



COUNCIL CABINET
10 February 2016

ITEM 12

Report of the Cabinet Member for Communities
and City Centre Regeneration

Derby Housing Zone: City Centre Living Initiative

SUMMARY

- 1.1 The purpose of this report is to update Council Cabinet with the approved designation of Derby City Centre as a Housing Zone, this includes three key regeneration sites and the area covered by the City Centre Living Initiative. There have also been further applications and interest in the City Living Initiative since Cabinet approval in March 2015 and this report seeks to provide Cabinet with an update.
- 1.2 The Derby City Centre Housing Zone was approved by DCLG in January 2015. This covers the city centre and includes the City Centre Living Initiative area and three key regeneration sites; Castleward, Former DRI and Friar Gate Goods Yard. A plan is attached at Appendix 2. The purpose of a housing zone allocation is to help to unlock brownfield land and provide viable sites for housing developments. The Housing Zone designation will help facilitating the delivery of the Council's Core Strategy objectives for housing development and the regeneration of key sites. The Derby Housing Zone in the city centre ensures that new housing development will be sustainable and that developments will add to the vibrancy of the city centre.
- 1.3 Development activity that is already taking place, at Castleward and Full Street, demonstrates an appetite for housing in the city centre from developers. Sales and lettings rates achieved on both schemes demonstrate a buoyant market in Derby city centre, with evidence of further demand to be met. The Housing Zone designation will help to boost this activity and meet the Council's regeneration objectives on these key sites.
- 1.4 The Council has benefitted from the opportunity to bid for Homes and Communities Agency (HCA) Capacity Funding, as part of the Housing Zone designation, and £213,616 has been secured by the Council. This will provide consultancy monies to help address some of the barriers that the sites within the Housing Zone need to overcome and fund existing posts so that a resource can be dedicated to the delivery of the Housing Zone
- 1.5 Since Cabinet approval in October 2014, a £6.5m recoverable loan fund known as the City Centre Living Initiative has been in place to help encourage the re-use of vacant and underused properties in the city centre. Through the Housing Zone, the Council is able to take advantage of further discounted loan rates from the Public Works Loan Board (PWLb) until March 2016 to fund this on-going activity.

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| RECOMMENDATION |
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- 2.1 To approve the receipt of, and transfer to a reserve, the grant of £213,616 Capacity Funding from the Homes and Communities Agency to use in line with the grant planned use.
- 2.2 To approve the delegation of any future amendments to the Housing Zone Delivery Plan referred to in Para 4.4. to the Acting Strategic Director of Communities and Place (in consultation with the Cabinet Member for Communities and City Centre Regeneration).
- 2.3 To note the progress with the City Centre Living Initiative.

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| REASONS FOR RECOMMENDATIONS |
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- 3.1 The receipt of the £213,616 grant from the HCA Capacity Fund is a very welcome additional resource to fund two existing posts within the Regeneration Projects Division to aid the delivery of the Housing Zone. It will also provide a small amount of funding to support activities that assist the implementation of the Housing Zone and City Centre Living Initiative.
- 3.2 A delivery plan has been prepared with the HCA to set out the key activities to bring forward development activity within the Housing Zone. These activities are put before Cabinet for approval. .
- 3.3 The City Living Initiative is an important tool that the Council can offer to help stimulate interest and development activity in underused buildings and sites within the city centre. With one scheme on site and progressing well and others in the pipeline, Cabinet is asked to note the progress of the initiative.



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10 February 2016

Report of the Acting Strategic Director of Communities and Place

SUPPORTING INFORMATION

Derby City Centre Housing Zone

4.1 Designation

The allocation of Derby City Centre as a Housing Zone seeks to enable an accelerated implementation of Derby's residential development aspirations for the city centre, as set out in our strategic planning and economic regeneration policies. The Core Strategy can evidence delivery of some 2200 new homes within the city centre by 2028. There are two key elements to Derby's Housing Zone, these are:

- Large scale new build housing development with developer partners including Castleward, Friar Gate Goods Yard and the former DRI site.
- The City Centre Living Initiative, to include conversions to residential use and infill sites for new build.

4.2 The first phase of the Castleward scheme is already underway delivering 164 new homes, 66 of these have now been sold. Furthermore, the Wilson Bowden Full Street scheme for 46 units is nearing completion and all but one of the two bedroom units is sold. This demonstrates a positive attitude to residential development in the city centre from developers and also a demand for city living from prospective purchasers, with sales and lettings being achieved within a short period. The Housing Zone designation will support this on-going trend and will help overcome barriers to future development, and by doing this assist the Council in delivering its Core Strategy housing targets as well as the regeneration of sites.

4.3 Governance

Internally, Housing Zone activity is to be reported to the Regeneration Fund Sub Programme Board chaired by the Director of Regeneration, Property and Housing and where appropriate with further reporting to Members. A Housing Zone Project Board has been established to steer, manage, approve and monitor the activities within the Housing Zone. This Board includes senior officer representation from Derby City Council and senior representatives from the HCA. A delivery plan has been prepared to deliver the objectives of the Housing Zone.

4.4 Delivery Plan

The draft delivery plan seeks to identify key activities to promote and drive forward the Housing Zone initiative and to bring forward each of the key sites and programmes within it, these include:

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| Overall Activities for the Housing Zone | Marketing and Publicity Plan Housing Market Assessment – to analyse the potential future housing market opportunity in Derby for city living, including assessing price points and future demand. Continue to explore funding opportunities – e.g. bid into LGF3 for funding to support Castleward and Friar Gate Goods Yard |
| Castleward | Future viability testing and review |
| Former DRI | Close liaison with the new owners and a planning performance agreement (to agree timescales for planning process) |
| Friar Gate Goods Yard | Heritage Brief of Listed buildings and asset on the site. This report will help to inform whether the buildings are in an urgent state of repair and the potential ways forward for the site, having regard to the Listed Buildings. |
| City Living Initiative | Review of sites and opportunities |

4.5 Capacity Funding/ Discounted PWLB rates

As part of the Housing Zone, the Regeneration Projects Division put forward a bid to the HCA's Capacity Fund for revenue funding to support the delivery of the Housing Zone, this included money to support two posts within the Regeneration Projects Division so that resources could be allocated to the Housing Zone as well as funds to bring forward key activities. The bid has been successful and the Council has been awarded £213,616. It is intended that this funding will be allocated to the Derby Regeneration Fund Reserve and monitored through the Derby Regeneration Sub-Programme Board, which is responsible for considering reports on the day to day operation of the City Centre Living Initiative and Housing Zone.

4.6 A further discount on the Public Works Loan Board (PWLB) rates (0.4%) has been offered to the City Centre Living Initiative as part of the Housing Zone, this means that the rate that the Council is borrowing money to fund the City Centre Living Initiative can be further reduced until March 2016. The Council is able to draw down the money for the scheme that is already approved and on site as well as any potential pipeline schemes at this reduced rate.

4.7 Benefits

The Housing Zone designation has brought several benefits including:

- A successful bid to the HCA's Capacity Fund for £213,616, which will fund two existing posts within the Regeneration Projects Division for two years and also provide monies to support the delivery of the City Centre Living Initiative and the Housing Zone..
- Access to Homes and Communities Agency, ATLAS (Advisory Team for Large Planning Applications) support to assist with overcoming any planning hurdles faced by our large development sites, this may include agreeing planning performance agreements with development partners and the planning team
- Access to the Public Works Loan Board (PWLb) at a further discounted rate of borrowing for the Council's City Centre Living Initiative until March 2016.
- It is also envisaged that the Housing Zone designation will place Derby in a good position for future funding opportunities, as it may be a route that the government choose to channel future funding pots.

City Centre Living Initiative

- 4.8 There has been further interest in the Council's City Centre Living Initiative, schemes currently under consideration include proposals for 22 residential apartments on St James Street and the conversion of a Grade II* Listed Building on St Mary's Gate for 7 units. Both schemes are at early stages and further information is awaited before the Council's due diligence process commences. Both schemes seek to convert prominent buildings within the city centre which, if converted to residential, would bring positive benefits to the city centre in terms of activity at first floor level and bringing a vibrancy out of office hours.
- 4.9 In addition to the pending application to the City Centre Living Initiative for the conversion of a property on St Mary's Gate to 7 units, it is also likely that three large former Solicitors offices on St Mary's Gate will revert to residential use with sales recently completing to domestic purchasers. In addition, there is also a scheme progressing through the planning process for the conversion of a church to 8 apartments on Gower Street. This activity demonstrates a degree of confidence in the city centre for city living. At the moment, these schemes are able to secure finance from elsewhere, however it is important that the Council continue to promote the City Centre Living Fund, should a fall-back position be required by these developers.
- 4.10 The first scheme to be funded through the City Centre Living Initiative, now known as Weavers Point for 35 apartments at Lodge Lane and developed by the Radleigh Group, is on site and the sales office is due to open over the coming weeks. Officers from the Regeneration Projects Division have recently met with Radleigh

Group and they are keen to support the promotion of the fund and we are working with them on design elements to ensure the fund is recognised and promoted via their site hoardings. They are also keen to work with us on a case study that we can showcase on the revised City Living Initiative website.

Marketing and Publicity

- 4.11 As set out above as part of the delivery plan activity, a marketing and publicity strategy has been prepared by officers to promote the activity within the Housing Zone, including the City Centre Living Initiative. This will include a formal launch event for the Derby City Centre Housing Zone, envisaged for 10th March 2016 and will include senior representatives from the Council, the HCA as well as local and national developers.
- 4.12 A new webpage is also under development for the Housing Zone and the City Centre Living Initiative, this will be managed in house to allow Housing Zone activity to be kept up to date and showcase press releases and case studies. This will help to ensure any opportunities that exist can be readily promoted. In addition, engagement is taking place with both the city centre Business Improvement Districts via articles within their newsletters and promotion of the Housing Zone to local agents so that all key partners within the city centre are aware of the activity taking place and the opportunity that exists.

OTHER OPTIONS CONSIDERED

- 5.1 **Do Nothing:** The Council could chose not to promote the Housing Zone or put in place a delivery plan to work with the HCA and ATLAS to bring residential development forward. This would mean that delivery of housing in the city centre was left to the private sector and they may be reluctant and unable to bring schemes forward due to the lack of an established market.
- 5.2 Resources already secured in the form of ATLAS support and capacity funding, would be lost. The city and the Council's efforts to promote city living will lose momentum. The relationship between the Council and the Homes and Communities Agency could be damaged.

This report has been approved by the following officers:

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| Legal officer Financial officer Human Resources officer Estates/Property officer Service Director(s) Other(s) | Emily Feenan Martyn Marples Zoe Bird John Sadler/ Phil Derbyshire Paul Clarke Ann Webster Wendy Johnson Richard Boneham |
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| For more information contact: Background papers: | Joanne Neville – Regeneration Projects Division |
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| List of appendices: | Appendix 2: Plan of Housing Zone |
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| IMPLICATIONS |
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Financial and Value for Money

- 1.1 The Housing Zone designation brings positive financial benefits to the Council. £213,616 has been secured via the HCA Capacity Fund, which is un-ringfenced. This will fund two existing posts within the Regeneration Projects Division for two years as well as provide funds to aid the implementation of the Housing Zone and City Centre Living Initiative. The funds will be placed within the Derby Regeneration Fund Reserve for use over the coming two years.

Legal

- 2.1 There are no legal implications of the Housing Zone designation. The legal implications of the City Centre Living Initiative have already been considered by Cabinet.

Personnel

- 3.1 Resources have been identified from the existing Regeneration Projects Division to work with the Homes and Communities Agency to manage the Housing Zone.

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- 4.1 NA

Equalities Impact

- 5.1 Building Control requirements will ensure the homes are as accessible as possible to disabled people.

Health and Safety

- 6.1 NA

Environmental Sustainability

- 7.1 This Housing Zone designation scheme proposes the re-use of centrally located brownfield sites and the city centre living initiative proposes the re- use of empty buildings and brownfield sites to create more housing, reducing the impact of building on greenfield land.
- 7.2 Improving the building fabric of vacant properties will enhance their environmental performance and make them more energy efficient.
- 7.3 Housing in a sustainable location such as city centre will mean good public transport

links, resulting in reduction of car dependency.

Property and Asset Management

- 8.1 This Housing Zone scheme is anticipated to deal predominantly with properties in private sector ownership. In case any DCC property and assets are being considered, relevant teams will be consulted and advice from DCC officers will be sought.

Risk Management

- 9.1 The key risk to the delivery of the Housing Zone is a failure to bring forward opportunities for residential development. To overcome this risk, a marketing and publicity plan is in place to promote housing in. In addition regular progress meetings will be held with landowners/developers to review opportunities and seek to remove barriers at an early stage.
- 9.2 In order to ensure that abortive costs are not incurred, loans from the city living fund will be drawn down on an approved application basis, and will be specific to each application.

Corporate objectives and priorities for change

- 10.1 This initiative will contribute towards Derby Plan's big ambition:
- Inspiring place to live by improving inner city areas
 - Inspiring working life by improving skills and creating jobs