

<b>Report title</b>	Canalside South - Land Transaction & Wolverhampton to New Cross Hospital Wednesfield Sustainable Transport Solutions	
<b>Decision designation</b>	AMBER	
<b>Cabinet member with lead responsibility</b>	Councillor Stephen Simkins Leader of the Council	
<b>Key decision</b>	Yes	
<b>In forward plan</b>	Yes	
<b>Wards affected</b>	Heath Town	
<b>Accountable Director</b>	Richard Lawrence, Director of City Development	
<b>Originating service</b>	City Development	
<b>Accountable employee</b>	Claire Prince Tel Email	Regeneration Officer 07392 137573 Claire.Prince@wolverhampton.gov.uk
<b>Report to be/has been considered by</b>	Directorate Leadership Team Strategic Executive Board Leaders Briefing	5 February 2024 19 March 2024 25 March 2024

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### Recommendations for decision:

The Cabinet is recommended to:

1. Approve entering into the legal agreements and any associated ancillary documents to give effect to the disposal and development.
2. Ratify the Council's decision to enter into an extended exclusivity period with the development partner.
3. Delegate authority to the Leader of the Council in consultation with Director of City Development and Chief Operating Officer to finalise and execute any other necessary legal agreements to facilitate completion of the land transaction.

**Recommendation for noting:**

The Cabinet is asked to note:

1. The intention for City of Wolverhampton Council and Transport for West Midlands to undertake further development work to identify alternative alignments for public transport improvements for the A4124 Wednesfield Road Corridor, facilitating a change to the reserved Metro alignment.

## 1.0 Purpose

1.1 The purpose of this report is to update Cabinet on the sale of the Council's land holdings at Canalside South to Wavensmere. The report provides an overview of the agreed terms of the sale agreement and proposed scheme.

## 2.0 Background

2.1 The main site owners, which include the Council and the Canal & River Trust (CRT), have come together to form a partnership to bring forward the development of Canalside South which reflects the need for comprehensive regeneration across ownerships to drive placemaking principles and associated residential values. Collectively the partners have assembled a 17.5-acre development opportunity which positions Canalside South as one of the most significant city centre residential opportunities in the region.

2.2 On 26 July 2023, Cabinet approved the selection of Wavensmere as the preferred developer for the Canalside South scheme following the initial preferred developer Legal and General Modular Homes ceasing production of modular homes in May 2023.

2.3 Following agreement of the Heads of Terms, the Council and Canal and River Trust entered into a two month exclusivity agreement period with the Developer on 4 December 2023 (with provision to extend if required). However, it was necessary to extend the exclusivity beyond this date. The current exclusivity period expires on the 12 April 2024 with the intention to extend this by a further two weeks.

## 3.0 Transaction Details

3.1 The terms of the proposed agreement herein have been agreed by all parties:

	<b>Subject</b>	Canalside South, Qualcast Road, Wolverhampton
<b>1</b>	<b>Landlords</b>	City of Wolverhampton Council Canal & River Trading CIC
<b>2</b>	<b>Purchaser</b>	Wavensmere B4 Limited
<b>3</b>	<b>Property</b>	Land and Buildings know as Canalside South, Qualcast Road, Wolverhampton extending to approximately 17.54 acres as detailed in Appendix 1  The property comprises two ownerships as delineated in Appendix 2 <ul style="list-style-type: none"><li>• Landlord 1 freehold ownership is identified edged green and</li><li>• Landlord 2 freehold ownership is identified as edged red.</li></ul>

4	<b>Lease terms</b>	<p>Long leasehold interest of 250 Years commencing on completion of the contract.</p> <p>Freehold interest to be transferred to the Purchaser inline with completion of construction phases.</p>
5	<b>Development</b>	<p>Total 524 homes to include:</p> <ul style="list-style-type: none"> <li>• 21% affordable housing provision on site as shared ownership</li> <li>• 384, 2 and 3 bed houses</li> <li>• 140, 1 and 2 bed apartments</li> <li>• All homes will have a target A EPC</li> <li>• All houses to be solely headed via Air Source heat pumps.</li> <li>• PV panels on all available roof space</li> <li>• Provision of c.4.4 acres of public Open Space</li> </ul> <p>(subject to planning and detailed design)</p>
6	<b>Purchase Price</b>	<p>£X</p> <p>A non-refundable deposit of 10% will be payable by the Purchaser on exchange of sale contract.</p> <p>The Purchase Price will be apportioned between the Landlords.</p>
7	<b>Conditions</b>	<p>Completion of the contract is conditional on the following:</p> <ul style="list-style-type: none"> <li>i) Full implementable planning permission for a residential development in accordance with the scheme approved by the Landlord(s)</li> <li>ii) The grant of either a stopping up or traffic regulation order in relation to section of Qualcast Road that is located within the Site).</li> </ul>

#### 4.0 Exclusivity Period

4.1 The Council and Canal and River Trust entered into an exclusivity agreement with the developer on 4 December 2023.

- 4.2 Key activities during the Exclusivity Agreement period are the conclusion of legal agreements (agreement for sale and lease, building lease, option agreement any ancillary agreements) and progression of detailed design towards a planning application submission.
- 4.3 The Council has in place its in-house legal team and external legal (Pinsent Masons) together with commercial (Avison Young) support (working closely with in-house teams) to provide advice to enable the conclusion of these activities.
- 4.4 Significant progress has been on drafting of the legal agreements although the parties agreed that additional time was required to conclude negotiation of third-party land and connective with the railway arches. As such the Council and Canal and River Trust agreed to exercise the extension provision within the agreement, taking the expiry date to 12 April 2024. With a further agreement to extend by two weeks.
- 4.5 As per the heads of terms and approval of the recommendations the parties will seek to agree and exchange a form of conditional agreements prior to the expiry of the exclusivity period. The transaction will complete at the point that a satisfactory planning application has been achieved.

## **5.0 Wolverhampton to New Cross Hospital Wednesfield Sustainable Transport Solutions**

- 5.1 Public Transport connectivity through the Heath Town area and into New Cross Hospital and Wednesfield is a well-established priority for the city, with a reserved future Metro alignment identified along the corridor. This proposed alignment falls within the Interchange and Canalside priority development areas and is a potentially significant constraint to the future opportunities within these sites.
- 5.2 Transport for West Midlands (TfWM) have undertaken a feasibility study to explore the deliverability of the proposed alignment for future Metro, considering physical buildability of the scheme and the likely high-level costs, risks and issues, to inform a future recommendation for the Metro proposals. The outcome of the work suggests that the current alignment shown through the Interchange and Canalside area (see appendix 3) would not be deliverable, without excessive costs and impacts.
- 5.3 As a result further work is recommended to i) formally discount the current reserved metro alignment including removal from appropriate strategy / policy document(s) and ii) consider alternative opportunities to deliver a high-quality sustainable transport offer for this priority corridor.

## **5.0 Evaluation of alternative options**

- 5.1 The alternative option is not to proceed with the sale though this is not recommended as the landowning partner have been through an extensive marketing and bid evaluation process to select an experienced and ambitious developer to deliver a scheme that responds to the regeneration aims of the partners and the city.

## **6.0 Reasons for decision(s)**

6.1 Not proceeding with the sale would result in a missed opportunity to; deliver a significant number of new homes for the city and make use of interest from the developer market to build and invest in Wolverhampton. Furthermore it is likely that the sites will not come forward for development independently meaning that both landowners would be required to find alternative meanwhile uses for their vacant sites or continue to hold the assets as void sites. It should be noted that to continue to hold a void asset of this scale over the short or medium term would require a significant revenue budget.

## **7.0 Financial implications**

- 7.1 A land receipt of £X has been agreed. The receipt will be apportioned between the landowners reflecting a pro rata approach to quantum of land ownership. A 10% non-refundable deposit is due on exchange of contract, this will be held by Pinsent Masons. The deposit together with the balance of the Completion Monies will then be released to CWC and CRT in the relevant proportions following completion- anticipated Q4 2024/2025.
- 7.2 The Council will receive a capital receipt of £X for the site. This is not yet assumed in the Medium-Term Financial Strategy and so will be considered in future planning of the Council's budget strategy.  
[DW/14032024/P]

## **8.0 Legal implications**

- 8.1 As detailed in the body of the report, the Council entered into an exclusivity agreement with Canal and River Trust and Wavensmere. During this period the parties have worked diligently to draft the agreement for sale and lease, building lease, option agreements and ancillary legal documents. The substantive legal work has been achieved although there is further legal work related to land in third party ownership and connectivity with the railway arches. Consequently, the Council and Canal and River Trust agreed to extensions of an existing Exclusivity Agreement. The current Exclusivity Agreement expires on 12 April 2024, with agreement of a further two-week extension It states that Wavensmere will contribute a maximum of £X towards legal costs. The contribution will be split equally between the Council and the Canal and River Trust. It should be noted that if either the Council or the Canal and River Trust withdraws from the transaction, Wavensmere is no longer liable for these costs.
- 8.2 Pursuant to Section 123 of the Local Government Act 1972 ('the Act') the Council may dispose of land held by it in any manner it wishes, subject to certain caveats. Under that Act, the Council also has a statutory duty to ensure that the Council does not dispose of land for a consideration less than the best that can reasonably be obtained. The Council carried out an open market exercise and commissioned its commercial advisors to prepare a Marketing Completion and Sales Recommendation report.

- 8.3 The Council will be obliged to provide the site with Vacant Possession and free from encumbrances with all future liability and insurances for the land and property (in the sales demise). It may be the case that there are some title anomalies that will need to be addressed ahead of any disposals.
- 8.4 Subject to approval of the recommendation in this report, the Council will enter into a conditional Agreement for Sale and Lease with Wavensmere. There are two conditions relating to planning and traffic regulation order of Qualcast Road. In addition to this, there are ongoing discussions with Network Rail in regards to use of the railway arches for commercial use. The conditional Agreement for Sale and Lease with Wavensmere places an obligation on the landowners (both Council and Canals and Rivers Trust) to use all reasonable endeavours to secure agreement to a lease with Network Rail to use the arches for their intended commercial use. The outcome of such is subject to further negotiations and agreement with all parties. Upon these conditions being satisfied the Council and Canal and River Trust will grant Wavensmere a long leasehold interest of 250 years in relation to their respective landholding in the site. This will enable Wavensmere to commence construction works. The transfer of the freehold interest will occur once each construction phase is complete.
- 8.5 As part of the transaction the parties will enter into an option agreement whereby the Council will have the option to re-acquire all or part of its former landholding and Canal and River Trust's former landholdings in the event that Wavensmere seeks to assign or underlet its interest in the building lease other than in accordance with the terms of the building lease and/or without prior approval of the Council and Canal and River Trust either submits an application to vary the existing planning permission or alter the development so as to materially change the development.
- 8.6 The Council has appointed an external law firm, which has to date provided advice relating to the property, procurement and governance structure of the transaction. The Council's Legal Services will continue to provide legal advice and support throughout this transaction.  
[JA/14032024/D]

## **9.0 Equalities implications**

- 9.1 The City Centre Area Action Plan has been informed by an Equality Analysis which assessed the potential effects of the policies on different types of people.
- 9.2 An initial Equalities Impact Assessment has been undertaken. Engagement with the Equalities, Diversity and Inclusion team will continue to ensure that on this initiative pays due regard to the three aims of the Equality Duty.

## **10.0 All other implications**

- 10.1 The Council will continue to hold the vacant Former British Steel site as part of its portfolio of void properties until the site is drawn down by the Developer- anticipated Q4 2024/2025.

## **11.0 Schedule of background papers**

11.1 Cabinet – 28 July 2021 - [Canalside South- Delivery Strategy update](#)

11.2 IEDN – 18 October 2021 - [Canalside South- Marketing Update](#)

11.3 IEDN – 21 September 2022 – [Canalside South – Selection of Preferred Development Partner](#)

11.4 Cabinet - 26 July 2023 - [Canalside South – Selection of Preferred Developer](#)

## **12.0 Appendices**

12.1 Appendix 1: Site plan

12.2 Appendix 2: Land ownership plan

12.3 Appendix 3: Proposed Metro extension route to Wednesfield