



Derby City Council

COUNCIL CABINET
15 March 2017

ITEM 15

Report of the Cabinet Member for Regeneration
and Economy

Becketwell Regeneration

SUMMARY

1.1 The regeneration of the Becketwell area is a key priority in Derby's City Centre Masterplan 2030. The Council is proposing interventions to tackle the long-term decline in this strategically important part of the city centre and bring forward development. This report seeks approval for the proposed strategic direction for the regeneration of the Becketwell area, and for a first phase of work.

1.2 Following a period of feasibility work and options analysis undertaken with support from expert advisors, the recommended approach is to continue a programme of site assembly and site preparation works and the procurement of development partners to bring forward scheme/s to regenerate and redevelop the area, primarily for leisure, residential and retail purposes.

1.3 Duckworth Square

Results of the initial feasibility work have identified that there is an outline business case for a leisure offer unique to Derby, well suited to the former Duckworth Square site. Over the next 12 months the proposal is to procure an operator for a leisure facility, complete site investigations and preparation works and undertake initial design of the scheme to firm up costs. These steps will confirm the final business case required to demonstrate the viability of the scheme.

1.4 Former Debenhams Building

The Council is acquiring the former Debenhams building and a small number of properties on Green Lane / Macklin Street as part of the demise. Immediately following purchase, measures will be put in place to secure the properties followed by controlled removal of the risks identified in initial survey work. The site will also be marketed immediately following acquisition to identify a suitable development proposal. In the interim the Council will proceed with pre-demolition surveys and will begin to progress a planning application to allow demolition of the building if marketing indicates that demolition is the preferred solution.

1.5 Wider Site

Alongside proposals for Duckworth Square and Debenhams, the Council will promote improvements to the physical fabric of the wider Becketwell area, including public realm and property enhancement schemes.

RECOMMENDATION

- 2.1 To approve the proposed strategic direction for the Becketwell area as detailed in paragraphs 4.18 – 4.24.
- 2.2 To approve a procurement exercise for an operator of a leisure facility for the former Duckworth Square site and to delegate approval to the Strategic Director for Communities and Place following consultation with the Cabinet Member for Regeneration and Economy to approve any surveys and pre-construction works required to ready the Duckworth Square site for development.
- 2.3 To note that Officers will bring a further report to Cabinet following the operator procurement process and site investigations, which demonstrates a full business case for constructing and operating the scheme proposed for Duckworth Square.
- 2.4 To delegate approval for the demolition of the former Debenhams building (subject to planning approval) to the Strategic Director for Communities and Place in consultation with the Cabinet Member for Regeneration and Economy.
- 2.5 To approve the marketing and sale of the former Debenhams site following the Council's acquisition, with terms delegated to the Strategic Director for Communities and Place in consultation with the Cabinet Member for Regeneration and Economy.
- 2.6 To approve a departure from the Council's current Capital Receipts policy and ring-fence receipts resulting from the disposal of Council owned assets related to this project to support Becketwell regeneration and delivery of the City Centre Masterplan priorities (App 1, 1.1 refers).
- 2.7 To amend the Capital Programme 17/18 to 19/20 to reflect the project budget described in Appendix 1.
- 2.8 To approve the use of up to £200,000 from the Assembly Rooms Insurance money to fund the revenue costs associated with the delivery of proposals in this report. An equivalent element from the Eagle Market receipt will be used to replace these funds pound for pound.

REASONS FOR RECOMMENDATION

- 3.1 To support the delivery of the objectives of the City Centre Masterplan 2030.
- 3.2 To deliver a new leisure development and the regeneration of the Becketwell area of the city centre.



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Report of the Strategic Director of Communities and Place

SUPPORTING INFORMATION

Site History

- 4.1 The area known as 'Becketwell' is a 1.3ha brownfield site in the heart of Derby City Centre (see plan at Appendix 2). It comprises Duckworth Square (in Derby City Council ownership) the former Debenhams building on Victoria Street, and its environs (in multiple ownerships).
- 4.2 Over the past few decades the market has failed to deliver a sustainable long term solution to the growing decline and dereliction of the Becketwell area. This began in the 1980's, when Duckworth Square and the wider Becketwell area began to deteriorate following the closure of an "anchor" store within the Duckworth Square Shopping Centre. Duckworth Square Shopping Centre became retail 'cul-de-sac' and when tenancies continually failed and units remained vacant for years, demolition became the only option in 2003.
- 4.3 There have been a number of attempts at redevelopment since, including a residential / leisure scheme proposal by First Urban which failed to secure pre-lets, a residential led scheme proposal by Metropolitan Housing and most recently a healthcare led proposal by Assura. Unfortunately, the market has been unable to deliver a solution for the regeneration of Becketwell.
- 4.4 In 2007 Debenhams vacated the department store building on Victoria Street which has subsequently been occupied by lower value uses. This move coincided with the wider economic recession and huge shifts in consumer behaviour leading to more on-line shopping and less high street retail. These factors combined have led to higher vacancy rates in the Green Lane / Victoria Street area of the city centre, lower value uses and a decline in levels of footfall and the quality of the built environment.
- 4.5 In 2014, the Council began a more interventionist strategy for regeneration with the acquisition of Duckworth Square. This was followed in September 2015 with Cabinet approval to commence negotiations with Intu for the purchase of the former Debenhams building and further Cabinet approval in March 2016 to the terms for acquisition.
- 4.6 This report presents the Council's strategy for regenerating the Becketwell area moving forward and the key actions required for delivery. It sets out the results of feasibility and consultation work carried out over the last year and describes the specific proposals for the former Debenhams site and Duckworth Square site. The Council is taking a holistic approach to regeneration and our strategy therefore considers the potential for activity in the wider area to complement proposed development on the two primary sites.

Feasibility study and market testing conclusions

- 4.7 The Council's Strategic Property Advisers, Cushman & Wakefield, with specialist support from IPW... Limited (venue specialists) have undertaken an initial option analysis and market sounding exercise to assess the feasibility of various forms of development at Becketwell. This work initially concluded that a residential led scheme across both sites could prove viable, albeit marginally at this location (exclusive of land assembly and site preparation costs).
- 4.8 The consultant team also identified an opportunity for a leisure opportunity unique to Derby and it was considered to hold sufficient merit to warrant the consultancy team being asked to undertake more detailed feasibility work.
- 4.9 The resulting ice rink feasibility study concluded that Derby has a population catchment which is in excess of industry benchmarks required to sustain a fully sized ice rink, and is in line with the national average for drive time catchments of existing ice rinks in England. Despite a number of ice facilities being close to Derby, the majority of these are leisure pads and therefore the major competition to a rink in Derby will be the NIC, in Nottingham. Through further population proximity analysis, it was identified that despite the locality of the NIC to Derby, there is still a significant number of people in the region to sustain an ice rink in Derby and sufficient demand to sustain an ice rink in both cities. Crucially, the Derby Ice Rink would complement the existing sub-regional facilities in Nottingham.
- 4.10 The recommended facility mix for the venue is an indoor international ice pad (56m x 26m), with a total capacity of c.500, complemented by a 70 station gym and dance studio (supported by evidence of latent demand for fitness facilities in the city centre). Initial internal layouts have been developed which confirm that the proposed venue would fit on the Duckworth Square site. Various approaches to construction have also been costed, based on an IPW recommended facility mix. Consultations undertaken with key local stakeholders, National Governing Bodies and ice rink operators, indicate strong support for an ice rink in Derby.
- 4.11 A headline business plan for the ice rink projects an operating surplus. With strong commercial operation of the venue, aligned to a cost efficient build approach supported by Council borrowing, an ice rink and ancillary facilities has been shown to be deliverable and sustainable in Derby.
- 4.12 The Council is open to other leisure uses for the site where the income surplus generated (after operator costs) is sufficient to fund the borrowing costs the Council would incur in order to construct the facility. Undertaking an operator procurement exercise will allow the Council to confirm that a financial business case exists before committing to the procurement of a building.
- 4.13 Investigation works on Duckworth Square would ensure risks associated with site conditions and constraints are understood and means of mitigation identified and costed before any development takes place.

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- 4.14 The development at Duckworth Square will act as a platform for significant increased footfall to this part of the city centre with the potential to enhance the market attractiveness of the former Debenhams site and the wider Becketwell area to potential developers / occupiers.
- 4.15 The Council's Strategic Property Advisors are confident that with the leisure development proposed for Duckworth Square, the former Debenhams site would remain attractive to the development market as a mixed use development opportunity comprised of ground floor retail with residential accommodation above. This featured as a key component of the original residential-led scheme scoped and deemed viable for the site.

Site Constraints and Planning Policy

- 4.16 Following an initial site assessment, a number of site abnormalities have been identified at Duckworth Square requiring measures to address including: demolitions, flood control measures, ground water control measures, perimeter fencing, security and an upgrade/ replacement of the retaining wall on the Duckworth Square site. The surrounding highways also contain various services of a strategic nature which require further investigation and consultation with service providers. Estimated costs for these abnormalities have been provided – these will be subject to detailed investigation during the next phase of delivery.
- 4.17 The Derby City Local Plan Part 1, adopted in January 2017 recognises the complexities of regeneration in this area and is supportive of a range of development options at Becketwell. Section 6.2.10 states:

The Becket Well and Duckworth Square area has been identified as a regeneration priority for some time. Market conditions and the sheer complexity of the site have meant that no deliverable scheme has been forthcoming. The Council will continue to support the comprehensive regeneration of this area, though it also recognises that incremental change may also be acceptable if it can help revitalise the area and not prejudice any long term options. In recognition that the retail market has changed considerably in recent years, there is no expectation that the redevelopment of the area should contain a significant retail element (though this would be acceptable if conditions were to become more favourable). However, any development should still serve to meet the Council's objectives for the City Centre. A mix of uses that are consistent with the nature and function of the City Centre would be acceptable, including residential.

Becketwell Regeneration Strategy

- 4.18 The proposed strategy for regenerating Becketwell is the Council taking an interventionist approach to assemble, prepare and develop land involving:
1. Developing a full business case for a proposed new ice rink at Duckworth Square or other viable leisure use by procuring an operator and completing site investigations / preparations
 2. Securing, making safe and marketing the Debenhams site for a range of potential uses
 3. Developing proposals to enhance the wider Becketwell area including public realm improvements and property enhancements.

Duckworth Square

- 4.19 The objective for Duckworth Square is to develop a full business case and, with this in place, deliver a new leisure facility. A number of key tasks are required to confirm the full business case for this facility including the procurement of an operator, site investigations to understand and quantify the costs associated with addressing site abnormalities, procurement of contractors to commence site preparation works and a further stage of design for the facility to calculate costs. We anticipate this phase of work taking 12 months and a further report will be brought to Cabinet to confirm the full business case for development at Duckworth Square. Subject to this full business case, the Council would then procure contractors to deliver the leisure facility.
- 4.20 In the event that the business case for a leisure facility does not meet the Council's requirements, other development options will be considered for the site including the potential incorporation of the site into proposals for the Debenhams building.

Former Debenhams Building

- 4.21 At the time of writing, exchange of contracts for the Council's acquisition of the former Debenhams building is imminent, with completion to follow up to a maximum of 4 weeks after exchange. Immediately following acquisition, the Council will put measures in place to secure the site, followed by controlled removal of risks identified through initial survey work (e.g. asbestos removal). The site will be marketed immediately following acquisition to identify a suitable development proposal. In the interim the Council will proceed with pre-demolition surveys and will begin to progress a planning application to allow demolition of the building if marketing indicates that demolition is the preferred solution.
- 4.22 Dependent upon the responses to the marketing of the Debenhams site, the Council will proceed with the sale of the building shell or a cleared site. The Council will also seek to include a period of exclusivity for the preferred bidder to acquire Duckworth Square, to mitigate against the risk of non-viability of the ice rink proposal.

Wider Becketwell area

- 4.23 Alongside proposals for Duckworth Square and Debenhams, the Council will promote improvements to the physical fabric of the wider Becketwell area including:
- Engagement with neighbouring land and property owners
 - Devising initiatives to stimulate investment by these stakeholders in adjacent commercial, retail and residential properties e.g. housing improvement and shop front improvement schemes
 - Further promotion and enhancement of the Townscape Heritage Initiative in the Green Lane Conservation Area
 - Improvements to the public realm in the area
 - Rebranding of an area now strongly associated with physical decline towards a positive, forward-looking brand

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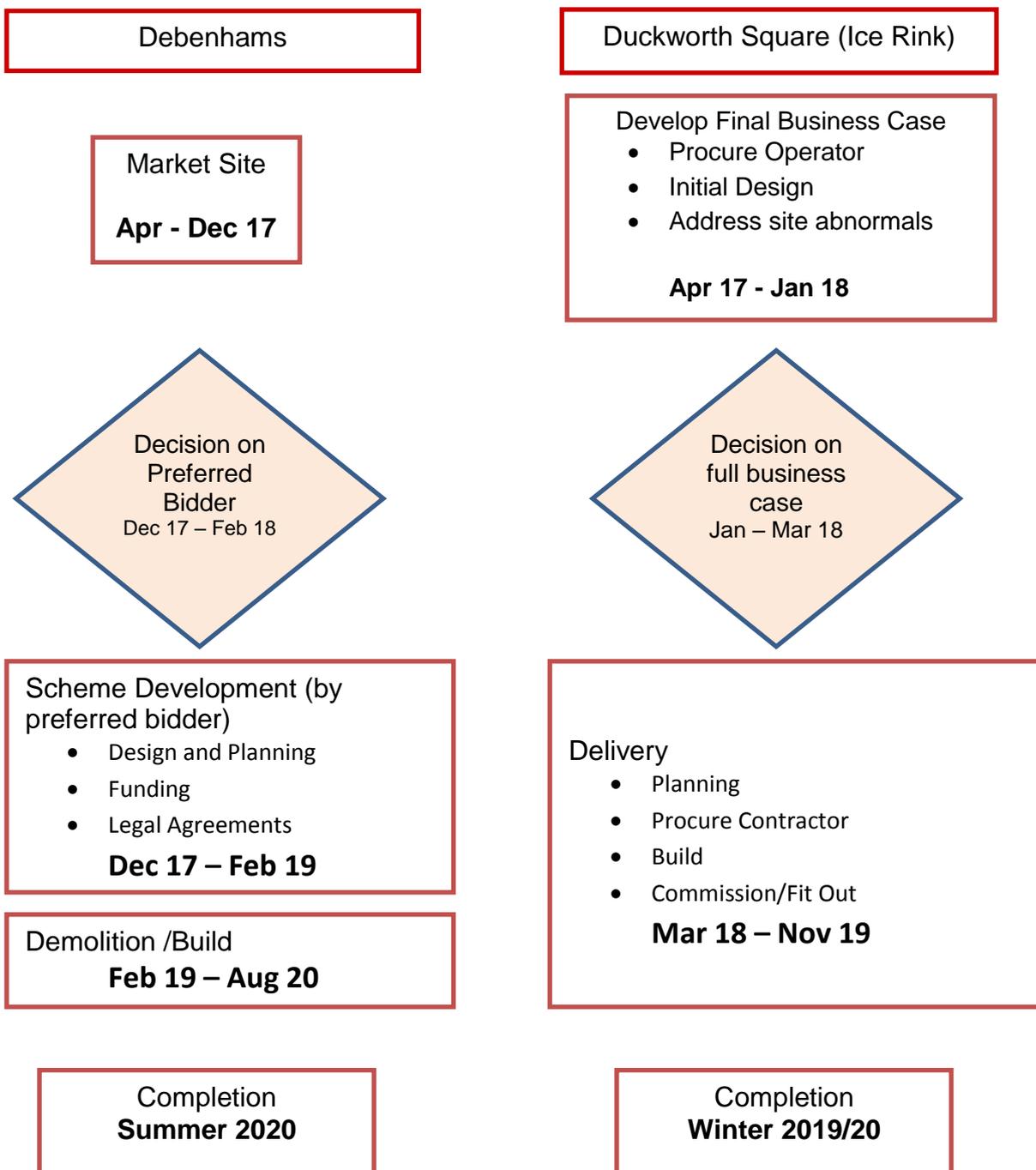
4.24 The Outline Business Case for the Becketwell project includes an economic assessment of the benefits the proposed regeneration strategy could bring to the city, including the potential for up to:

- 1.3 hectares of brownfield land redeveloped
- 1,336 sq.ms of new commercial floor space
- Between 144 and 252 direct and indirect jobs created
- Up to £3.9million Gross Value Added impact per year

The scheme would also result in a range of important wider benefits:

- Reversal of long-term decline in this part of the city centre
- leverage of further investment
- significant environmental and visual improvement
- image, perception and amenity benefits

4.25 Indicative Programme



Key Risks

4.26 The outline Business Case for the Becketwell Regeneration Strategy includes a detailed risk log, summarised here

Debenhams Site

Risk	Mitigation
Delays in delivery and expenditure mean the Council do not meet D2N2’s criteria for use of Local Growth Fund and all / part of the funding is withdrawn from the project	Sufficient human resource allocated to project delivery Regular liaison with D2N2 and the LGF Accountable Body
Debenhams	
Unauthorised access to the building whilst vacant	Security measures are agreed and will be implemented immediately on acquisition
Survey work identifies issues and constraints within the site envelope that lead to a more lengthy and expensive demolition than projected	Party Wall surveyor has been appointed and has commenced survey work. Significant contingency has been included in cost estimates
Challenges associated with securing planning permission for the Debenhams building	Early engagement with the Local Planning Authority and Conservation team has happened
Duckworth Square	
Failure to secure an operator for the leisure proposal	Offer as an extension to the Debenhams site sale, subject to market interest
Detailed site investigation determines enabling works costs that exceed projections.	Significant contingency for site enabling works is included in the project budget
The service diversions required to progress site preparation works prove more onerous than projected	Early engagement with service providers has happened Contingency in the project budget

OTHER OPTIONS CONSIDERED

5.1 Do nothing.

The site is identified as a key regeneration priority within the City Centre Masterplan 2030. The area has witnessed continued social, economic and physical decline over the past two decades as various attempts by the private sector have failed to come to fruition owing to viability issues. The site is therefore the subject of market failure. Doing nothing is not an option given the goals of the City Centre Masterplan 2030.

5.2 Residential Led Scheme

Remains a viable option as evidenced by Cushman & Wakefield’s Becketwell Development Options Report. This is a high density proposal defined by the use of a duplex housing approach, and private “mews” courts, to achieve a relatively high density development.

This high density residential option is not being pursued currently as market analysis and feasibility work carried out in 2016 has revealed that a leisure driven solution in association with a mixed use development, including some residential, commercial and potentially retail on Victoria Street secures a more holistic outcome for the Becketwell Regeneration.

This report has been approved by the following officers:

Legal officer Financial officer Human Resources officer Estates/Property officer Service Director(s) Other(s)	Emily Feenan, Principal Lawyer Amanda Fletcher, Head of Finance Jayne Sowerby-Warrington, Head of Strategic Asset Management & Estates Greg Jennings, Director of Regeneration, Property & Housing
For more information contact: Background papers: List of appendices:	Catherine Williams 01332 641639 catherine.williams@derby.gov.uk None Appendix 1 – Implications Appendix 2 – Becketwell area land ownership plan

IMPLICATIONS

Financial

1.1 Funding

In order to support Becketwell Regeneration, £4m has been secured from Local Growth Fund Round 1 (LGF1) in the form of a loan secured from D2N2. This loan will convert to a grant once the Council has met D2N2's Local Assurance Framework criteria for the project. The Council has until November 2018 to meet these criteria.

In addition, in order to ensure that there are sufficient funds to support this and other City Centre Masterplan initiatives, this report proposes the ring-fencing of capital receipts from the sale of the Eagle Market and other Council owned assets related to this project. This would be a departure from current Council policy (which sees receipts ring-fenced for the property rationalisation programme) hence the requirement for a specific recommendation within this report.

The LGF1 funding and Eagle Market receipt provide sufficient funding to progress the proposals contained in this report. It is proposed that the Capital Programme is amended to reflect these proposals. The profile required is £2.2m in 2016/17, £0.4m in 2017/18 and £2.4m in 2018/19.

The above funding is defined as 'capital' under local government accountancy rules. However, some of the costs set out below are defined as 'revenue' under the same rules (the procurement of an operator is one such example). To address this it is proposed to utilise some of the insurance monies from the Assembly Rooms fire, which are revenue, to fund such items. An equivalent element from the Eagle Market receipt will be used to replace these funds on a pound for pound basis.

1.2 Costs

The proposals contained within this report will incur costs in relation to:

Debenhams – detailed survey work together with asbestos removal and other pre-demolition works; the preparation of party wall agreements and a planning application; demolition itself (subject to planning approval) and costs associated with the marketing and sale of the building.

Duckworth Square – site investigations to Duckworth Square (in particular to the retaining wall to the rear of the site); an EU compliant exercise to procure an operator for an ice rink or other leisure use; design of a facility. A further Cabinet report will be required to obtain approval to enter into contractual arrangements with an operator, to build an ice pad or other leisure facility or to carry out major remedial works to the retaining wall following a full business case.

Wider site – costs associated with preparing initiatives to the surrounding area. When these initiatives are worked up in detail and ready to begin, a further report will be brought back to Cabinet for approval.

In addition there are professional fees and internal costs (such as project management, legal and accountancy costs) in order to develop the proposals outlined in this report.

1.3 Financial Model

Together with our consultant team (Cushman and Wakefield and IPW), officers have developed a financial model to determine the viability of a potential ice rink. The model uses income and expenditure assumptions (eg: cost of build, cost of running) developed by our consultants and indicates that an ice rink could be viable and successful. The only way to test these assumptions is to seek to procure an operator and to take the design of a facility to the point at which a planning application can be submitted. At that point we will have much greater confidence on the income we can anticipate from an operator and on the cost of the facility. This information will form the basis of the final business case which, if viable, will be submitted to Cabinet for approval.

Legal

2.1 Legal Services are fully engaged in the delivery of the Becketwell Project, advising on all aspects of the project. Specific areas of advice include:

- (a) The terms of the D2N2 Pre-Compliance Funding Agreement with Derbyshire County Council as the accountable body. It should be noted as follows:
 - under the Pre-Compliance Funding Agreement the Council is required to submit a Stage 2 Compliant Business Case in respect of the site by November 2018;
 - the Funding Agreement requires the Council to enter into a first legal charge in favour of the accountable body over the Debenhams site, until such time as the Business Case is submitted. If a decision is taken to dispose of the site before finalisation of the Business Case, such disposal will be made subject to this charge, unless it is agreed that the charge is removed;
 - furthermore, under the Funding Agreement, the Council cannot sell, transfer, lease or otherwise dispose of its interest in the site prior to November 2018 without the accountable body's consent (which is not to be unreasonably withheld).
- (b) The procurement process for the procurement of an operator, including terms and conditions and compliance with Public Contracts Regulations 2015 or the Concessions Contracts Regulations 2016 (as appropriate depending on the financial model proposed). It is currently envisaged that it will be possible to pursue this procurement as an open tender arrangement, but this is to be kept under review as the final business model is developed.
- (c) Under section 123 Local Government Act the Council is required to achieve the best price on disposal of our land. This will be the subject of further reporting to Cabinet.

In relation to the Ice Rink/Leisure opportunity it has not yet been determined how the Operator will occupy the site in terms of a licence or a full maintenance and repair lease; this will be kept under review by Legal Officers in conjunction with Estates and reported accordingly.

Proposals for the Debenhams site could include demolition of the building prior to disposal. To avoid any issues in relation to State Aid, demolition works (if funded by the Council) will be undertaken whilst the site remains in Council ownership. The structure of the final arrangements with a developer will remain under review by Legal Officers to ensure that there is not State Aid.

Classification: OFFICIAL
Personnel

3.1 There are no personnel implications arising from this report.

IT

4.1 There are no IT implications arising from this report.

Equalities Impact

5.1 The recommendations do not directly give rise to equality issues and the Becketwell scheme would provide a positive regeneration project with which to strengthen the Council's approach to valuing diversity and to creating opportunities for all our citizens. Any designs progressed for development by the Council would take full account of equalities issues.

Health and Safety

6.1 The purchase of the former Debenhams building carries significant health and safety risks and, on the day of purchase, measures must be put in place to secure the site to prevent unauthorised access to it, followed by controlled removal of the risks. The ideal solution to minimise all risks is for the Council to put in place the necessary measures to allow demolition of the building. This will be done by detailed surveys and other works over a number of months to allow the demolition option to be pursued.

Environmental Sustainability

7.1 The area is currently underused

The project will:

- Improve the built environment and townscape character
- Remediate existing brownfield site

Property and Asset Management

8.1 Strategic Asset Management and Estates has been part of the multi-disciplinary team involved throughout the project. The project promotes the use of Council assets to facilitate the regeneration of Becketwell.

Risk Management and Safeguarding

9.1 A project management team has been set up to effectively manage this scheme. A risk register will be subject to ongoing review. Major risks will be reviewed at project meetings.

Corporate objectives and priorities for change

10.1 The project addresses a key priority within the City Centre Masterplan 2030

Appendix 2 Becketwell area land ownership plan