

Review of Challenging Regeneration Sites

SUMMARY

- 1.1 There are a number of sites in and around the city centre that have been vacant for a number of years such as the Friar Gate Goods Yard and Duckworth Square. The Corporate Scrutiny and Climate Change Board felt these were having a detrimental impact on the city and therefore conducted a detailed review. The Board held a number of special meetings and received evidence from a wide range of witnesses including senior regeneration officers and major developers.
- 1.2 The Board will formally consider the evidence and make its recommendations to encourage development of these sites.

RECOMMENDATION

- 2.1 That the Board consider the draft report and agree its recommendations for the Council Cabinet.
- 2.2 To review progress against the recommendation in six months time.

REASONS FOR RECOMMENDATION

- 3.1 The Board is keen to see these sites brought back into constructive use and make useful contribution to the local economy.

SUPPORTING INFORMATION

- 4.1 The Corporate Scrutiny and Climate Change Board resolved at its 17 September 2012 meeting, to conduct an investigation on challenging regeneration sites in and around the city centre that have been vacant for a number of years. The attached report provides full details of the review.

OTHER OPTIONS CONSIDERED

5.1 None

This report has been approved by the following officers:

Legal officer	Janie Berry
Financial officer	N/A
Human Resources officer	N/A
Service Director(s)	Richard Williams
Other(s)	Phil O'Brien

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Background papers:	None
List of appendices:	Appendix 1 – Implications Appendix 2 – Draft Report

Appendix 1

IMPLICATIONS

Financial and Value for Money

1.1 None arising from this report

Legal

2.1 Article 6.3 of the Council Constitution allows overview and scrutiny boards to assist the Council and the Council Cabinet in the development of its budget and policy framework by in-depth analysis of policy.

Personnel

3.1 None arising from this report

Equalities Impact

4.1 None arising from this report

Health and Safety

5.1 None arising from this report

Environmental Sustainability

6.1 None arising from this report

Asset Management

7.1 None arising from this report

Risk Management

8.1 None arising from this report

Corporate objectives and priorities for change

9.1 This report affects all the corporate priorities and objectives of the Council Plan 2011 -2014.

A Review of Challenging Regeneration Sites

Summary Introduction and Recommendations

1. Derby is not alone in seeking to regenerate empty sites and buildings in the city centre. Equally many cities across the country are experiencing similar difficulties in keeping their high streets fully occupied. However there are a number of particularly challenging sites in Derby that have been vacant for a number of years, the Friar Gate Goods Yard site has been vacant and derelict for more than 30 years whilst Duckworth Square has been empty for at least 15 years.
2. The Corporate Scrutiny and Climate Change Board (the Board) resolved at their September 2012 meeting to take a closer look at these and other similar sites around the city centre. The Board felt that not only were these sites having a detrimental impact on the image of the city but, if developed, could be making a useful contribution to the city's economy. It wanted to consider whether there were common issues and how these could be addressed to bring these sites into use.
3. The recommendations arising from this review are outlined from page 11 of this report.

Methodology

4. The Terms of Reference for the review were discussed by the Board at the October 2012 meeting. Members agreed to invite a range of witnesses to provide evidence to the review. These included local developers who have interests in the city, senior councillors and officers of the council and local residents' organisation to represent views of residents living close to one of the major development sites, the Castleward development. The Board also agreed to invite the Derbyshire and Nottingham Chamber of Commerce to give a strategic input to the review.
5. The Board held four special meetings to receive the evidence. These were arranged around the availability of the witnesses to give evidence to the review. Unfortunately this affected the availability of some Board members who could not attend these meetings.
6. The first meeting of the review was held with senior regeneration officers of the Council in November to identify these sites and explain what is being done or planned to be done to bring these sites on stream. This meeting was also attended by the Leader of the Council to provide the political input to the review.
7. Further meetings were held with developers which included Andrew Bock from Clowes Development who have substantial land holding interests in the city and own the Friar Gate Goods Yard site; Ralph Jones from Peveril Securities/Bowmer Kirkland; George Cowcher, Derbyshire and Nottingham

Chamber of Commerce; and Yvonne Taylor and John Brittain from the Liversage Trust.

8. The Board was clear from the outset that it did not solely wish to talk to developers who were responsible for these sites but to a broad range of stakeholders and have wider discussion on regeneration issues.

Summary of Evidence

9. There are a number of challenging sites in the city centre. However the Board focused its review on three whilst also being mindful of broader regeneration issues affecting the city.

Becketwell

10. The Becketwell site consists of two separate sections, Duckworth Square, which includes the NCP car park and the former Debenhams building on Victoria Street. Duckworth Square is owned by Metropolitan Housing Trust who acquired the site to develop low cost residential accommodation. This proposal is in accordance with Council's planning policy, however since their acquisition the market conditions have changed and they are now looking to sell the site.
11. There are constraints on this site which require the whole of the site to be developed in a comprehensive manner which would accord with the planning policy. This means development on any one part of the site needs to take account of what happens elsewhere so as not to sterilise options for other parts. Metropolitan have received two offers for the site, their preferred option is for health related uses which require funding approval from Derby City Primary Care Trust. The second offer is undisclosed. If the negotiations for health uses fall through, the Council *could* consider acquiring the site to help stimulate development in this key area of the City.
12. Evidence from developers show they are concerned about the lack of daytime activity on Victoria Street. Historically this used to be a very busy part of the city centre but since the relocation of Debenhams to the Westfield centre there is little daytime activity in this area. The former Debenhams building is owned by Westfield and is currently occupied by Silly Sids, a low budget furniture store. Although Westfield is looking to sell the building, their asking price is significantly higher than the current market price. The building also has a restrictive covenant for disposal which prevents certain types of retail development in order for Westfield to protect their interest and minimise future impact on the shopping centre.
13. Compulsory purchase has been discussed but this is a difficult, long winded and costly process which risks souring the city's relationship with the major shopping centre owner. Other options are being considered to get around the restrictive covenant such as using it for educational purposes, but cost is the main inhibitor.

14. A suggestion was made for developing a more speciality shopping in Victoria Street as there is an argument that regenerating this area will increase footfall in the city centre. This part of the city has a busy night time economy, particularly on Friday and Saturday nights but is relatively quiet for the remainder of the week and needs rejuvenating. Although a new dynamic business has recently opened in the Wardwick which is attracting a lot of custom, many such businesses are needed in the area. Planning officers reflected that the planning system cannot create businesses but can only seek to encourage and facilitate when and where opportunities arise.

Friar Gate Goods Yard

15. The Friar Gate Goods Yard site is owned by Clowes Developments and consists of 20 acres of prime development land situated between the former Friar Gate railway bridge and Uttoxeter Old Road and includes the former goods yard, warehouse and East Midlands Electricity depot on Great Northern Road. This site has been undeveloped for more than 30 years.
16. The Company has worked hard over the last couple of years to develop the site but the market conditions have become even more difficult for retail development. Clowes applied for planning permission for retail and residential development in February 2011 and after considering the size and complexity of the site planning permission was granted in October 2011 subject to completion of a Section 106 agreement.
17. The Council is and has been very flexible in wishing to bring this site back into beneficial use. Negotiations for the Section 106 Agreement have also been difficult to resolve due to the potential future costs associated with development such as access roads which the Council would have to bear. However the heads of terms for Section 106 has now been agreed. Formal permission therefore remains unissued.
18. Clowes have found the site difficult to develop, initially due to the uncertainty of the line of the inner ring road and then with issues surrounding the company acquiring part of the site. Clowes made a contribution of £250,000 towards the development of the roundabout at the junction of Uttoxeter New Road and Stafford Street and a new access road to the site. However, the access road has encroached on a parcel of land owned by Derby City Council, the price for which has been difficult to agree. Apparently, Clowes have sought to hold a meeting with officers since May 2012 to agree a price, which up to beginning of December had not been held. Clowes conceded that they had also been slow in completing and returning a document related to the Section 106 agreement. Notwithstanding, this should not stop the officers from the Council and Clowes holding discussions. Members of the Corporate Scrutiny Board were unhappy about this situation and promised to look into the matter.
19. Mr Bock stated Clowes is a business that exists to make money for its shareholders and according to him the main inhibitors to developing the site are cost associated in upgrading the Grade II listed building, the size of the

development and supermarkets reluctance to invest in the current climate. Clowes believe the site is not viable without a supermarket.

20. Mr Bock also stated that about 18 months ago supermarkets were very keen to develop in the city as they believe Derby is under shopped. Tesco particularly felt it was under represented and was keen to develop in the city. However, retail market conditions have changed and in early 2012 Tesco reported poor trading results. This seems to have prompted a rethink within the company and although they are still interested in developing in Derby, they don't seem to be as keen. The situation now is that even if an agreement is reached with the Council, if they don't reach an agreement with a supermarket, development of the site will not progress. Mr Bock reiterated that he is unable to negotiate with supermarkets without first reaching an agreement with the Council on this piece of land.
21. With regards to listed building status, Clowes would prefer if the site wasn't listed as this has added an additional cost to the development but are happy to work with them. From the Clowes perspective, listed buildings can work in favour of developers as they don't attract business rates and Clowes have a number of listed buildings within their portfolio.
22. Mr Jones from Peveril Securities stated that there has been land banking by some companies which have resulted in some sites becoming undeveloped and vacant for a number of years. The market for food store development has been dropping over the last 18 months. In the past developers could receive up to £2m per acre, however the values are no longer there and they would do well to receive around £700,000 per acre. Whether Clowes can raise interest in Friar Gate from a supermarket will be a challenge for them. The former DRI site also has permission for retail development and will have similar challenges in terms of the declining land values.
23. With respect to the viability of city centres to supporting large retail developments it was stated that these downward pressures on land values are unlikely to diminish in the medium term. City centres, particularly small market towns are likely to continue to come under pressures from out of town retail parks which provide easy access and offer free parking facilities. It should be noted that planning policy seeks to control such developments by imposing a sequential test where city centre is prime. There is an argument that city centres could support good quality residential uses especially where it is difficult to attract major retail developments.

Castleward Urban Village

24. The Castleward Urban Village is a 32 acre site broadly contained within the Siddals Road, Canal Street, Carrington Street and Traffic Street boundary. Planning permission has been granted for mixed urban village which will include more than 800 units of housing, commercial and retail developments. Compendium Living, a Liverpool based contractor has been appointed and work started just before Christmas on this multimillion pound development. The site will be developed in several phases and Phase 1 is on track with developers

conducting archaeological investigations. A primary school will be provided in Phase 2.

25. The whole of the site is eligible for Section 106 monies and payment to the Council will be triggered at various stages of the development. There will be an appropriate link to Bass's Recreation Ground, although the final form of whether this is a bridge across or access provided using traffic lights across Station Approach will be determined at a later stage in the development process.
26. Representatives from Liversage Trust were invited to give evidence as they have interests in development of the site with a 40 bed care home situated on the edge of the site. The Trust has concerns about the siting of the primary school, its design and layout around Liversage Court and potential traffic problems that could be generated during arrival and departure of children. The Trust states that daily experiences of many schools across the city support their concerns on the level of traffic problems that are likely to be created. The proposed layout will cause traffic problems which could impact emergency vehicles accessing the care home. An opportunity was being missed to design out traffic problems from the outset. It is understood from the planning team that these comments were part of the consideration process by the Council's Planning Committee when granting planning permission.
27. Although the Trust is complimentary about consultations led by Compendium Living and said these had been good, it was critical of the Council. In her evidence to the review the Managing Director of Liversage Trust stated that Trustees attended a consultation event held at Westfield which provided inadequate information on education proposals. She said officers were unable to confirm whether the proposed school would also cater for the residential developments proposed for the former DRI site. There was minimal awareness of the proposals prior to the formal planning approval and the residents felt the decision was to some degree being forced through. However, documents supporting the planning application consultation were extremely detailed, used web links which are not always easy to use by residents and the timescales for responses were very short. The Trust effectively had 11 days to prepare and submit its response on the development to formal notification. However it has subsequently been stated that the DRI is to some extent still unknown as it has been discussed in outline and not detailed format. The Board has also been advised that publicity relating to the planning application was sent out on 11 May whilst the committee made the decision on 23 August.
28. The Trust stated that deferring the date of the Planning Committee at which the decision was to be taken by a week without notifying residents created further difficulties for people wishing to attend the meeting. The Trust was unhappy with their representative being given only 3 minutes to present their objections at the Planning Committee meeting and further disappointed that no member of the Children and Young Peoples Department was present at that meeting to answer education related issues.

29. The Trust was also unhappy about apparently not being notified about the closure of the Liversage street car park as this has had a big impact on visitors to the care home.
30. The Trust asked that the Council engage in meaningful consultation with local stakeholders, particularly on major development proposals and establish an engagement protocol that includes how stakeholders will be consulted. However Derby's policy for community involvement in local development framework (LDF) and planning application was adopted in 2007. This document details how and when publicity over and above the statutory requirements is undertaken. The Trust also stated that consideration should be given to conducting consultation at an early stage of the development process and not just as part of the formal planning stage as this benefits the development and residents. The Trust suggested that going forward a locality forum is established which engages residents, voluntary and statutory organisations and businesses as the development scheme progresses. This would be particularly helpful with the Castleward scheme.
31. Peveril Securities confirmed developers are engaging with local stakeholders at an early stage, prior to submitting planning applications as they believe unresolved issues will reappear at the planning stage. It is best to consult residents at an early stage to avoid these problems reappearing downstream. With respect to major residential developments, the main issues can relate to traffic and education provision. Although money can be set aside for schools through 106 agreements, it is often difficult to reach an agreement on a solution to parking issues. The Castleward Urban Village is a major multi-use development in the city centre which will improve the visual image of the city and it is anticipated some existing residents will be apprehensive about the development until it is realised on this site. However a fair balance should be created between their needs and the businesses.

Inhibitors to developments

32. There are number of reasons why developments are taking longer to get started. The main reason is the challenging economic climate. Low confidence coupled with difficulties in accessing finance has prompted some developers and retail supermarkets to look closely at their models, which has affected some sites. It is also apparent that some developers are holding land banks and waiting for the right market conditions. The most important factor to regenerating city centres is to improve the economy.
33. Mr Bock stated that city centre developments are always going to be more difficult to achieve compared with distribution centres near motorways. Planning is a key driver to development and getting quicker permission helps. Some authorities give quicker decisions, although these may be linked to the types of developments. There are no greenfield sites in the city centre which are easier to determine.
34. Mr Cowcher from the Derbyshire and Nottinghamshire Chamber of Commerce said that Derby should continue to look for inward investment and attract

businesses into the city to take up office space. Marketing Derby to the right retailers and users is money well spent. The main inhibitor to development is the empty property tax. Buildings are taxed on completion and unless an end user is found, developers have to pay the tax. Mr Cowcher felt this to be regressive and acts as a potential disincentive for companies. The Government has recognised this issue and is looking at making changes which are expected to be announced around October.

35. Mr Jones of Peveril Securities confirmed that market conditions for the construction industry have been very difficult since 2007 and everyone is in the same situation with regards to city centre developments. Derby has Friar Gate Square which has recently been completed and is a first speculative development for 20 years and was supported by regeneration fund. Generally there is little speculative office development activity taking place except in London, the South East and Glasgow. Peveril is in discussions with a number of councils who want to regenerate their city centres. They are looking at various options, including establishing regeneration funds, offering to buy the completed buildings or overriding the lease to stimulate development. The situation is tough as people can't borrow money. His company have criteria for these developments which stop them from sponsoring decisions that don't work.

Enterprise Zone

36. Derby is looking for opportunities to develop an Enterprise Zone in the city centre. If the city is successful in this bid, it will provide incentives for developments to benefit from discounted business rates. The city has missed out on the previous two rounds and is making a case for being included in the third. Evidence from witnesses to the review stated that this would be a positive move for Derby if it was to be achieved. The nearest Enterprise Zone is in Nottingham which provides a discount to business rates, a simplified planning process but does not provide Capital allowances. Any assistance would be good for the city.
37. It was stated that Derby city centre is a city of two halves. The Westfield at the South of the city centre and less well developed areas in the north including Iron Gate and Saddler Gate. There seems to be little to bring people from Westfield to this part of the centre.

Regeneration Fund

38. The Director of Regeneration stated that the City Centre Regeneration Framework has a programme for making improvements to the city centre. This includes the area between Westfield and Cathedral Quarter. This involves providing St Peters Quarter with shop front grant funding scheme and establishing Business Improvement Districts. Regeneration Fund is a positive tool used to attract businesses, particularly office developments to the city centre. The fund only incurs a cost when a business draws the money from the £17.5m pot. There are a number of trigger points for realising the investment which include completion of the development and between a further 6- 12 months thereafter.

Parking

39. In response to views on land supply, witnesses confirmed that industrial and goods distribution opportunities in the city are well catered for. However they asked lessons are learned from Pride Park about parking problems and provide more car parking space for office and factory approvals. Parking is a major issue and the city should relax parking policies for office / factory development otherwise these will struggle to get off the ground, particularly in the city centre. People like using their cars and if there is inadequate parking facilities or car parks are not in the right location, people will go elsewhere. Parking has been recognised nationally as an issue and the Government is relaxing density requirements for housing developments. Derby has had four major developments over the last 20 years which include Pride Park, Derby University, Pride Park Stadium and the Derby Royal Hospital. They have all experienced major parking issues and therefore we need to address these from the outset.
40. Mr Bock also said that car parking is a key to success in the Cathedral Quarter. Having easy access to key parking areas is important as this has been a determining factor in their developments. People prefer to park closer to where they shop and Clowes have always sought to include parking within their developments and has proved a successful policy.

Other issues

41. There is very little leverage on business rates. Under the current scheme, the city is a net beneficiary and receives more money back from the Government than it collects from business rates. Biggest income from business rate is from retail and supermarkets.
42. There are different types of developers in the city, some who develop the site relatively quickly whilst others wait for right market conditions. The Council would obviously encourage quicker development rather having sites being undeveloped over long periods.
43. Mr Cowcher stated that there are two key factors he wished to share with the Board - confidence and consistency. The Council have developed a high quality environment at the Council House which exudes confidence and pride. This gives confidence to potential investors that Derby is producing high quality products and is open for business.
44. The second key point is consistency. Derby City Council has regularly changed political control. We need to ensure consistency in initiatives which all parties support and that this support continues in the future.

Conclusion

45. There are number of challenging sites in and around the city centre that have been vacant for a number of years. The current market conditions with low confidence and difficulties to access finance don't help. Regeneration of the city

centre is high priority for the Council which has cross party support. The Council is actively looking to turn these stalled sites around and have these developed and has a number of strategies in place such as Regeneration Fund and external marketing to businesses.

46. The Board is supportive of these actions and has made recommendations to further develop these sites.

Recommendations

Friar Gate Goods Yard

47. The Friar Gate Goods Yard has been vacant for more than 30 years. Uncertainty surrounding the line of the inner ring road did not help Clowes, who are also keen to develop this site. They made a contribution of £250,000 towards development of the roundabout at the junction of Uttoxeter New Road and Stafford Street which gives them a better access to the site. However, the proposed access road in their last scheme has encroached on a parcel of land owned by the Council and agreeing a price for this is not straight forward. The Developer feels failure to agree a price for this land is what is holding back the progress on this development as they can't negotiate with supermarkets without the reaching an agreement with the Council.
48. The Council has a duty to obtain best price for its assets otherwise the Council would not be fulfilling its duties. Clowes is a business and also has the right to negotiate a price that is best for them. Importantly both the developer and the Council wish to see this site developed as quickly as possible. It is important to minimise or remove barriers that prevent this from being developed.
49. **It is therefore recommended that if practically possible, the Council and Clowes agree a formula to determine a price of this land to move forward the development of this land.**
50. Clowes have a number of listed buildings within their portfolio and from their perspective these can work in favour of developers since these don't attract business rates. Although this situation is perfectly legal, this can lead to some sites being undeveloped for a long time. There needs to be a mechanism which encourages the owners of these historic buildings to develop and if not at least keep them in good repair for the betterment of the local community. Clowes have already carried out improvements to the arches on Friar Gate bridge and it is important that other buildings of historic value are also in good repair.
51. There are question marks about the viability of city centres to support large retail developments in the current economic climate. Land values continue to feel downward pressures which are unlikely to diminish in the medium term, which is not helped by the competition from out of town retail parks which provide easy access and free parking facilities.

52. **It may therefore be appropriate to consider/ encourage residential development on Friar Gate Goods Yard if the interest for retail development is not forthcoming from supermarkets?**

Becketwell

53. Duckworth Square has been vacant and undeveloped for a number of years. The site is not in a prominent position compared with some of other sites but it is in a very poor condition. The market for low cost housing is no longer attractive and therefore the owners, Metropolitan Housing Trust are seeking to dispose of it. However, there is still a risk that even under new ownership the site could still remain undeveloped or worse have wrong type of development which does not fit with planning policies and make whole site even more difficult to develop. The Council has the option of acquiring the site through using some of the regeneration monies and developing for its own use.
54. **The Board recommends that the Council seriously considers the feasibility of acquiring the site to prevent it from becoming sterile.**
55. **Subject to the current funding constraints being experienced by the Council, the Board also recommends Duckworth Square is convert to a temporary car park so that it is not an eyesore and detrimental to the local community.**
56. There is still the issue of the former Debenhams building being underutilised and affecting activity in this area. Mr Bock from Clowes raised concerns about the lack of daytime activity on Victoria Street which historically this was a busy street but lately there is little daytime activity.
57. **It is recommended that the Council more proactively engage with Westfield and other developers and consider developing a specific strategy for increasing footfall in Victoria Street.**

Castleward

58. Development on Castleward is on schedule with work on phase 1 having already started. However, the Liversage Trust raised concerns regarding the plans for the primary school which is scheduled for phase 2 of the development. They cite daily experiences from other schools in the city to raise concerns about potential traffic problems which they feel could affect access to emergency vehicles during peak hours.
59. **The Board recommends that Council Cabinet look at designing out traffic problems connected with school in a more practically focused manner that realistically meets the needs of the two social groups.**
60. The Trust is also critical of the Council consultation with regards to Castleward development and queried whether it was undertaking meaningful consultation

with residents. The Trust requests that the Cabinet establishes an engagement protocol on major developments in the city so that local stakeholders are aware of consultation processes. The Trust has a working committee which meets quarterly and discusses progress on the development.

61. **The Board recommends that, in respect of this and future developments, we seek to build on existing structures of the Trust and establish a locality forum. This would allow local residents, voluntary organisations and businesses to come together and get up to date with developments.**

Parking

62. Parking is considered by the developers to be a major issue with regards to developments in the city. People like using their cars and if parking facilities are inadequate or perceived not to be in the right location then trade is likely to go elsewhere. It was suggested that we need to learn from the experiences of previous major developments in the city and have more pragmatic parking policies for office developments.
63. **The Board recommends that wherever major developments take place, in the city centre or elsewhere, there needs to be adequate car parking for the users of these developments and good public transport links.**

Other factors

64. The witnesses were complimentary of the Council's policy of focusing on high tech industries and growth fund applications to stimulate development. Derby is well placed geographically with highly skilled workforce to take advantage development opportunities. However there was a word of caution that that the city doesn't solely rely in this sector. It was therefore important to continue attract inward investment and encourage businesses to take up office space.
65. **It is recommended that we build on Derby's strengths and continue to promote the city to attract potential businesses particularly within the High Technology Sectors for which Derby is particularly noted. However we should also look to other sectors where they become apparent. We should also continue to support the successful Regeneration Fund to support development in the city.**
66. Virtually all the witnesses stated that the main constraint to development is the business rates system. This acts as a disincentive for speculative development as companies are reluctant to develop if they can't sell or let the development.
67. **The Board notes concerns from developers regarding the Business Rates system and this needs if possible to be jointly addressed by central & local Government.**
68. **The Board endorses and strongly supports the Councils current endeavours to develop an Enterprise Zone in the City Centre. If the latest bid is successful it should provide incentives for developers to benefit from**

discounted business rates and based upon Nottingham's experience, a potentially more simplified planning process. Both of which should further help to make Derby a more attractive Inward Investment proposition to the business community.

69. The Chief Executive of the Derbyshire and Nottingham Chamber of Commerce questioned whether Derby's electoral process was conducive to business development. He stated that "Derby City Council has regularly changed politically and we need to ensure that initiatives are supported by all parties and that is going to continue in the future".
70. **Derby City Council enjoys a cross party support for regeneration programmes. However it should be strongly noted that the Business community wants a more stable local authority to give consistency to long term decision making.**