on the Council in acquiring land and enabling development to happen. This will be the subject of discussion with the development partner selected through the current OJEU, and will require that partner to give the council a financial indemnity.

That Cabinet note that any deferred land sale receipts will only be made available to Derby City Council 'if and when' Castleward Urban Village developers break even, as per paragraph 4.8.

That on completion of the Castleward Urban Village development any land receipts will require earmarking for future Public Realm development.

Legal

- 2.1 The Memorandum of Understanding is a legally binding document that commits the Council to full engagement in the Castleward Urban Village Scheme.

Personnel

- 3.1 None.

Equalities Impact

- 4.1 The development is targeting 30% affordable homes (360 units), Code Level 4 and rising to 6.

Corporate objectives and priorities for change

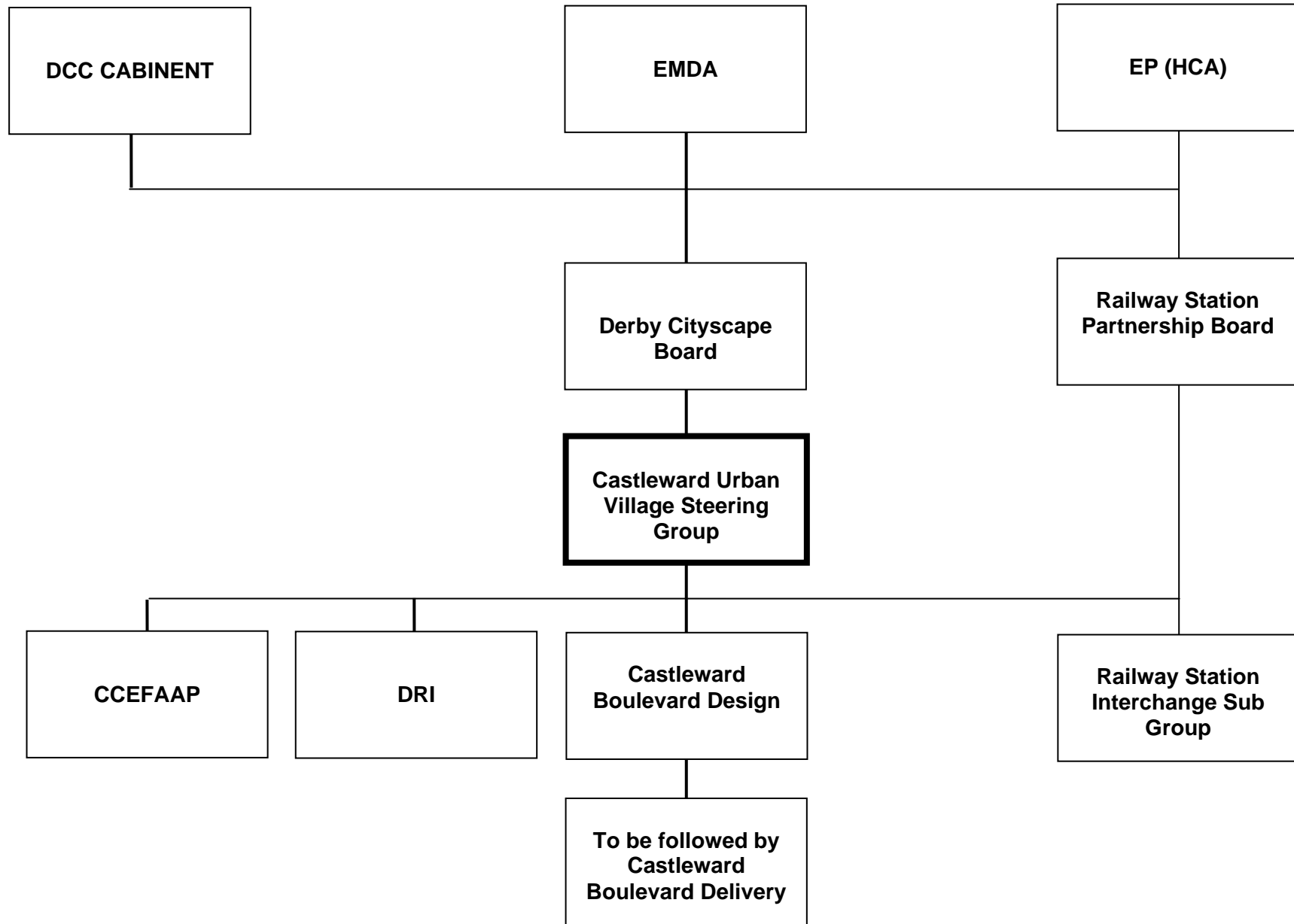
- 5.1 Creating a 21st century city centre
Leading Derby towards a better environment

APPENDIX 2

- Castleward Urban Village Steering Group - the longest established group for this area, recently renamed and re-focussed to oversee the OJEU and its implementation with the preferred developer, this will act as the Steering Group for all of the other project teams and proposals for the Castleward area.
- City Centre Eastern Fringes Area Action Plan Team - led by my Plans and Policies Section, this team has produced the Area Action Plan as described in 4.1 above, and this Area Action Plan has now been put on hold with a future report to Cabinet imminent.
- DRI Development Team - chaired by my Assistant Director – Regeneration, this is a standard 'development team' approach to pre-application discussions with a potential applicant, and meetings are being held with the DRI advisors. The DRI currently propose a mixed-use redevelopment and remodelling of their site, including some significant retail, a hotel and offices, and residential. Some of this concurs with our current planning policy, but the retail in particular does not accord; this is being resisted by Council officers with the support of Derby Cityscape Limited.
- Castleward Boulevard Design Project Team - led by a member of my Highways and Transportation Team, this is an in-house officer team dealing with the procurement of the design of the whole of Castleward Boulevard. It is currently working to produce detailed designs which will deliver a first phase of work at Midland Place.
- Castleward Boulevard Delivery - the lead officer has yet to be nominated, but this will be handled in phases, with reports to the Council's Public Realm Board, the current responsibility lying with my Head of City Development and Tourism and his acting Public Realm Programme Manager. The Boulevard delivery is expected to commence with the phase nearest to the Railway Station, with external funding secured, and completion is March 2010.
- Derby Railway Station Partnership Board - established in mid-2007 to look specifically at the Network Rail/East Midlands Trains proposals for the remodelling of Derby Station, the Board is chaired by Richard Brown (MD – Eurostar) and is facilitated by Marketing Derby. Whilst the Board's focus is on the Station itself, it has commissioned, jointly with Derby Cityscape, design work on the Station forecourt and other Network Rail sites in the vicinity of the Station, all of which are being dealt with by the Station Interchange Sub Group (described below). The Station Partnership Board's main aim is to secure Network Rail/East Midlands Trains investment for the Station, the first phase of which is currently underway with the replacement of the canopies, resurfacing of the platforms, and remodelling of the footbridge, including the provision of new stairs and lifts in order to comply with the Disability Discrimination Act.
- Derby Railway Station Interchange Sub Group - Chaired and facilitated by Derby Cityscape, this group has commissioned detailed design work and business case, currently being completed by ARUP, which will lead to a planning application for the remodelling of the forecourt including car parking, bus and cycle access and pedestrian access, and a multi-storey car park on the current South Car Park. Also, some preliminary design for the Station Foyer will be done so that this fits in with the remodelling of the Station Forecourt.

Following on from this, renovation work to derelict buildings to provide office accommodation will be carried out, along with remodelling of the Station buildings that face platform one, and some related office development in what is currently the North and South Car Parks.

The structures are shown in diagrammatic form in Appendix 2.



DRAFT MEMORANDUM OF UNDERSTANDING. (ML/26/09/08)

Further HCA changes incorporated by STP 27.2.09

Changes incorporated by STP 9.3.09

Suggested changes by DCL 25/02/09

This Memorandum of Understanding is made the day of 2009

BETWEEN:

- (1) **DERBY CITY COUNCIL** ('the Council') of The Council House, Corporation Street, Derby, Derbyshire DE1 2FS;
- (2) **DERBY CITYSCAPE LIMITED** ('Cityscape') of Peat House, 5 Stuart Street, Derby, Derbyshire DE1 2EQ;
- (3) **HOMES AND COMMUNITIES AGENCY** ("HCA") of Corporation Headquarters, 110 Buckingham Palace Road, London SW1W 9SA; and
- (4) **EAST MIDLANDS DEVELOPMENT AGENCY** ('EMDA') of City Link, Nottingham NG2 4LA.

The parties named above ('the Parties') set out below their commitment to undertake the following steps in support of the proposed Castleward Urban Village Development ('the Development') via their nominated officers who shall constitute the 'Project Team'.

1. All parties agree to be named within all correspondence, marketing briefs, competitive dialogue documentation and to the extent required, formal notices appearing in the Official Journal of the European Union (OJEU) with regard to the proposed Castleward Urban Village Development ("the Development") and to be actively involved in the steps required to progress the Development.
2. The parties agree that they will develop a full project management structure under which the Development Manager of Cityscape will be entrusted with the day-to-day role of Project Manager, reporting to a Steering Group to be formed by the Parties on a monthly, or other agreed time basis. The Project Manager will be responsible for day-to-day negotiations with support of professional advisers but will obtain the agreement of the Steering Group to all strategic matters related to the development, to include in particular marketing documents, contract documentation, major changes to the scope, extent, nature or layout of the project, funding requirements and commitment of expenditure in excess of a figure to be agreed.
3. The Parties will at all times seek to provide appropriate support and consult each other in connection with the Development. In particular, they will seek not to make any comment to the media, in connection with any strategic matters concerning the Development to any third parties without this being discussed in conjunction with the Project Manager.
4. The individual Parties further commit as follows:
5. **Derby City Council**

The Council as landowner and potential applicant for planning permission, (without any intent to fetter or prejudice the Council's statutory functions as planning, highways and regulatory authority) confirm that:

- 5.1. the Council shall promote the obtaining of all their necessary internal consents required to allow the project to proceed in accordance with the master programme.
- 5.2. the Council shall promote the obtaining of all necessary compulsory purchase orders, highway and road closure orders in accordance with the master programme and subject to appropriate financial indemnities following the in principle support confirmed within the AAP process;
- 5.3. the Council shall seek to agree with all other parties the relocation strategy for any businesses displaced;
- 5.4. the Council will seek to agree a strategy for the delivery of a multi-storey car park within the Development;
- 5.5. the Council will seek to agree a disposal strategy for their land interests and provide appropriate areas of land to be dealt with within a Development Agreement to be entered into between the Council and the Developer chosen to carry out the Development subject to agreement as to terms of its transfer and protection of the City Council's statutory obligations under Section 123 of the Local Government Act 1972;
- 5.6. the Council will formally appoint a developer partner procured under a Competitive Dialogue process in consultation with the Partners in accordance with the outcome of an evaluation process, agreed by the Parties;
- 5.7. the Council will seek to agree, in conjunction with professional advisers and the Project Manager a form of Development Agreement and Indemnity Agreement;
- 5.8. the Council will show commitment to and provide funding support towards investment in public realm works in connection with the development. Where appropriate and necessary, the Council will make applications to Funding Bodies and any other appropriate sources for revenue and capital support required in connection with the Development, including funding for site acquisitions, business relocations, public realm works and highway improvement works where these are unable to be fully supported by Section 106 contributions;
- 5.9. the Council will seek to provide appropriate officer input into the Project Team.

6. **Derby Cityscape Limited**

Cityscape will commit to:

- 6.1. lead where appropriate and otherwise assist the Council to make funding applications to HCA and the EMDA and other appropriate sources for revenue and capital support for the activities below including funding for site acquisitions, business relocations, public realm works and highway improvement works;
- 6.2. the engagement of a Project Manager in conjunction with the other Partners;
- 6.3. appoint appropriate consultants to provide technical, financial, commercial, planning, design, marketing, procurement and legal advisers;
- 6.4. promote the site generally;
- 6.5. take the lead in the procurement of an appropriate developer in conjunction with other partners;

- 6.6. evolve an appropriate Development Agreement and Indemnity Agreement for signature by the Council in conjunction with professional advisers;
- 6.7. co ordinate negotiations with all statutory authorities, land owners and other stakeholders;
- 6.8. lead negotiations with existing landowners/occupiers on acquisition of their interests and relocations;
- 6.9. assist in bringing forward public realm projects;
- 6.10. provide an outward facing first point of contact for the Development on behalf of the Parties;
- 6.11. co-ordinate the professional team; and
- 6.12. provide officer input to the Project Team.

7. Homes and Communities Agency

HCA will promote an appropriate case for funding support in accordance with their internal procedures and would seek to provide:

- 7.1. funding support to enable an appropriate level of affordable housing provision within the development
- 7.2. funding support towards CPO costs;
- 7.3. the use, if considered appropriate, of the 'Housing Gap Fund' Scheme;
- 7.4. funding for technical studies if required;
- 7.5. full support of planning application, CPO and developer procurement;
- 7.6. funding support for the project team and Project Manager appointment at a level to be agreed;
- 7.7. funding to support investment in public realm works subject always to an appropriate business case being approved; and
- 7.8. officer input into the Project Team.

8. East Midlands Development Agency

EMDA understands the importance of this scheme to the regeneration of the Cityscape area and, subject to availability of finance, EMDA is prepared to enter into discussions with the partners and the selected developer about potential input into the project in the following areas:

- 8.1. funding towards site acquisition;
- 8.2. funding for technical studies if required;
- 8.3. a full submission in support of planning application, CPO and development of procurement;

- 8.4. investment into public realm works where significant economic benefit can be proven;
- 8.5. officer support to the Project Team; and
- 8.6. funding support for business relocations and land acquisitions.

9. Relationship of the Parties

This Memorandum of Understanding is not intended to create a legally binding relationship between the Partners and, notwithstanding the use of the word 'partnership' is not intended to create a formal legal partnership between the Parties.

10. Duration

This Memorandum of Understanding will continue in effect with regard to all parties until any of the following occur:

- 10.1. the Development Agreement is completed or is terminated;
- 10.2. any party gives not less than [6] months written notice to withdraw;
- 10.3. all parties mutually agree to terminate this relationship.

Signed this day of 2009

By: Signature

For and on behalf of **Derby City Council**

By: Signature

For and on behalf of **Derby Cityscape Limited**

By: Signature

For and on behalf of **Homes and Communities Agency**

By: Signature

For and on behalf of **East Midlands Development Agency**

Castleward – Transfer of DCC owned land

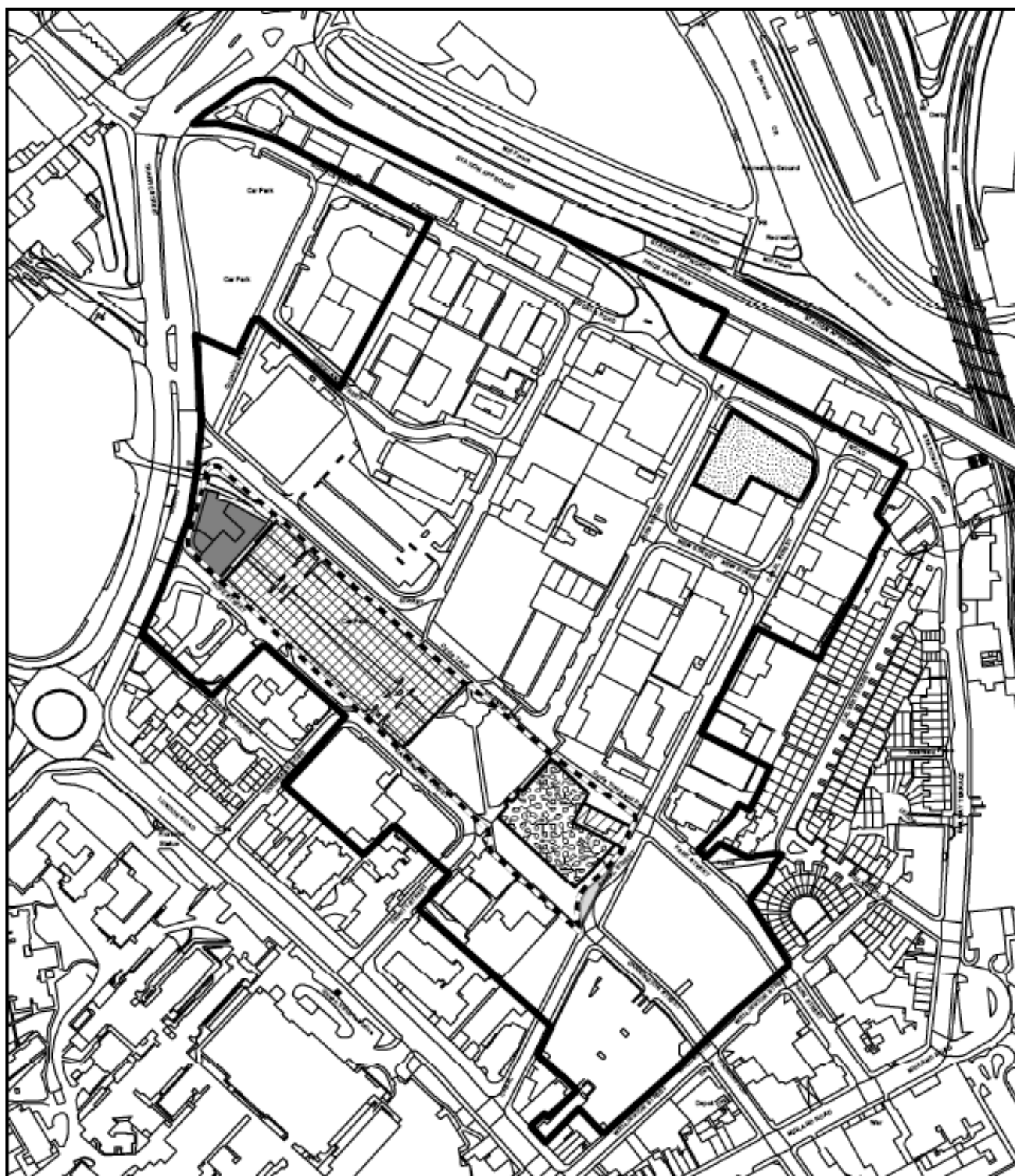
Background

- 1.1 The proposals require the redevelopment of the Castleward site in accordance with the Masterplan, however a substantial funding gap to deliver the scheme has been identified through previous feasibility work. HCA (previously EP) have already supported the project by providing funds to allow four land interests in the Phase 1 area to be bought by the City Council. A funding agreement with EP along with the terms for those acquisitions was approved by Cabinet in February 2008. HCA's investment is not required to deliver Phase I (that is over and above EP's investment to date) and that their investment in future phases will be determined only as detailed funding applications are submitted/considered. EMDA and EP have also provided funds for further acquisitions of properties included in subsequent phases of the overall Castleward scheme as well as indicating they would be prepared to consider jointly gap-funding the delivery of the scheme.
- 1.2 EMDA and HCA have expressed the opinion that they would expect each public partner to contribute what ever they can, in order to close the funding gap, therefore through the Castleward project, Derby City Council would be expected to contribute their assets in such a way as to reduce the amount of cash grant that the project needs from other public agencies.
- 1.3 Through HCA and EMDA experience this invariably means that in order to reduce the impact on cash-flow, the assets are contributed up front at a nominal figure and a return is taken, in proportion to the other public sector funding, at the end of the project as overage if and when the project breaks even (assuming a reasonable return to the developer of around 15%).
- 1.4 A valuation was procured by Derby Cityscape for the freeholds of City Council owned land including the four acquisitions funded through the agreement with HCA. These are shown on the plan attached to this report. This gives the following values which show a total of £2.472m. Additionally EP has bought out leasehold interests in Nationwide Autos, Highfield Joinery and the Derby Small business Centre at a cost of £1.241m.

1.5	<table border="1"> <tr> <th>PROPERTY</th><th>VALUE OF DCC FREEHOLD INTEREST</th></tr> <tr> <td>Nationwide Autos</td><td>£220,000</td></tr> <tr> <td>Liversage Street Car Park</td><td>£2,000,000</td></tr> <tr> <td>Liversage Walk Green Space</td><td>£1</td></tr> <tr> <td>Highfield Joinery</td><td>£42,000</td></tr> <tr> <td>Small Business Centre</td><td>£210,000</td></tr> </table>	PROPERTY	VALUE OF DCC FREEHOLD INTEREST	Nationwide Autos	£220,000	Liversage Street Car Park	£2,000,000	Liversage Walk Green Space	£1	Highfield Joinery	£42,000	Small Business Centre	£210,000
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Small Business Centre	£210,000												

- 1.6 Any overage on completion of the redevelopment will be split proportionally between partners, based on their contribution. In this case that is English Partnerships 33.5% and DCC 66.5%. Any Housing Gap funding received from HCA however must be repaid in full before any overage is paid as a criteria of this funding stream.
- 1.7 If the principle of the City Council transferring existing land interests in the Castleward redevelopment area to the preferred developer at a nominal value as proposed by EMDA and HCA is accepted then this can be potentially achieved by the proviso of a suitable overage agreement.

Castleward Urban Village, Derby



Key



Core Castleward Boundary (Castleward Urban Village)



Area excluded from Castleward development



Phase 1 Castleward



Additional land which will form part of Phase 1 once Canal Street realigned



Nationwide Auto Centre



Leverage Street Car Park



Small Business Centre



Highfield Jolney

at A4
1:3,000



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Map produced on: 19.03.09

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