

DERBY CITY COUNCIL REGENERATION FUND

SUMMARY

- 1.1 The Derby Regeneration Fund (The Fund) was launched on the 23 November 2010 to support the delivery of new high quality commercial offices within the City whether new build or refurbished redundant buildings.
- 1.2 Since its launch of The Fund there have been 22 enquiries for support from The fund with officers involved with detailed discussions with 9 applicants.
- 1.3 Council Cabinet at its meeting on 15 March 2011 recommended support in principle for the first tranche of schemes, identified in para 4.7 totalling £8.37m. Cabinet 28/9/10 has previously agreed support for Darley Abbey Mills totalling £900k.
- 1.4 Council Cabinet at its meeting on 15 March 2011 recommended to Council that additional borrowing is funded from the Corporate Regeneration Fund from within the approved 2011/14 Council Budget to support the above schemes.

RECOMMENDATION

- 2.1 To note the recommendations from Council Cabinet held on 15 March 2011 to support the first tranche of bids for funding from the Regeneration Fund (identified in para 4.7).
- 2.2 To approve additional borrowing of £8.37m to support the first tranche of bids for the Regeneration Fund and £900k to support the previously approved scheme at Darley Abbey Mills.
- 2.3 To note the decisions of Council Cabinet held on 15 March 2011 to delegate to the Chief Executive in consultation with the strategic Director of Resources to negotiate, finalise and enter into the consequent Funding Agreement with the first tranche of bidders

REASONS FOR RECOMMENDATION

- 3.1 The proposed schemes have been assessed in detail by external consultants and meet the aims of The Fund.
- 3.2 The Recommendation in 2.3 will give the Chief Executive flexibility to revise terms where necessary without the delay of coming back to Council Cabinet.

SUPPORTING INFORMATION

4.1 The Fund was set up to target:

- To secure the delivery of 20,000sq.m. (215,285sq.ft.) of new quality office accommodation within the City Centre.
- To secure £75 m of private sector investment within the City Centre.
- To secure the beginning of the establishment of a new office core area within the City Centre.
- To create or safeguard 500 new skilled jobs.
- To seek to secure the Building Research Establishment Environmental Assessment Method (BREEAM) 'excellent' standards where possible.
- To promote sustainable mixed use developments with linkages to the city centre area.
- Bringing redundant or underutilised existing buildings back into economic beneficial use
- To secure returns from projects receiving support under the Fund to enable investment to be made in other future projects over the longer term.
- Conserving and protecting heritage assets and public realm.

4.2 We have received twenty two expressions of interest, listed at Appendix 3, of which nine were considered suitable to convert into detailed applications for further consideration. A further two or three applications are expected.

4.3 Applications that have already been submitted have gone through a detailed assessment by external consultants including:

- Preliminary project assessment
- Outline assessment
- Full assessment

and, applications were assessed against

- Deliverability
- Value for money
- Alignment to Strategic Opportunities
- Sustainability/Design Standards
- Track Record of Applicant

4.4 An independent Derby Office Market Assessment Report was commissioned which assisted in the rationale to invest in facilitating the delivery of grade A office accommodation in Derby city centre.

4.5 The Fund has already invested in the Darley Abbey Mills complex proposed stable block listed building refurbishment and future fund totalling £900,000 equity/grant as agreed at Council Cabinet on 28 September 2010.

- 4.6 The Fund has also agreed the principle at the Council Cabinet Meeting on 28 September 2010 to commit an allocation of £1,000,000 (one million pounds) to match a circa £3,000,000 ERDF grant bid for the construction and acquisition of an office development circa 1394 m² (15,000sq ft) gross in the Cathedral Quarter targeted to provide employment for the city's disadvantaged communities. This project is known as the Cathedral Quarter Enterprise Centre and the decision on ERDF grant funding bid should be known in March 2011.
- 4.7 The detail on each of the schemes recommended in this report is set out at Appendix 2, but in summary they are as follows:

1. Central Square, Cathedral Road – Bolsterstone (Chesterfield) LLP

Central Square provides a proposed BREEAM “excellent” rating new grade A office development totalling 4,707 sq.m. (50,672 sq.ft.) together with 47 car park spaces situated on Cathedral Road close to the new Magistrates Court, Queens Leisure Centre and Joseph Wright Sixth Form College.

The scheme has detailed planning approval and an agreed construction contract for the works and as such could commence on site by June 2011 with completion due August 2012.

The current programme provides for project disposal around 12 months after completion and the repayment of DCC equity share in mid 2013.

2. Former Magistrates Court, Full Street – Wilson Bowden Developments Ltd

The premises comprise the former Derby Magistrates Court building totalling 2,403 sq.m. (25,871 sq.ft.) gross internal area which is situated in a prominent position on the junction of Derwent Street and Full Street and overlooking the River Derwent, the Derwent Bridge and adjacent to the Council House building which is now under refurbishment.

The proposal provides for Wilson Bowden Developments to undertake comprehensive refurbishment and conversion of the property to create a new managed business centre.

The proposed works would include repair and redecoration of the external elevations, the upgrading of the entrance foyer and common areas to create approximately 1533 sqm (16,500 sqft) of cellular offices capable of being combined to create individual suites up to around 232sqm (2,500 sq.ft).

Works to the offices would involve new heating and lighting being provided, carpeting and redecoration together with the securing of individual suites such that properties may be let out on short term flexible leases on an all inclusive basis.

Subject to the funding and receipt of relevant planning and listed building approval, Wilson Bowden will competitively tender the contract for the refurbishment of the property to contractors previously approved by the Council.

It is proposed that the works be commenced in late 2011 and will be completed by June 2012 with a first phase providing approximately 929 sq.m (10,000 sq.ft) of net lettable accommodation.

3. Friar Gate Square, Agard Street /Ford Street – Lowbridge (Derby) Ltd

Friar Gate Square proposes a two phase office development with Phase 1 (being the subject to this application) to provide 2,995 sq.m (32,000 sq.ft) and Phase 2, 4,022 sq.m (43,293 sq.ft). The offices are designed to BREEAM “excellent” standard along with car parking and improvements to the surrounding public realm. The project is situated on Agard Street and Ford Street within the Friar Gate Conservation Area.

There is a resolution to grant planning consent for the scheme subject to entering into a Section 106 Agreement, the terms of which have been agreed with the Council and is pending execution. On this basis the site can come forward relatively quickly with no onerous issues in respect of planning to be addressed.

The scheme has been subject to a competitive tendering exercise and discussions for the potential award of the contract are now commencing. Subject to funding being awarded under The Fund, the applicant would place a contract for construction of the scheme on a design and build basis with the contractor who would commence on site in May 2011 with completion due in May 2012.

The applicant anticipates a disposal period of around 12 months from practical completion and the repayment of the loan around May 2013 when the building is anticipated to be substantially let.

4. 3a, St Mary’s Gate – Clowes Developments Ltd

The proposed project comprises a new build development of a 3 storey office building providing a total of 5,595 sq.ft. (520 sq.m.) net internal accommodation together with 6 car parking spaces accessed from St. Mary’s Gate and is designed to BREEAM “excellent” standard and be in keeping with the existing properties within St. Mary’s Gate.

The scheme has the benefit of existing detailed planning approval in conjunction with an adjoining site which is separately accessed from Cathedral Road within the same ownership which is proposed to be undertaken as a later phase of development but is outside the scope of this investment.

The existing programme provides for commencement of built development in August 2011 with completion in February 2012.

Each of the above schemes provides a different size and nature of office accommodation which would not compete with each other but would create a complementary offer to the market.

- 4.8 If all the above are approved and funding taken up on these and the projects previously approved (as set out in paras 4.5 & 4.6 above) then the outputs would be as follows

4.9

Output Description	Total	Cost Per Output Based on Investment of £10.47m
Job Creation – Numbers created / safeguarded	859	£12,189 per job
Private Sector Investment	a) initially: £17.95m b) subsequently: £25m	Initial Leverage of c 1:2 increasing as The Fund is repaid. Subsequent leverage of 1:5 increasing as The Fund is repaid.
Floorspace Constructed to BREEAM Excellent (m ²)	9,389 m2 (101,061 sqft)	£913 per sq.m. (£85 / sqft)
Floorspace Refurbished (m ²)	2,403 m2 (25,866 sqft)	£942 per sq.m.(£88 / sqft)
TOTAL FLOORSPACE	11,792 m2 (126,927 sqft)	

4.10 It is anticipated that all investment will be repaid.

4.11 Further applications will, after detailed appraisal, be reported to future meetings of Council Cabinet and these are identified in Appendix 3.

OTHER OPTIONS CONSIDERED

5.1 **Do nothing:** The Fund has been established to promote development and the projects brought forward are considered suitable to progress to financial offers being made.

This report has been approved by the following officers:

Legal officer Financial officer Human Resources officer Service Director(s) Other(s)	Stuart Leslie Mark Nash n/a Richard Williams Greg Jennings, Head Regeneration Projects Steve Meynell, Acting Director of Asset Management
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For more information contact: Background papers: List of appendices:	Name Mark Leach 01332 642063 e-mail: mark.leach@derby.gov.uk Council Cabinet Report 28 September 2010 Council Cabinet Report 23 November 2010 Council Cabinet Report 15 March 2011 Appendix 1 – Implications
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IMPLICATIONS

Financial and Value for Money

- 1.1 The Regeneration Fund has a ring-fenced budget of £850,000 reserve allocated in 2010/11, and a further £500,000 reserve to be allocated in 2011/12. The Fund also has a £600,000 revenue budget, for use in prudential borrowing to assist schemes up to a maximum programme value, and to fund some of the posts in the Regeneration Department required to implement some of these schemes.
- 1.2 All investments have been independently fully appraised to ensure they maximise value for money to the Council to achieve the target programme outputs.
- 1.3 A schedule has been prepared by the Finance and Procurement Department of annual profiling against the costs incurred for prudential borrowing and revenue costs for the schemes recommended to take forward to show the schemes can be accommodated within the agreed cash flow financial constraints originally agreed for the Fund.

Legal

- 2.1 Specialist external legal advisers have been appointed. A report was prepared by the legal consultants to ensure compliance procedures are correct and maintained throughout the process. The legal consultants are retained to consider and deal with applications that reach the final stages.

Personnel

- 3.1 There are no personnel implications arising from this report.

Equalities Impact

- 4.1 The recommendations do not give rise to equality issues and would provide positive regeneration projects with which to strengthen the Council's approach to valuing diversity and to creating opportunities for all our citizens.

Health and Safety

- 5.1 There are no Health and Safety issues arising directly from this report.

Environmental Sustainability

- 6.1 The projects put forward for approval will include for example carbon footprint reduction, sustainable travel and the use of the British Research Establishment Environmental Assessment Method (BREEAM) sustainable development standards.

Asset Management

- 7.1 The Estates Section has been part of the multi disciplinary team involved throughout the project. The project promotes best use of Council assets to facilitate a further phase of regeneration in the city to create a new office market.
- 7.2 Professional and Valuation advice has been obtained from the Funds retained property consultants Thomas Lister.

Risk Management

- 8.1 Paragraph 4.3 & 4.4 in the Supporting Information identifies how the key risks have been mitigated.

Corporate objectives and priorities for change

- 9.1 The projects contribute to all six of the Council's six priority areas.