

Scrutiny Board Meeting

Tuesday, 14 March 2023

Dear Councillor

SCRUTINY BOARD - TUESDAY, 14TH MARCH, 2023

I am now able to enclose, for consideration at next Tuesday, 14th March, 2023 meeting of the Scrutiny Board, the following report that was unavailable when the agenda was printed.

Agenda No	Item
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4	<u>Wolverhampton Investment Prospectus – First Phase Delivery Plan (Pages 3 - 44)</u>
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If you have any queries about this meeting, please contact the democratic support team:

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CITY OF WOLVERHAMPTON COUNCIL	Cabinet 22 March 2023
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Report title	Wolverhampton Investment Prospectus – First Phase Delivery Plan	
Decision designation	AMBER	
Cabinet member with lead responsibility	Councillor Stephen Simkins Deputy Leader: Inclusive City Economy	
Key decision	Yes	
In forward plan	Yes	
Wards affected	St Peters	
Accountable Director	Richard Lawrence, Director of Regeneration	
Originating service	Regeneration	
Accountable employee	Liam Davies	Head of City Development
	Tel	07811010627
	Email	Liam.davies@wolverhampton.gov.uk
Report has been considered by	Regeneration Leadership Team	6 & 20 February 2023
	Cabinet Member briefing	8 February 2023
	Strategic Executive Board	7 February 2023

Recommendations for decision:

The Cabinet is recommended to:

1. Approve the proposed approach towards development and implementation of three schemes: City Centre West, St George's and the Accelerated Sites Programme, as part of the first phase of the Investment Prospectus Delivery Plan as detailed in the body of the report.
2. Delegate authority to the Deputy Leader: Inclusive City Economy and the Cabinet Member for Resources and Digital City, in consultation with Director of Regeneration, Director of Finance and Chief Operating Officer to:
 - a) Declare sites as surplus to requirements (where necessary) to enable them to be brought forward for development.

b) Submit HMT Strategic Outline Cases (SOCs) for the Accelerated Sites Programme in accordance with specific requests received from Department for Levelling Up, Housing & Communities and in consultation with Homes England.

c) Progress outline business cases with prospective development partners that are subject to existing Memorandums of Understanding (MoU) agreements to enable the presentation of Full Business Cases to Cabinet for approval and delegations.

d). Approve and progress alternative marketing, disposal and delivery routes available, in the event that business cases with preferred development partners are unable to satisfy pre-requisite Local Government criteria and value-for-money tests.

Recommendations for noting:

The Cabinet is asked to note:

1. The Wolverhampton Investment Prospectus has been prepared to highlight key regeneration and investment opportunities and has resulted in a strong market interest for key Council owned sites. This report focusses upon detailing preferred delivery routes for several of the key proposals contained within the Prospectus.
2. The schemes detailed in the body of the report as part of the 'Accelerated Sites Programme' follows the call for sites from the Department for Levelling Up, Housing and Communities.
3. That further reports to Cabinet will present and seek approval for the full business cases for each project including details of any delivery mechanism and transaction with assurances on how Best Consideration has been achieved.
4. That the sites referenced will be brought forward in line with the planning policy framework for the city centre and any site-specific guidance.
5. That for each of the schemes detailed, the Council will undertake and assess a review of any existing legal agreements that are in place as part of continued due diligence that support delivery.
6. That existing delegated authority will be utilised to create supplementary budgets for development work. This will be funded through grant contributions and /or reserves where appropriate.

1.0 Purpose

- 1.1 This report follows Cabinet's endorsement of the new Investment Prospectus for Wolverhampton which highlights opportunities to build on the private and public investment to drive regeneration projects citywide. The Prospectus is intended to be a live document that will be updated on a regular basis to reflect areas of delivery, new opportunities and to benchmark progress.
- 1.2 This report concentrates on three significant projects in the city centre referenced as key investment and development opportunities within the Investment Prospectus and forming an integral part of ongoing discussions with the Department for Levelling Up, Housing and Communities (from here on referred to as the Department) and Homes England, these are:
- **City Centre West** (formerly referred to as Westside),
 - **St Georges** (the site of the former Sainsbury's),
 - **Accelerated sites programme** – a call for sites from the Department that demonstrate opportunities to accelerate delivery including hotel delivery subject to HMT Strategic Outline Cases (SOCs).
- 1.3 These projects have been highlighted as significant opportunities for delivery as part of the Council's engagement with the Department and Homes England given the impact these projects will have in delivering the Levelling Up agenda and securing outcomes set out in Our City: Our Plan (i.e. impacts on jobs, investment etc).
- 1.4 This report provides an update and current status on each of the first phase delivery projects along with recommendations for next steps, key actions and delivery strategy for agreement. Individual projects will be subject to full business case development and future Cabinet approvals, as will all future projects identified in the Prospectus.

2.0 Background

- 2.1 The Wolverhampton Investment Prospectus presents an ambitious vision of how the city can grow – highlighting opportunities to build on the levels of public and private sector investment already on site or in the pipeline in Wolverhampton.
- 2.2 Wolverhampton was identified as a pathfinder location within the Levelling Up White Paper which establishes the city as one of the priority places that government is proactively engaging with, as it demonstrates strong local leadership and ambition, and it is a place where the impact of existing investment can be maximised to catalyse economic transformation.
- 2.3 It has been agreed that Our City: Our Plan is the strategic framework for levelling up Wolverhampton – we have one plan for our place, which has been derived bottom up in partnership with communities. There is a clear interface with the levelling up missions, which are included as part of the performance management framework and reported to Cabinet and Scrutiny on a quarterly basis.

- 2.4 The city's pathfinder status has seen closer links to the Department and Homes England in seeking to understand and verify challenges to delivery and market failure tests, support the local authority on progressing key sites (e.g. through feasibility investment and due diligence) and seeking to accelerate delivery via a variety of partnership approaches and potential funding mechanisms to support viable delivery.
- 2.5 Through recent engagement with the Department there has been a request for the Council to define key sites where accelerated delivery can be achieved. The Council has been working closely with the Department and Homes England to highlight development-ready opportunities that achieve a positive return on investment and can demonstrate evidence of market failure and need for viability support.

3.0 Progress

- 3.1 The Council has assembled several strategic development opportunities within the city centre that feature within the Investment Prospectus. For these sites, council ownership, works undertaken to de-risk the land and strong developer market interest, all present a compelling case to enabling early delivery of these priorities. Two key sites, City Centre West (section 4.0) and St Georges (section 5.0) are referenced in this report with recommendations on next steps to take them forward, linked to the Council's ongoing discussions with the Department and Homes England.
- 3.2 In section 6.0, the report provides an overview of the Council's response to the request from the Department for 'Accelerated Sites' calling for sites that meet government funding criteria, are subject to viability / funding challenges but could otherwise be brought forward at pace to deliver early outputs and defrayal of government funding.
- 3.3 Finally, (and linked to the work on Accelerated Sites) the approach to hotel delivery is covered in section 7.0 which details the significant amount of due diligence work undertaken to assess the market for a new hotel offer in the city centre alongside developing an understanding of the viability challenges in bringing forward the right type of offer.

4.0 City Centre West

- 4.1 The site previously identified for the Westside scheme is now referred to in the Wolverhampton Investment Prospectus as City Centre West. It encompasses a wider area of change which includes third-party private developments (principally around repurposing of existing buildings through increased permitted development conversion of office space to residential) and investment in the public realm through the Future High Streets Fund work which knits key development sites together with the core centre. This follows the expiry of the Westside development agreement with developer Urban & Civic as referenced at the November 2022 Scrutiny Board.
- 4.2 Under the Levelling Up agenda, City Centre West is identified as a priority project forming part of a continued public sector partnership approach with the Department and Homes England with a view to accelerating delivery, enhancing the quality of the project and

maximising outcomes for Wolverhampton. Homes England has already committed to providing revenue resource to support the Council on the project with a further commitment to additional resource to accelerate the business case for the delivery of this site.

- 4.3 The Council has been working under a Memorandum of Understanding (MoU) with a development company which functions as a delivery vehicle established by Homes England to work in partnership with the public sector to transform urban areas and create exceptional new places.
- 4.4 Routes to procurement will be reviewed as part of the process and a framework approach through the development company alongside Homes England (which will be available to the Council) could enable the appointment of an appropriate master developer. This will be based upon a track-record of successful delivery of comparably sized schemes whilst demonstrating an alignment to the Council's strategic objectives for the site and the principles embodied by Our City: Our Plan. This will allow the site phases to be drawn down on a masterplan basis that will see the involvement of key stakeholder and funders whilst supporting the mixed-use development of the site in response to the market.

5.0 St Georges

- 5.1 The freehold for the St Georges site was acquired by the Council in May 2016 with the benefit of a registered leasehold interest let in its entirety to J Sainsbury's plc with just over two years left unexpired on the lease which ends on the 24 March 2025.
- 5.2 The income from the lease supported the business case for the acquisition of the site. which was focussed around the Council's desire to ensure that a high quality, appropriate mixed use regeneration scheme could be brought forward.
- 5.3 Discussions have been ongoing with a preferred development partner and are subject to a Memorandum of Understanding which is enabling the development of scheme proposals that will be subject to full business case approval and satisfying s.123 of the Local Government Act 1972. The MoU is non site specific, and the developers interest encompasses several Wolverhampton sites with a principle focus on St Georges. As part of development proposals progressed, initial discussions took place that would have seen the opportunity to work alongside the DfE with the potential to develop the delivery plan and designs for a mixed-use development incorporated an Academy School. The DfE subsequently withdrew the school funding proposal which followed a decrease in school place numbers. Discussions have been ongoing with the preferred development partner over the wider development of the site in totality to include future proposals for the church.
- 5.4 The Council as landowner is working with Homes England as a strategic partner to agree objectives for the scheme, identify any market failure challenges and seek the optimum

route to securing a development partner capable of delivering upon the stated objectives for the site with a demonstrable track record.

- 5.5 The delivery of St Georges will ensure consistency with the original business case to acquire the site. Timings for any disposal activities can be dovetailed with the timings of the expiration of the residual lease to Sainsbury's if required. If the route to delivery involved a land disposal, this would need to satisfy s.123 of the Local Government Act 1972 with a demonstration of a market land value.
- 5.6 The approach to readying St Georges for delivery will require specialist inputs to support the Council on due diligence, commercial negotiation and development of business cases including planning.

6.0 Accelerated Sites Programme

- 6.1 At the request of the Department, and as part of joint working with Homes England, the Council has submitted a portfolio of sites that could receive funding to accelerate delivery. These include Interchange 8 commercial space together with potential hotel at Broad Street, and residential opportunities at Steam Mill, Sack Works and Brewers Yard. The programme responds to a key set of criteria that brings confidence around accelerated delivery.

Broad Street - Interchange 8 offices

- 6.2 The sites and schemes identified offer the opportunity to connect parts of the wider Interchange Commercial District into the city's Canalside Quarter which is primed for major residential expansion. This creates a proposition of scale and serves to reinforce previous public investment in bringing forward a new transport hub, commercial offering, state-of-the-art educational facilities and sites primed for residential expansion.
- 6.3 As part of the wider Interchange Commercial District, the delivery of a new office building (Interchange 8) alongside a new high-quality hotel offer will build upon the existing programme of investment that has seen the delivery of a world-class transport interchange and new exemplar commercial office space in this part of the city centre.
- 6.4 The provision of new office floorspace builds upon the success of the Commercial District to date which has seen office rental benchmarks increase across each development phase. Delivery of high-quality commercial space has seen the introduction and retention of important local employers who might otherwise have gone elsewhere in the region. The lack of a pipeline of Grade-A office supply means that Wolverhampton is not in a position to capture active requirements. The Council's commercial advisor, Knight Frank, has undertaken a full market review alongside an assessment of the latest architectural designs for the Interchange 8 office. They have affirmed a continued demand for new office space, the requirement to continue with delivering a pipeline of supply and that the proposal at Interchange 8 meets with current occupier demand within the regional market.

Broad Street – Hotel

- 6.5 In the absence of private sector delivery, the Council has commissioned work to enable additional hotel provision alongside an upgrade in the current quality of hotel offer in order to support the visitor, cultural, leisure and business economy of the city.
- 6.6 CBRE were appointed as one of the leading hotel specialists to support the Council on delivery options. CBRE have considered the current quality of supply in Wolverhampton, and existing market demand (in terms of quality and price-point). As a result, they have advised that an upper mid-scale offering should be targeted. This would also be operationally efficient as it focuses on providing the quality overnight accommodation with ancillary facilities. An upper mid-scale offering includes international brands such as Holiday Inn Express, Hampton by Hilton and Moxy by Marriot, thus having the ability to attract new business as well as satisfy existing market demand.
- 6.7 CBRE have advised that new hotel delivery of the standard required is, at present, significantly unviable for the private sector to deliver in isolation. Estimations of the cost of delivery of the hotel significantly outweigh the value of the hotel at completion and therefore the private sector are not able to deliver a new hotel without significant public sector intervention.
- 6.8 On this basis it is proposed that further work is undertaken to explore and develop a business case that will see the public and private sector working together to bring forward a quality hotel offer. Ongoing engagement with the Department and Homes England has indicated an appetite to explore a joint approach in Wolverhampton that includes both residential and commercial schemes and provides the opportunity to expediate hotel delivery.
- 6.9 A proposal has been submitted for a c.150-key hotel on the Broad Street site as part of a wider comprehensive development. This in conjunction with proposals for further commercial office development (c.80,000 sq. ft new commercial floorspace) meet the accelerated sites criteria set by the Department and has the potential to unlock funding to successfully deliver the project.
- 6.10 In the event that funding opportunities via the Department are not realised the project presents an opportunity to be considered as part of any potential Council intervention (whether developer-led or via a Council direct delivery route) which will be subject to robust financial stress tests and will need to demonstrate strong value for money.
- 6.11 It is intended, at this stage, that the office and hotel proposal at Broad Street will be delivered through the existing Master Development Agreement for the Interchange with Ion Developments as the Council's appointed strategic development partner. The Master Development Agreement provides the contractual route to delivery with separate Phase Agreements to enable site drawdowns covering the Interchange masterplan area. This route will be subject to full legal due diligence and supporting advice.

Steam Mill and Sackworks

- 6.12 The Steam Mill and Sackworks / Mill St Depot sites offer a unique opportunity to introduce a landmark development on key gateway sites that will significantly enhance the approach to Wolverhampton by introducing a new high-quality residential and workspace offer as part of the Interchange Commercial District.
- 6.13 The sites are in the strategic control of the Interchange partners (Ion Developments own both sites on behalf of the Interchange partnership) and have been substantially de-risked to enable a development ready site with an existing development agreement in place.
- 6.14 Proposals have been developed for residential-led schemes that capitalise upon excellent location and proximity to public transport, maximise connectivity between the canal towpath and the Interchange and explore opportunities to re-purpose major heritage assets associated with the rail network at the gateway to the city centre.

Brewers Yard Phase 1 (Culwell Street)

- 6.15 Brewers Yard Phase 1 (Culwell Street) is a project that has, to date, secured grant funding which solely enables the relocation and modernisation of the Council's depot and Fleet services to the Hickman Avenue Wholesale Market site. In doing so, it also enables the vacant possession and brownfield remediation of the former depot site at Culwell Street to come forward for residential-led redevelopment.
- 6.16 The Council has identified a preferred development partner (Court Collaboration) in previous reports to Cabinet that have detailed the depot relocation, phasing of enabling works and the submission and acceptance of grant for these activities. This follows joint working between the Council and West Midlands Combined Authority that has seen the progression of the initial phasing of the Brewers Yard delivery programme.

Accelerated Sites Programme - proposal

- 6.17 A high-level proposition document has been submitted to the Department which sets out the Accelerated Sites, the projected benefits case for investment and the estimated viability gap preventing delivery. This document is shown in appendix 2 but key outputs summarised below:

Proposed outcomes / benefits	Projected Quantum / outputs
Remediation of brownfield land	5.03 hectares
New Homes	1,093
Estimated Jobs	1,008
New Commercial Floorspace	16,178 sq m
Annual GVA	£67.5m
Lifetime GVA	£1.722bn
Gross Development Value (GDV)	£181m
Estimated viability gap	£42.62m

Benefit Cost Ratio	2.2:1
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- 6.18 Based on this initial submission, the Council has been asked by the Department to progress the Accelerated Sites Programme to HMT Strategic Outline Case (SOC) stage as the next stage for government to consider their support package for delivery. The SOC is designed to establish the business need for the proposed project and any resulting investment in resources and will be developed with the support of a full professional team, led by Amion Consulting, to provide technical inputs. Homes England has committed to providing further funding and resource to support the development of this work.
- 6.19 Cabinet is asked to endorse the approach adopted, note the key benefits to delivering the programme and support necessary delegations to progress this work at a pace required by the Department.

7.0 Evaluation of alternative options

- 7.1 The recommendations in this report principally focus on progressing key strategic regeneration objectives for the city. In progressing a phase 1 delivery strategy, it will see council land interests utilised to promote high-quality development that responds to both market demands and the needs of the city offer whilst repurposing and promoting brownfield development.
- 7.2 In bringing forward key regeneration and investment opportunities, the Council as major landowner and potential investor is maximising its land interest to leverage investment and delivery that directly supports the outcomes of Our City: Our Plan. In this context, the following options are available to the Council:
1. **Do nothing** – the opportunity to deliver major strategic regeneration in the city centre supporting housing delivery, jobs, commercial offer, business rates and Council tax as well as wider impacts of vibrancy and footfall will be further delayed. The city's pathfinder status referenced in the February 2022 Levelling Up White Paper and the opportunities to benefit from wider regeneration and investment could be lost.
 2. **Continue to promote key regeneration sites outside of partnering arrangements with the Department and Homes England** – the Council is a strategic landowner within the city centre and a number of the sites could be brought forward outside of the current engagement with the Department and Homes England. However, it is considered that there are several advantages to working with our partners towards the joint promotion and delivery of these schemes. The Council has previously promoted schemes for the key sites in question that have ultimately not been delivered due to a range of factors including viability challenges, proposals that do not meet the aspiration for the site and reticence of developers to engage without substantial de-risking.
 3. **Implementation of First Phase Delivery Plan** – The Council utilises its role as strategic landowner and regeneration enabler to define full business cases, promote uses and schemes in accordance with key policy strategy and leverages the city's Levelling Up pathfinding status with key partners such as the Department and Homes England to drive investment into priority regeneration projects.

8.0 Reasons for decisions

- 8.1 The Council's role in enabling key regeneration activity that supports the objectives of the city strategy, maximises benefits for Wulfrunians and shapes delivery in response to both market demand and city need, means that across this diverse set of projects the Council must adopt a proactive role in defining clear delivery strategies in conjunction with our strategic partners.
- 8.2 Working in conjunction with the Department and Homes England offers the opportunity to capitalise upon Wolverhampton's Levelling Up status which has generated significant interest amongst the private sector on the basis that there may be enhanced access to financial support as well as sharing of risk across the public sector with a key focus upon delivery and wider output realisation.

9.0 Financial implications

- 9.1 The delivery route for each project will be subject to the development of business cases as outlined in the report. It is incumbent upon the Council, in conjunction with key partners, to define disposal routes that encourage market competition and support the Council's obligation to achieve Best Consideration under s.123 of the Local Government Act 1972.
- 9.2 As detailed in the body of the report, there are a number of sources of grant funding to support the continued development of these sites. The constitution provides delegated authority to create supplementary budgets where specific grant funding is secured.
- 9.3 It may be necessary to provide additional council resources to support the development and marketing work. The Reserves, Provisions and Balances 2021-2022 report to Cabinet on 15 June 2022, delegated authority for the drawdown of reserves. Where necessary and appropriate IEDNs will be utilised to seek approval to the use of reserves to support this work.

[CN/09032023/A]

10.0 Legal implications

- 10.1 The Council must have regard to its statutory obligations relating to its fiduciary duties and in relation to property and contract arrangements in the context of this report.
- 10.2 It is absolutely necessary for the project leads to engage the Council's Legal Services at the outset and all the way through projects to ensure that the transaction is legally compliant, accord with the Constitutional arrangement and the relevant legislation.
- 10.3 The Council's Legal Services will be able to provide legal advice, deal with the structure of the projects, draft and deal with negotiations. Should the Council's Legal Services determine that external legal support is required this will be at the instruction of Legal Services with involvement with the relevant projects leads.

10.4 The Council's legal services will provide legal advice and support as the proposals detailed in this paper progress to full business case stage and into delivery. Business cases will detail the intended procurement routes, compliance with Subsidy Control, governance and best practice with supporting legal advice for approval.

[DP/08032023/C]

11.0 Equalities implications

11.1 In marketing key development opportunities in the city centre, the Council, as landowner, has an opportunity to clearly establish required objectives and outcomes from the development. To this end the Council can challenge prospective development partners to demonstrate to us where they have designed and delivered schemes in an inclusive way that caters for the needs of a population as part of a diverse community. This will include the following:

- Ensuring social value through projects where local suppliers, workforce and skills are prioritised throughout delivery.
- Looking at principles of inclusivity, adaptability, accessibility, sustainability to promote equality of access both in the workplace and to new housing opportunities.
- Mix of housing size and typology that caters for intergenerational housing
- Design of public realm, connections, and lighting to create safer and inclusive spaces.

11.2 The partners will work alongside the Council's Senior Equality Diversity and Inclusion Officer to assist in designing the approach to developers to ensure they are responding to the points above.

12.0 All other Implications

12.1 All specific detailed implications regarding these projects will be picked up via future reporting on the specific projects.

13.0 Schedule of background papers

13.1 Cabinet, 22 February 2023, [Wolverhampton Investment Prospectus](#)

13.2 Cabinet, 28 July 2021, [Brewers Yard \(Phase 1\) Culwell Street Site](#)

13.3 Cabinet, 7 October 2020, Canalside North - Update

14.0 Appendices

14.1 Appendix 1: CBRE Market Dynamics and Characteristics report with covering letter

14.2 Appendix 2: Accelerated Sites Programme – Summary Document (February 2023)

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Richard Lawrence
Director of Regeneration
City of Wolverhampton Council,
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St. Peter's Square,
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WV1 1SH.

February 2023

Dear Richard

The following document details the findings from research CBRE were commissioned to undertake in early 2021. Within the report we analysed the characteristics and dynamics of the Wolverhampton hotel market, and the opportunity for the development of a new Hotel. CBRE have been instructed to update this report to reflect the market as of February 2023 and this is currently a work in progress. It is important to note some of our key findings, which we believe remain relevant today, and also highlight updates, which require further research, but will have a positive influence on the hotel market.

- The current hotel stock in the Wolverhampton remains tired and dated, with Wolverhampton lacking the presence of a good quality hotel offer;
- There is limited international brand presence in the market with a number of hotels independently operated or aligned with a national brand (e.g Premier Inn);
- It was evident from our previous research that hotel demand was being displaced to hotels outside of Wolverhampton due to the quality of stock. We believe there continues to be a strong opportunity for a new branded hotel to attract this demand back to Wolverhampton as well as existing demand and new demand that would be created by a brand;
 - There are no hotel schemes in the pipeline with the exception of a four room extension to The Mount Hotel. We would therefore still conclude that there remains a strong opportunity for a hotel to be delivered to Wolverhampton;
 - Hotels in and around Birmingham have experienced an increase in Revenue per Available Room since 2019. This is based on increased average room rates, with occupancy still not returning to 2019 levels. More detailed research is currently being completed specifically for the Wolverhampton market but it is likely that room rates have increased on 2019 levels. However, we do not believe that they will have increased to a level that would change the viability of the project as cost increases have also impacted the sector (particularly utility costs, payroll and construction costs);
 - Wolverhampton Civic Hall, affectionately known as Wolves Civic, has undergone a major refurbishment to transform the Grade II-listed building into a top class venue. With AEG Presents as the venue operator, the venue will be a major boost to Wolverhampton's night time and visitor economy. The first scheduled event is expected to be on 01 June 2023;

- In late 2021, The Ministry of Housing, Communities and Local Government (MHCLG) opened a new base across two floors of the i9 building in Wolverhampton city centre. Businesses looking for a base in close proximity to the MHCLG are likely to drive an overall increase in office occupier demand for Wolverhampton and support subsequent development stages of the Commercial Gateway;
- The Civic Hall and the relocation of corporate occupiers will have a positive impact on hotels operating in Wolverhampton; and
- Although it is evident (pending current research findings) that there is demand for a Hotel in Wolverhampton, the performance (specifically Average Daily Rate and Occupancy) that we believe the market can achieve, will not be at a level that will make the project viable. The cost to construct the hotel will be higher than the value of the hotel on practical completion. It is therefore unlikely that the pure commercial development returns from a hotel in Wolverhampton would appeal to the private sector. As such, there will certainly be a requirement for public sector intervention to either deliver the Hotel or provide the viability gap to enable private sector delivery.

Page 16 Thank you for the opportunity to continue working on this project. We are available to discuss this report and will be providing the update report over the coming weeks.

Kind regards,

Anne Walsh

Director, Hotels Advisory Services

CBRE Hotels

anne.walsh@cbrehotels.com

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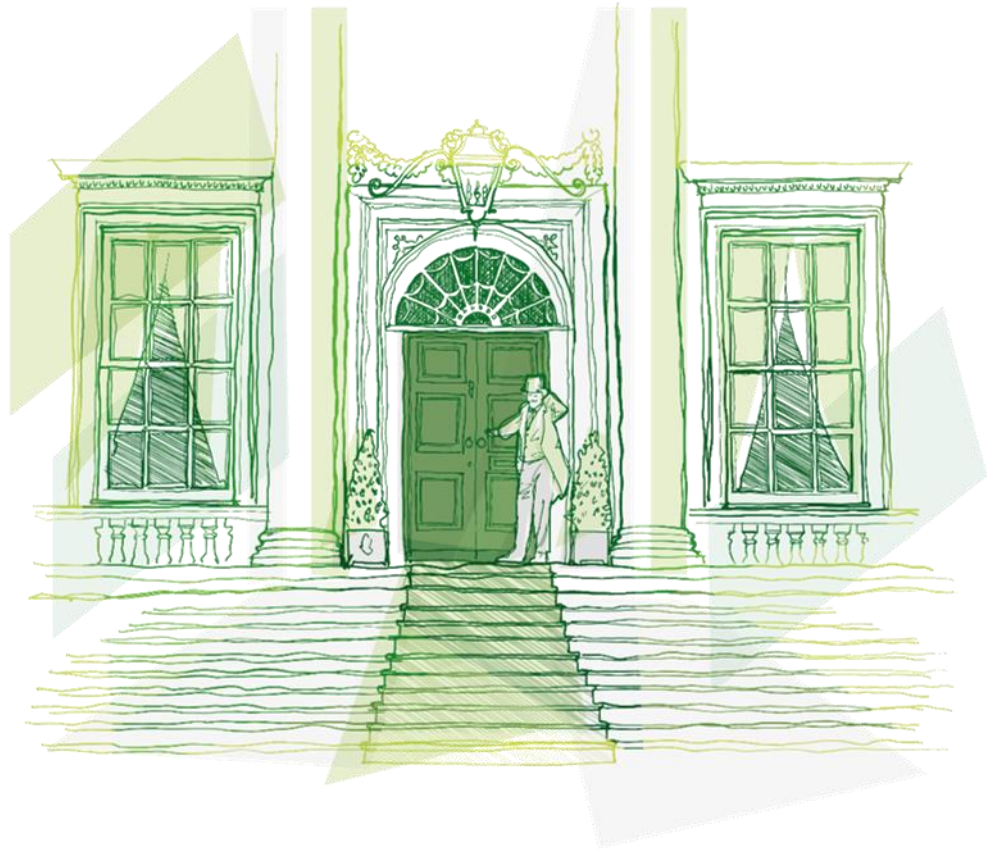
BUSINESS PLAN

WOLVERHAMPTON

FEBRUARY 2021

Page 17
PREPARED FOR:
CITY OF WOLVERHAMPTON
COUNCIL

CBRE



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Novel Coronavirus (COVID-19)

The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a "Global Pandemic" on the 11th March 2020, has impacted many aspects of daily life and the global economy – with the hotel markets experiencing significantly lower, or no, levels of trading activity.

As at December 2020 there is a shortage of market evidence for comparison purposes, with hotel revenue streams and operational costs being impacted by many different factors, due to COVID-19. However, we have utilised data as at 31 December 2019 – where enough relevant benchmark data and other supporting research is available on which to formulate our initial projections of future cash-flow – which we have then adjusted appropriately, as set out within this report, to take into account the effects of COVID-19.

Our projection of future cash flow is therefore reported as being subject to 'material uncertainty' as set out in VPS 3 and VPGA 10 of the RICS Valuation – Global Standards. Consequently, less certainty – and a higher degree of caution – should be attached to our projections than would normally be the case. For the avoidance of doubt, the inclusion of the 'material uncertainty' declaration above does not mean that the cash-flow cannot be relied upon. Rather, the declaration has been included to ensure transparency of the fact that – in the current extraordinary circumstances – less certainty can be attached to the cashflow than would otherwise be the case. The material uncertainty clause is to serve as a precaution and does not invalidate the cash-flow. Given the unknown future impact that COVID-19 might have on the real estate market and hotel operations, with many business practices and behaviours needing to change either temporarily or permanently, we recommend that you keep the market and financial feasibility and resulting cash flow projections contained within this report under frequent review.

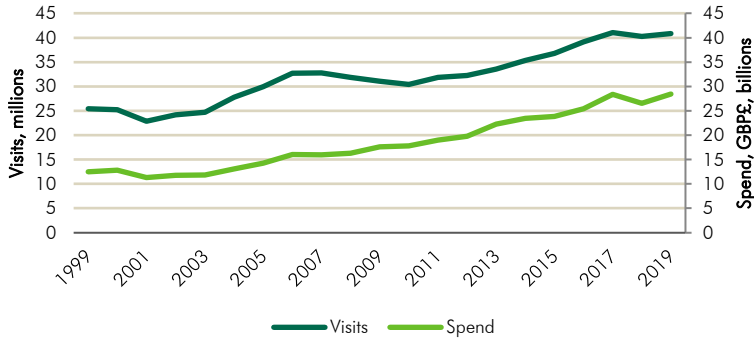
MARKET DYNAMICS AND CHARACTERISTICS

Page 19

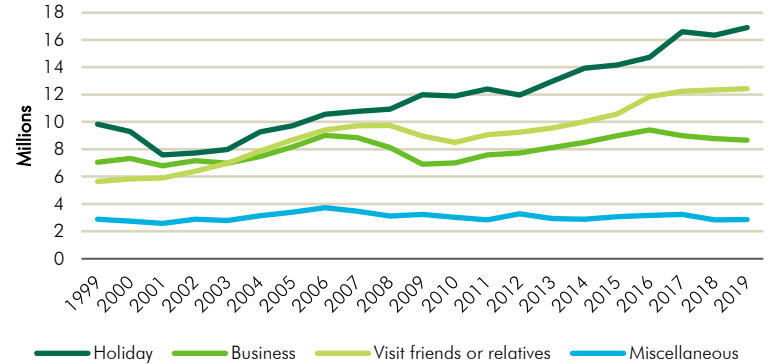


TOURISM DEMAND – UNITED KINGDOM (PRE-PANDEMIC)

Volume and value of overseas residents' visits to the UK, 1999-2019



Overseas residents' visits to the UK, by purpose, 1999-2019



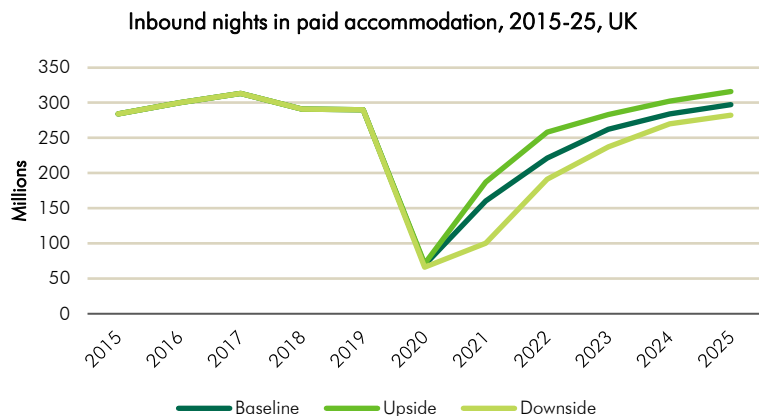
Source: Office for National Statistics, 2021

- With the material impact of the COVID-19 pandemic on the UK's travel and tourism industry throughout 2020, which is covered on the following pages, it is easy to overlook the industry's growth over the last 20 years: The number of inbound visits to the UK has grown at a compound annual growth rate (CAGR) of 2.4% and tourism spend has grown at a CAGR of 4.2% over the period 1999-2019;
- This growth was supported by a number of key factors which we expect to endure beyond the pandemic and support future increases in the volume and value of tourism, for the UK and globally. These include, but are not limited to:
 - **Economic Drivers:** Globalisation, supported by rising trade and investment, deregulation and liberalisation, pressures for higher living standards, and increasingly dynamic private sectors, will facilitate further growth in cross-border travel. Rising incomes also correlate strongly with tourism flows and the expansion of the global middle class will play a major role;

Source: Office for National Statistics, 2021

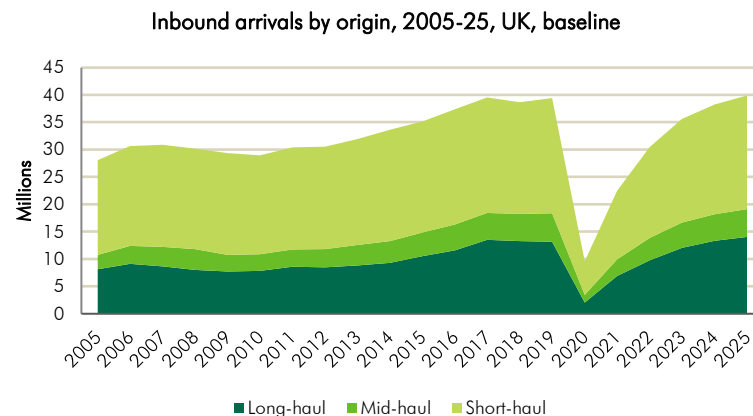
- **Social Trends:** Consumers' growing expectations will support increased demand for discretionary expenditure, including travel and tourism. This will be compounded by urbanisation and rising stress levels, whereby travel is seen as a means to escape. The Generation Y cohort, with high earning potential and now entering its prime spending years, is demanding memorable moments and activities over material goods; elevating the experience economy and driving demand for travel – older generations are following this trend. Travel is increasingly seen as a status booster and social media is supporting this change;
- **Travel Mobility:** The cost of travel has become cheaper, due to improvements in transport operator efficiency and growing competition, particularly in the airline sector – this trend is expected to continue. Passenger load factors across all major modes of public transport will remain on an upward trajectory and investment in transport-related infrastructure will continue to reduce travel times.

INTERNATIONAL TOURISM DEMAND – UNITED KINGDOM



Source: Tourism Economics, December 2020

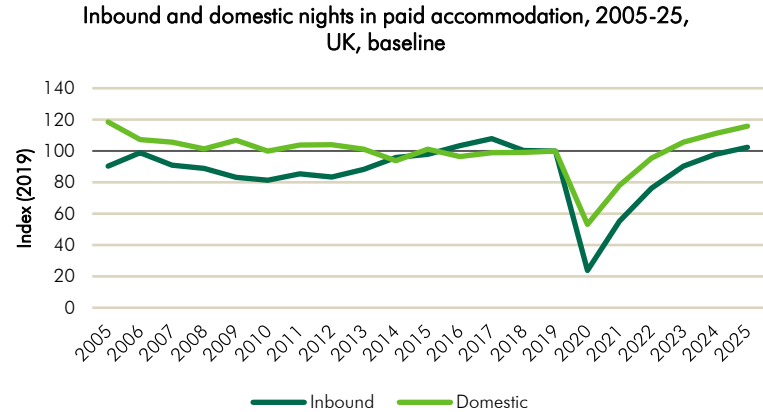
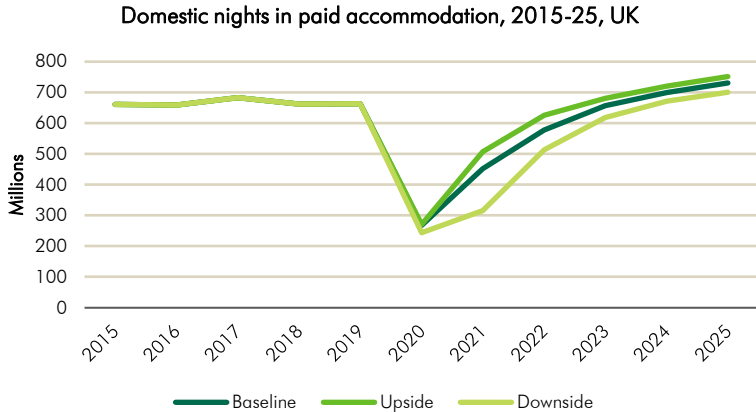
- The above chart shows impact of the Coronavirus pandemic on inbound overnight stays across three scenarios. The three broad areas of uncertainty in the travel outlook are enduring travel restrictions, economic losses and weakened consumer sentiment - these areas are reflected in the scenarios as follows:
 - Upside** – the virus comes under control more quickly, helped by effective treatments, where travel restrictions are eased within a quicker timeframe supported by a stronger than anticipated economic recovery;
 - Downside** – the pandemic continues for a more prolonged period of time, with lengthier travel restrictions, deeper economic impacts and weakened consumer sentiment.
- Given the second widespread lockdown in November and December, inbound nights in paid accommodation in the UK are expected to be down by c.76% y/y in 2020;



Source: Tourism Economics, December 2020

- Based on Tourism Economics’ Baseline scenario, annual inbound nights in paid accommodation are forecast to surpass 2019 levels by 2025. Given the recent positive news regarding the efficacy of multiple vaccines, and plans to administer them, we are confident that the ‘Downside’ scenario will be avoided. That said, policies and the amount of inbound travel permitted, as well as the containment of the virus in key international source markets, will have a significant bearing on the recovery of inbound travel, and should be closely monitored going forward;
- It should also be noted that the return of international travel will be sequential. Short-haul travel (to the UK originating from Western Europe) is expected to return first as countries open up borders to neighbouring and nearby countries (e.g. travel bubbles and airbridges), followed by Mid-haul (travel originating from the wider-European region). Long-haul travel to the UK (originating from outside of Europe) will take longer to resume as governments and travellers remain cautious.

DOMESTIC TOURISM DEMAND – UNITED KINGDOM



Source: Tourism Economics, December 2021

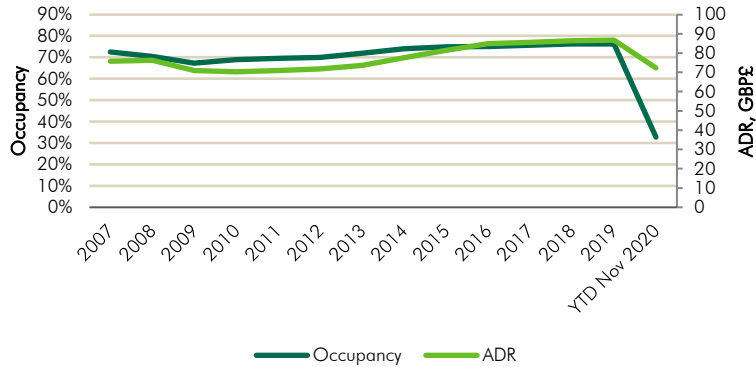
- UK domestic accommodation demand, whilst severely impacted by the pandemic, has proven to be more resilient than inbound demand through 2020 – the volume of domestic nights in paid accommodation is likely to be down c.60% y/y;
- With travellers expected to remain closer to home in the short-term, Tourism Economics are forecasting a relatively fast recovery in domestic accommodation demand, reaching 2019 levels by 2023 in both the Baseline and Upside scenarios. Again, encouraging news regarding the UK’s vaccination programme gives us confidence that the Downside scenario will be avoided;
- A material number of people have substituted overseas travel with domestic travel in 2020 and this trend is expected to continue in the short-term. Even once the immediate effects of the pandemic have faded, traveller confidence will take time to recover, especially given the significant impact on household income and potential for substantial losses in employment.

Source: Tourism Economics, December 2021

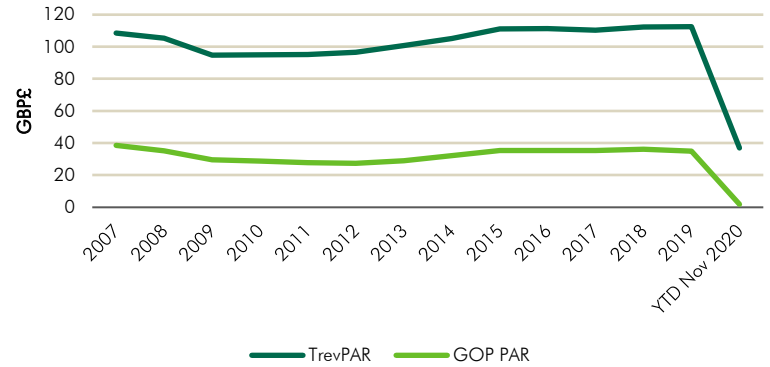
- The above chart shows that inbound travel has contributed the most to an increase in accommodation demand over the last decade, notwithstanding the impact of the pandemic. This was partly driven by the broader economic recovery following the Global Financial Crisis, however, an increase in airline capacity and growing demand from emerging economies have also been key factors;
- 2016/17 was a particularly buoyant period for inbound demand following the UK’s European Union membership referendum – the resulting devaluation of the pound increased the country’s appeal to foreign tourists;
- Domestic demand has, however, been less sensitive to economic downturns historically, and the same can be said for leisure demand. Tourism Economics therefore expect domestic leisure travel to recover first, followed by domestic business, international leisure and finally international business.

HOTEL PERFORMANCE – REGIONAL UK

Annual occupancy and ADR, 2007-YTD 2020, Regional UK



Annual TrevPAR and GOP PAR, 2007-YTD 2020, Regional UK



Source: HotStats, 2021

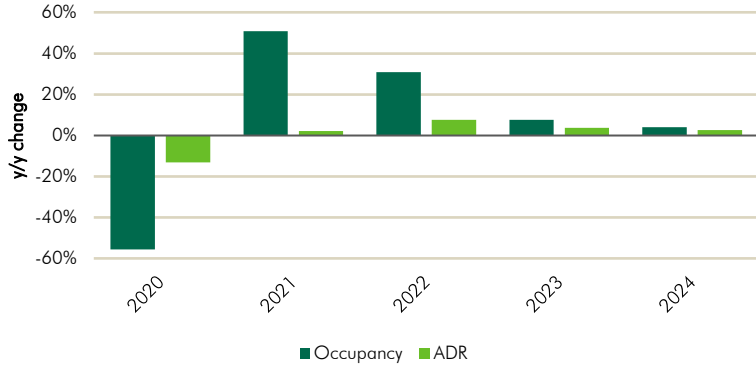
- The HotStats Regional UK data sample comprises mainly branded hotels located in the UK, excluding those in Greater London;
- Over the period 2007-2019, average annual hotel occupancy for the Regional UK market has increased from 72.5% to 76.2%. During the Global Financial Crisis, occupancy recorded a low of 67.3% in 2008. Notably, occupancy levels >75% are particularly high, even in the context of European capital and gateway cities;
- Occupancy growth in the 12-years to YE 2019 was underpinned by increasing domestic and inbound travel demand, and was achieved despite a net rooms supply increase of 9.3% over the same period – this equates to 44,966 additional bedrooms;
- Strong occupancy levels enabled operators to yield growth in average daily rate (ADR). ADR increased at a CAGR of 2.0% over the ten years to YE 2019 despite pricing pressure resulting from the expansion of budget hotel chains such as Premier Inn and Travelodge.

Source: HotStats, 2021

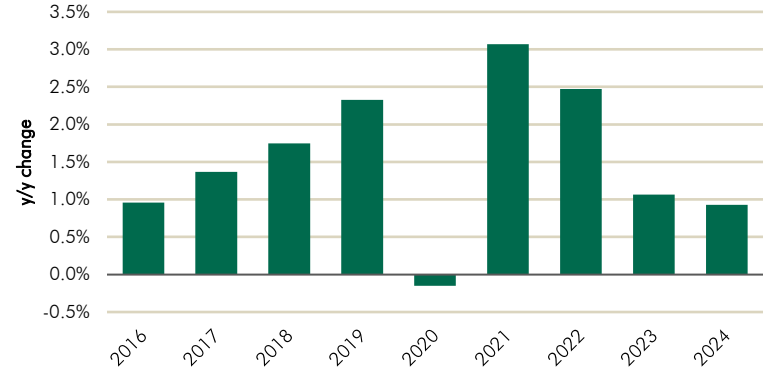
- Hotel rooms revenue per available room (RevPAR), a product of occupancy and ADR, has grown at a CAGR of 3.3% in the ten years to YE 2019; however, total hotel revenue per available room (TrevPAR) has not kept pace (CAGR 1.7%). This due to the slower growth of ancillary revenue streams such as Meetings and Events (M&E), Food and Beverage (F&B) and Leisure. F&B and Leisure departments have faced tough competition from external, standalone operators, including those in the casual dining sector;
- Furthermore, gross operating profit per available room (GOP PAR) has grown at a marginally slower rate than TrevPAR (CAGR 1.6%) over the last decade. With strong occupancy and ADR growth, hotels should have become considerably more operationally efficient over the analysed period. However, cost inflation largely resulting from increased payroll and energy expenses tempered growth in profitability. In 2019, average GOP PAR accounted for 31.0% of TrevPAR.

HOTEL PERFORMANCE RECOVERY – REGIONAL UK

Annual occupancy and ADR forecast, 2020-24, Regional UK



Annual room supply forecast, 2016-24, Regional UK



Source: STR, November 2020. Republication or other re-use of this data without the express written permission of STR is strictly prohibited.

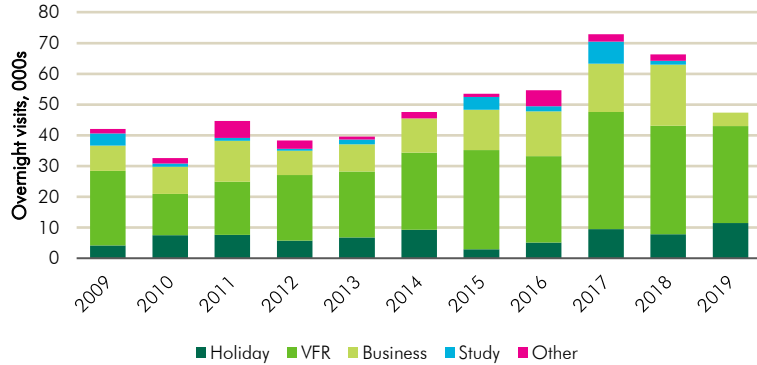
- As of November, STR forecast Regional UK RevPAR to decline by 61.4% y/y; resulting from a 55.5% decline in occupancy and a 13.2% decline in ADR;
- Demand is expected to rebound strongly in 2021, resulting in a material uptick in average occupancy, and we have confidence in this scenario following the recent announcements regarding a vaccine for COVID-19. Further double digit occupancy growth in 2021 will then pave way to a more protracted recovery as some customer segments, such as group, meetings and events and international corporate, take longer to recover. Most of the initial recovery will be driven by domestic leisure and domestic corporate demand; however, a challenging economic environment will also drag on these segments;
- ADR, as we have observed in previous downturns, is less volatile than demand and occupancy; however, it typically takes longer to recover. Only once occupancy has recovered to a sufficient level do operators have material pricing power.

Source: STR, November 2020. Republication or other re-use of this data without the express written permission of STR is strictly prohibited.

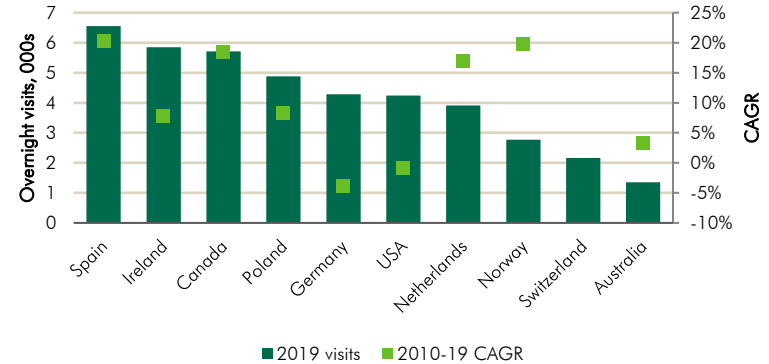
- STR forecast average annual Regional UK RevPAR to return to 2019 levels by 2024. Notwithstanding the potential impact of a “no-deal” Brexit, CBRE broadly support this view – although hotels and hotel markets will track different recovery curves based on their varying exposure to particular customer segments and how successfully they are managed, for example;
- A key positive arising from the forthcoming recovery is that hotel operators have had to dig so far into their operational cost base to minimise outgoings throughout the pandemic that profit margins will be based on a much leaner structure going forward;
- Notably, there has been a substantial supply response to the strong performance achieved pre-pandemic. Many of the hotel development projects already committed to are expected to be delivered in the coming two years and will be followed by a relative lull in development activity. Most projects are located in/around key UK cities and those existing assets which are under-invested will be the most exposed.

INTERNATIONAL TOURISM DEMAND – WOLVERHAMPTON

Inbound overnight visits, 2009-19, Wolverhampton



Top 10 inbound markets by 2019 overnight visits, Wolverhampton



Source: International Passenger Survey by ONS via Visit Britain, 2021
 Note: VFR – Visiting friends and relatives.

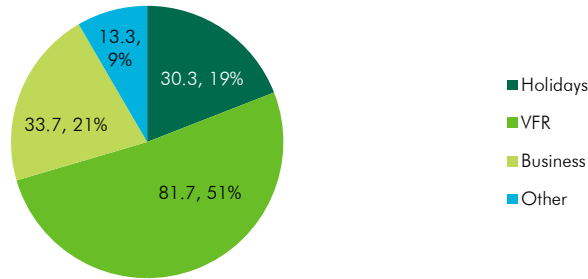
- We note that the decline in inbound visitors to Wolverhampton in 2019 appears to be an anomaly and does not align with the trend in market hotel occupancy, for example. The ONS suggest that a small sample size may have resulted in inaccuracies and the data should therefore be treated with caution.
- Over the period 2009-2018, inbound overnight visits to Wolverhampton have increased at a CAGR of 5.2% – this is greater than the UK average (2.9%) and the West Midlands average (4.7%);
- Following the 2016 EU referendum and devaluation of sterling, Wolverhampton experienced a material increase in international visitation, predominantly from those on leisure trips and VFR. Over the three years 2017-2019, VFR trips accounted for 58.9% of overnight visits, followed by Business (22.5%) and Leisure (16.2%). This diverse demand profile has and will continue to support relatively low seasonality of demand, and insulate the market against external shocks;
- Relative to the West Midlands average excl. Birmingham, Wolverhampton attracts a relatively high share of inbound leisure visitors (13.2% leisure visits for the West Midlands excl. Birmingham 2017-2019), which is partly due to the growing

Source: International Passenger Survey by ONS via Visit Britain, 2021

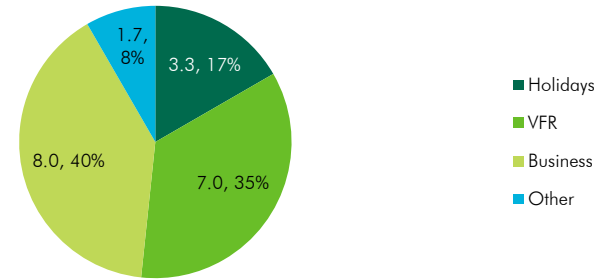
- profile of Wolverhampton Wanderers F.C. overseas and also the widespread appeal of local natural and cultural attractions. However, the city attracts a far lower share of corporate overseas visitors relative to the regional average (31.1% corporate visits for the West Midlands, exc. Birmingham). Whilst conurbations such as Solihull and Coventry benefit from close proximity to Birmingham Airport and the National Exhibition Centre, we believe that Wolverhampton, home to international businesses such as Jaguar Land Rover and UTC Aerospace Systems, is not fully capitalising on lucrative inbound corporate travel demand, in part, because of the general low quality and market positioning of the existing accommodation offer within the city;
- As shown by the above graph, Wolverhampton benefits from a diverse geographic spread of top inbound source markets. Again, this insulates the market against external shocks. Notably, many of the key source markets are considered to be high value in terms of tourism spend and benefit from strong economic fundamentals;
- In terms of purpose of visit, Germany, Norway and the USA were Wolverhampton’s largest source markets for business travel. Spain, Ireland, Canada, Poland and the Netherlands were the most popular source markets for leisure visitors/VFR.

DOMESTIC TOURISM DEMAND – WOLVERHAMPTON

Domestic overnight tourism visits (000s), 2017-19 annual average, Wolverhampton



Domestic overnight tourism spend (GBP£ m), 2017-19 annual average, Wolverhampton



Source: GB Tourism Survey, 2021

- Due to limitations in domestic tourism data for the UK at a town/city level, we are unable to provide analysis of long-term trends;
- According to the GB Tourism Survey, there was an average of 159,000 overnight visits per annum to Wolverhampton by domestic travellers in the period 2017-2019. This compares to 62,200 inbound overnight visits per annum, meaning that international travel accounts for c. 28.1% of total overnight visits to the city – across the wider West Midlands region, overseas demand only accounts for 14.5% of total overnight tourism demand;
- Wolverhampton’s high exposure to domestic travel demand will support the recovery of the market following the pandemic, assuming that the recovery of domestic demand is relatively rapid. However, in a regional context, the city’s material and increasing appeal to the lucrative inbound travel market presents an opportunity on which it can capitalise and grow tourism receipts in the city;

Source: GB Tourism Survey, 2021

- Despite the relatively high number of VFR visits to Wolverhampton, most of the tourism value is generated by corporate travel – this demonstrates the importance of attracting the corporate market for growing the total tourism spend in the city, and highlights the need for quality overnight accommodation that aligns with the requirements of the modern business traveller;
- The 2017-2019 average spend per night by domestic leisure visitors to Wolverhampton was £78.1, 7.1% higher than the England average. The average spend per night for domestic business visitors to Wolverhampton was £120.0, in line with the country average. Relative to the West Midlands average Wolverhampton’s average spend per night was 2.9% and 24.3% lower for leisure and business visitors respectively, suggesting headroom for growth with the enhancement of the city’s tourism offer;
- The average length of stay for domestic visitors to Wolverhampton, during the period 2017-2019, was 1.4 nights for those on holiday and 2.0 nights for those travelling on business.

LEISURE AND CORPORATE DEMAND DRIVERS – WOLVERHAMPTON

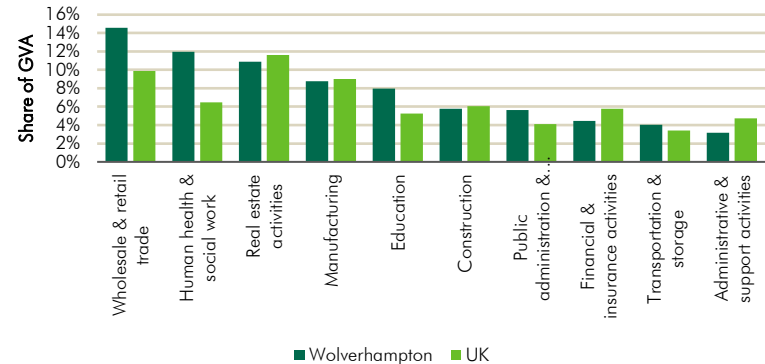
Key leisure attractions, Wolverhampton and surroundings

Attraction	District	Category	2018	2019	2019 y/y
			visitors	visitors	change
Beacon Park	Lichfield	Country Park	900,000	920,000	2%
Royal Air Force (RAF) Museum Cosford	Shifnal	Museums & Art Galleries	432,331	401,477	-7%
Dudley Zoological Gardens	Dudley	Wildlife	296,910	311,219	5%
Wightwick Manor (National Trust)	Wolverhampton	Historic Properties	99,528	112,501	13%
Dudmaston Hall	Bridgnorth	Historic Properties	97,150	105,385	8%
Kinver Edge and the Rock Houses (National Trust)	Stourbridge	Historic Properties	57,567	67,606	17%
Moseley Old Hall	Wolverhampton	Historic Properties	58,275	59,841	3%
Samuel Darwin House	Lichfield	Historic Properties	24,453	25,174	3%
Smymcroft	Telford	Historic Properties	23,698	22,125	-7%
Samuel Johnson Birthplace Museum & Bookshop	Lichfield	Museums & Art Galleries	20,898	21,555	3%
Canthall Hall	Brosely	Historic Properties	18,181	20,640	14%
Much Wenlock Museum & Visitor Information Centre	Much Wenlock	Visitor Centre	24,243	19,215	-21%
Manville Hall	Bridgnorth	Historic Properties	1,650	2,146	30%

Source: VisitBritain, 2021

- Supporting Wolverhampton's year-round visitor economy are popular nearby leisure tourist attractions and significant corporate activity;
- The area surrounding Wolverhampton, including that known as the Black Country, is recognised for its rich cultural heritage, partly due to its significant role in the industrial revolution but also for its many pre-industrialised historic buildings and stately homes, which is a major draw for both domestic and international travellers. This offer and identity has been developed and enjoyed over centuries, and cannot therefore be replicated by competing destinations. As a result, the Black Country has, and will continue to be, a leading leisure tourism destination;
- There are five leisure attractions in close proximity to Wolverhampton which record over 100,000 visitors per annum. Whilst other cities/towns in the locality also compete to accommodate those visiting these attractions, Wolverhampton has an opportunity to capture a material share of demand given its strong accessibility and additional amenities, including the city's retail and food and beverage offer.

Wolverhampton top business sectors by share of 2019 GVA



Source: Oxford Economics, 2021

- Wolverhampton Wanderers F.C. is another key driver of visitation to the city. Having been promoted into the Premier League, average home game attendance for the 2018/19 season was 31,025 (+9.5% y/y) – based on 19 league games played at the Molineux Stadium, the number of spectators therefore totalled 589,472;
- In terms of corporate travel demand, this is supported by the key business sectors shown in the above chart. Wolverhampton's business sectors that are likely to contribute the most to accommodation demand include manufacturing, education, construction, financial & insurance activities and administrative & support activities;
- Notably, in addition to traditional manufacturing, Wolverhampton is becoming a centre for high-value, advanced manufacturing and already has one of Europe's most significant clusters of aerospace, high-value manufacturing and automotive companies. Continued agglomeration is expected to result in more international hi-tech firms clustering in and around Wolverhampton, drawing on talent and research from the city's university, which will support inbound corporate tourism demand in the future.

LEISURE AND CORPORATE DEMAND DRIVERS – KEY DEVELOPMENTS



Page 20
CGI of the Civic Hall, Source: Willmot Dixon Interiors, 2021

Wolverhampton Civic Hall

- Wolverhampton Civic Hall, affectionately known as Wolves Civic, is undergoing a major refurbishment to transform the Grade II-listed building into a top class venue. The works, costing circa £38 million, will cover back of house areas, the concert venue, offices, bars and new tiered seating. Importantly, the height above the stage will be increased to attract bigger touring bands and show formats;
- The venue is expected to open in early 2022 and, following a competitive process, AEG Presents have been announced as the venue operator. AEG Presents currently runs 40 sites, including the Hammersmith Apollo and O2 Arena in London, and has promoted tours for Justin Bieber, Bon Jovi and The Who, for example;
- The venue will be a major boost to Wolverhampton's night time and visitor economy.



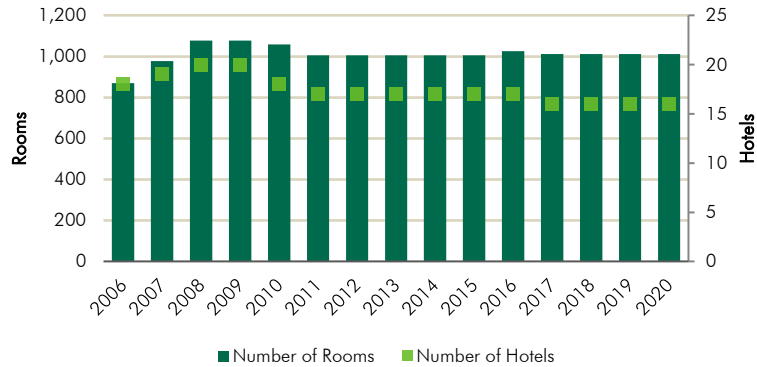
CGI of the i9 office scheme, Source: ION Developments, 2021

Ministry of Housing, Communities and Local Government

- The Ministry of Housing, Communities and Local Government (MHCLG) has set out plans to create a new base in Wolverhampton. It is expected to establish its new headquarters in the city by Q3 2021;
- It is expected that 200 staff will be based in Wolverhampton, including a ministerial presence, making the city a centre for policy development and decision making. The new HQ will take the total number of MHCLG roles in the West Midlands to 500, and there are plans to increase this further by 2030;
- The MHCLG's initial office space requirement in Wolverhampton is 12,000-14,000 sq. ft. and it is expected to occupy the i9 building, which is currently nearing completion and forms part of Wolverhampton's Commercial Gateway;
- Businesses looking for a base in close proximity to the MHCLG are likely to drive an overall increase in office occupier demand for Wolverhampton and support subsequent development stages of the Commercial Gateway.

HOTEL SUPPLY – WOLVERHAMPTON

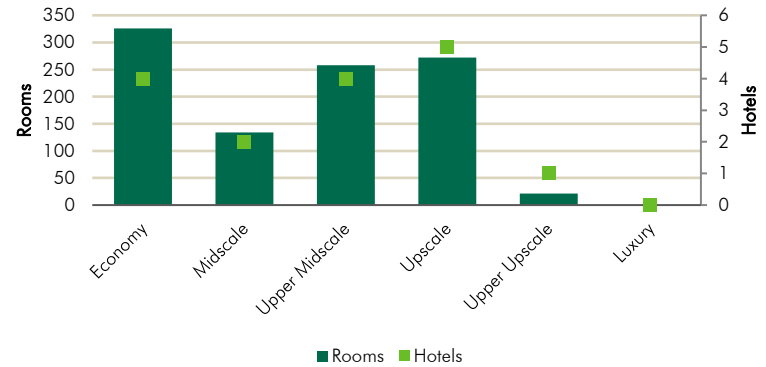
Hotel supply evolution, 2006-2020, Wolverhampton



Source: STR, 2021. Republication or other re-use of this data without the express written permission of STR is strictly prohibited.

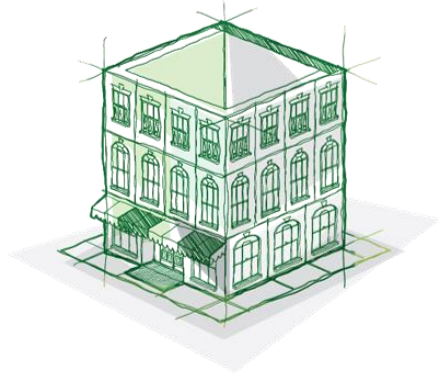
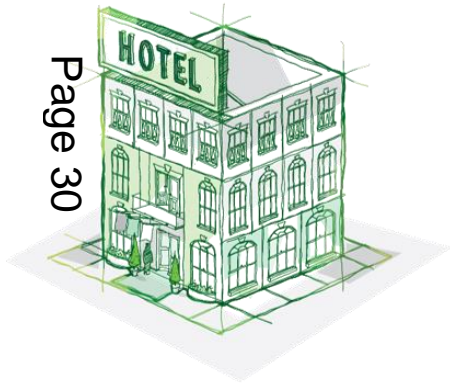
- There are currently 16 hotels, accounting for 1,101 bedrooms in the Wolverhampton market. In the last 14 years, only 2 hotels have opened (209 bedrooms), the Redwings Lodge Wolverhampton Central (opened 2008 and rebranded from Travelodge in 2015) and the Premier Inn Wolverhampton City Centre Bluebricks (opened in 2007). In the last ten years, total room supply has declined by -4.5% due to the closure of four small independent hotels. For comparison, over the last decade, hotel room supply has increased by 10.5% and 11.2% in the UK and the West Midlands respectively;
- There has been a tremendous amount of innovation regarding hotel brands and concepts in the last ten years, to keep pace with the increasing demands and expectations of the consumer. Through the development of new hotel supply, and the repositioning of older stock, many markets in the UK have seen their provision of guest accommodation evolve and remain relevant. However, this has not necessarily been the case in Wolverhampton, suggesting an opportunity for a new hotel concept which, in turn, will rejuvenate and increase the appeal of the city as a tourism destination;

Existing hotel supply by class, Wolverhampton



Source: STR, 2021. Republication or other re-use of this data without the express written permission of STR is strictly prohibited.

- 32.2% of Wolverhampton’s existing hotel supply is positioned in the Economy tier of the market, followed by 26.9% in the Upper Midscale tier and 25.5% in the Upscale tier. The most recent material additions to supply, albeit over ten years ago, were in the Economy tier, suggesting that market demand has been relatively price sensitive;
- Of the existing hotel stock, 71.6% of room supply is operated subject to a recognised brand. The hotel groups with the largest presence in the city include Whitbread Group PLC with a total of 287 rooms (2 hotels) operated under their Premier Inn brand, Accor Company with a total of 206 bedrooms (2 hotels), operated under their Novotel and Mercure brands, and Britannia Hotels with one property comprising 117 bedrooms. Notably, InterContinental Hotels Group are also present in the city with their Holiday Inn brand, albeit only accounting for 54 bedrooms;
- Despite Wolverhampton’s increasing share of international travel demand and aspirations to attract international corporate occupiers, two of the three largest hotel groups present in the city, by room count, are domestic focused.





INVEST
City of Wolverhampton

ACCELERATED


SITES PROGRAMME

Page 31



INTERCHANGE 8 BROAD ST / BREWERS YARD / SACKWORKS / STEAM MILL

CITY OF
WOLVERHAMPTON
COUNCIL

 Department for
Levelling Up, Housing
& Communities

 Homes
England

Contents

Accelerated Sites Programme	3
Our Strategic Framework for Levelling Up	5
Supporting Transformational Change	6
Development Viability	7
Proposed Outcomes / Benefits	8
Project Timelines	9
Grant Drawdown	10

Accelerated Sites Programme

Wolverhampton was identified in the Levelling Up White Paper as one of the priority places that government would proactively engage with, as it demonstrates strong local leadership and ambition, and it is a place where the impact of existing investment can be maximised to catalyse economic transformation.

It has been agreed that 'Our City: Our Plan' is the strategic framework for levelling up Wolverhampton – we have one plan for our place, which has been derived bottom up in partnership with communities. There is a clear interface with the levelling up missions, which are included as part of the performance management framework and reported to Cabinet and Scrutiny on a quarterly basis. The partnership approach between the City of Wolverhampton Council, Department for Levelling Up, Housing and Communities, Homes England and the West Midlands Combined Authority aims to reinvigorate the city centre, create a more diverse housing offer and mix of land uses, attracting new residents and businesses.

Our 'Accelerated Sites Programme' highlights opportunities to accelerate delivery through early funding intervention and addressing market failures preventing these projects from otherwise coming forward. The programme responds to a key set of criteria that brings confidence around accelerated delivery. These are as follows:

- ✓ Sites referenced are in the ownership of the City Council or that of our strategic delivery partners.
- ✓ Clear 'line of sight' on procurement and delivery mechanisms – delivery partners either already procured, operating under the auspices of existing agreements, or engaged under agreed commercial terms that can be accelerated.
- ✓ Compatibility with existing planning framework (Local Plans and AAPs) – advanced planning position either through gaining consent or through ongoing pre-application discussions.
- ✓ Detailed scheme proposals supported by development appraisals and gap analysis, verified by 3rd parties and with full check and challenge of information / costs provided.



The sites and schemes identified offer for part of the wider Interchange Commercial District linking into the city's Canalside Quarter which is primed for major residential expansion. This creates a proposition of scale and serves to reinforce previous public investment in bringing forward a new transport hub, commercial offering, state-of-the-art educational facilities and sites primed for residential expansion.

As part of the wider Interchange Commercial District, the delivery of **Interchange 8** alongside a **new high-quality hotel offer** will build upon the existing programme of investment that has seen the delivery of a world-class transport interchange



Interchange 8 office reception

and new exemplar commercial office space in this part of the city centre. Proximity to a principal railway station on the West Coast Main Line providing regular services to regional and national destinations creates the pre-conditions for another successful phase of the commercial district capturing demand for exemplar commercial space and provision of high-quality jobs. Combined with existing projects now in delivery and the adjoining opportunities within the canalside area and Green Innovation Corridor, Broad Street forms part of an opportunity transformational scale.

The **Steam Mill** and **Sackworks / Mill St Depot** sites offer a unique opportunity to introduce a landmark development on key gateway sites that will significantly enhance the approach to Wolverhampton by introducing a new high-quality residential and workspace offer as part of the Interchange Commercial District. The sites are in the strategic control of the Interchange partners and have been substantially de-risked to enable a development ready site with an existing development agreement in place. As well as forming an important strategic position on the approach to the train station, these sites also link to the wider Canalside Quarter and will support strategic connectivity as part of a wider collection of sites primed to deliver transformational change of scale in this part of the city.



Steam Mill

“The government will support undertaking ambitious, King’s Cross-style regeneration projects, transforming derelict urban sites into beautiful communities.”
Levelling Up White Paper

Brewers Yard will be a new creative, commercial and living focused district that seeks to provide Wolverhampton a new destination urban node adjacent to its recent redevelopment works for University of Wolverhampton and the central railway station.

These sites offer a strategic opportunity to link areas of major investment, both historic and planned, to bring a holistic delivery strategy to deliver a whole new quarter for Wolverhampton city centre. Combined with existing projects now in delivery and the adjoining opportunities within the Canalside area and Green Innovation Corridor this forms part of an opportunity of transformational scale.



Brewers Yard

Our Strategic Framework for Levelling Up

Our City: Our Plan is our strategic framework for levelling up, co-produced with over 4,500 local people and stakeholders. We have one plan for our 'place', derived bottom up and collectively owned with clear interface with Levelling Up missions.

Development of sites within the Accelerated Sites Programme will represent significant investment in Wolverhampton's economy. Combined, these sites are anticipated to deliver a lifetime GVA of 1.57bn and enable the remediation of 5.03 ha of key brownfield land.



Wulfrunians will live longer, healthier lives

Our Accelerated Sites Programme will create an estimated 1,008 new jobs across both the supply chain and end uses. Opportunities around social value, apprenticeships and training will underpin the delivery ethos for the projects.

Our Accelerated Sites Programme will deliver up to 1,093 new residential units supporting city centre residential offers with high quality links and public realm to connect to neighbouring assets.

Delivery of employment space in well connected parts of the city enabled equality of access and supports high-quality job opportunities to local people. Delivery of high-quality homes and employment space in well connected parts of the city enables equality of access, promotes sustainable.

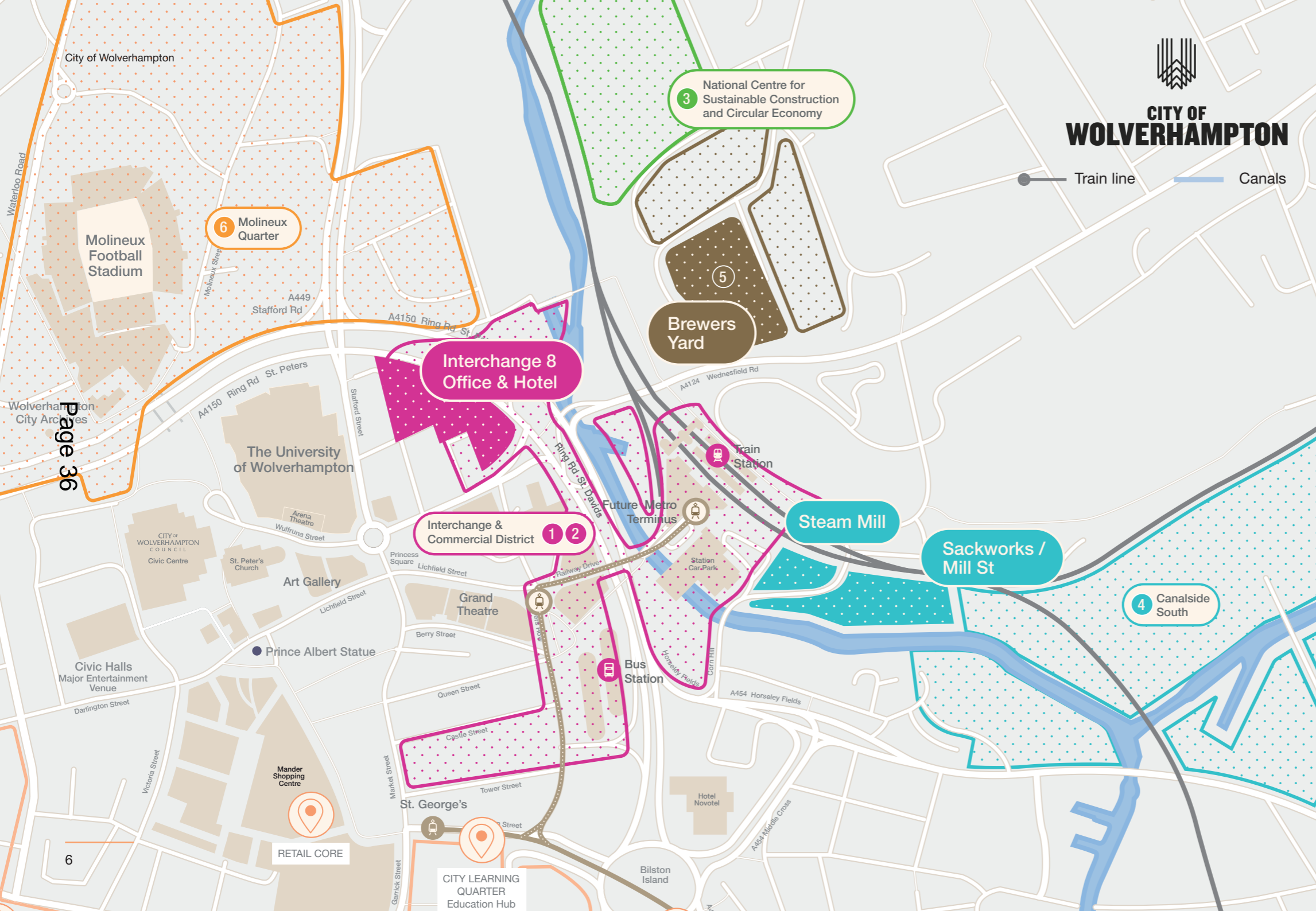
PRINCIPLES:

-  **DRIVEN BY DIGITAL**
-  **CLIMATE CONSCIOUS**
-  **FAIR AND EQUAL**



CITY OF WOLVERHAMPTON

● Train line — Canals



Supporting Transformational Change

The four sites identified as the Accelerated Sites Programme offer a strategic opportunity to link areas identified within the city's existing policy and regeneration framework to deliver transformational change. This will build upon and connect areas of major investment, both historic and planned, to deliver a whole new quarter for Wolverhampton city centre delivering sustainable mixed-use development around excellent transport connectivity and availability of strategic sites.

In this context, the Accelerated Sites Programme reinforces existing public spend programmes at **(1) Interchange** where £85 million has been spent in delivering a new world-class transport hub for the city gateway, **(2) Commercial district** where over £50 million has been invested in delivering new commercial floorspace and **(3) Springfield Campus (National Centre for Sustainable Construction and Circular Economy)**, where £120 million has been invested in transforming a derelict area of the city to deliver the world's largest construction education campus developing the skills and knowledge base for the future of sustainable construction.

The accelerated sites also connect major regeneration areas across the Canalside Quarter where there are commitments to deliver over 2,000 new homes across all phases of **(4) Canalside South** and **(5) Brewers Yard** as well as the **(6) Molineux Quarter** which will see the Council work in partnership with the Football Club, University, key stakeholders and partners to bring forward a long-term vision for transformational change aligned to the football club as a key leisure destination.

Development Viability

Page 37

	Brewers Yard	Interchange 8 - Office	Interchange 8 - Hotel	Steam Mill	Sackworks	Accelerated Sites Total
Development Costs	£m	£m	£m	£m	£m	£m
Acquisition costs*	1.71	1.81	0.66	0.40	1.34	5.92
Construction costs	86.04	24.23	15.65	18.69	18.50	163.11
Professional fees	4.16	1.94	1.25	1.31	1.29	9.95
Overheads		2.67	1.08	1.95	0.33	6.03
Finance costs	17.21	0.67	0.29	0.46	0.34	18.97
Profit	6.50	4.54	1.91	3.43	2.99	19.37
Total Costs ^A	115.62m	35.85m	20.83m	26.23m	24.79m	223.32m
Development Values	£m	£m	£m	£m	£m	£m
Value	104.32	26.73	13.03	19.53	17.09	180.7
Total Value ^B	104.32m	26.73m	13.03m	19.53m	17.09m	180.7m
Viability Gap ^{Value - Cost} ^{B - A}	-£11.31m	-£9.12m	-£7.80m	-£6.70m	-£7.70m	-£42.62m
	(AY)	(CBRE) (LSH)	(CBRE)	(LSH)	(LSH)	

AVISON YOUNG (AY) Avison Young is a global commercial real estate services firm and are the appointed advisors for the Homes England delivery strategy commission for Wolverhampton and are also appointed by the City of Wolverhampton Council on the Brewers Yard land transaction.

CBRE Hotels (CBRE) have been appointed as independent specialist consultants in the hotel sector. The work provide to CWC has reviewed the market, supply existing provision and key / room rates for the Wolverhampton market. CBRE are one of the leading hospitality specialists with links to developers, brands and operators in the hotel sector.

Lambert Smith Hampton (LSH) Lambert Smith Hampton is a leading UK commercial and residential real estate consultancy and agency. They are instructed by the West Midlands Combined Authority to undertake valuation and viability assessments to grant applications and award. They also undertake all planning viability valuation assessments for Birmingham City Council as one of the largest local authorities in Europe. They have independently reviewed the schemes and verified the desk-top appraisals in support of this document.

* Acquisition costs include land transaction values (plus associated fees) based upon current market comparables and are subject to commercial negotiations.



Proposed outcomes / benefits

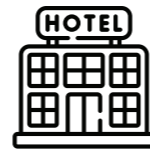
Remediation of brownfield land

 **5.03ha**

Benefit Cost Ratio

2.2:1

Delivery of a **153-key hotel**




New homes

 **1,093**

Estimated Jobs

 **1,008**

Annual GVA (Estimated)

 **£67.5m**

GVA over 25 years (Estimated)

 **£1,722m**

GDV (subject to valuation/appraisals) (Estimated)

 **£181m**


New commercial floorspace


 **16,178m²**

Estimated Viability Gap (assumed over min. period of 3 years)

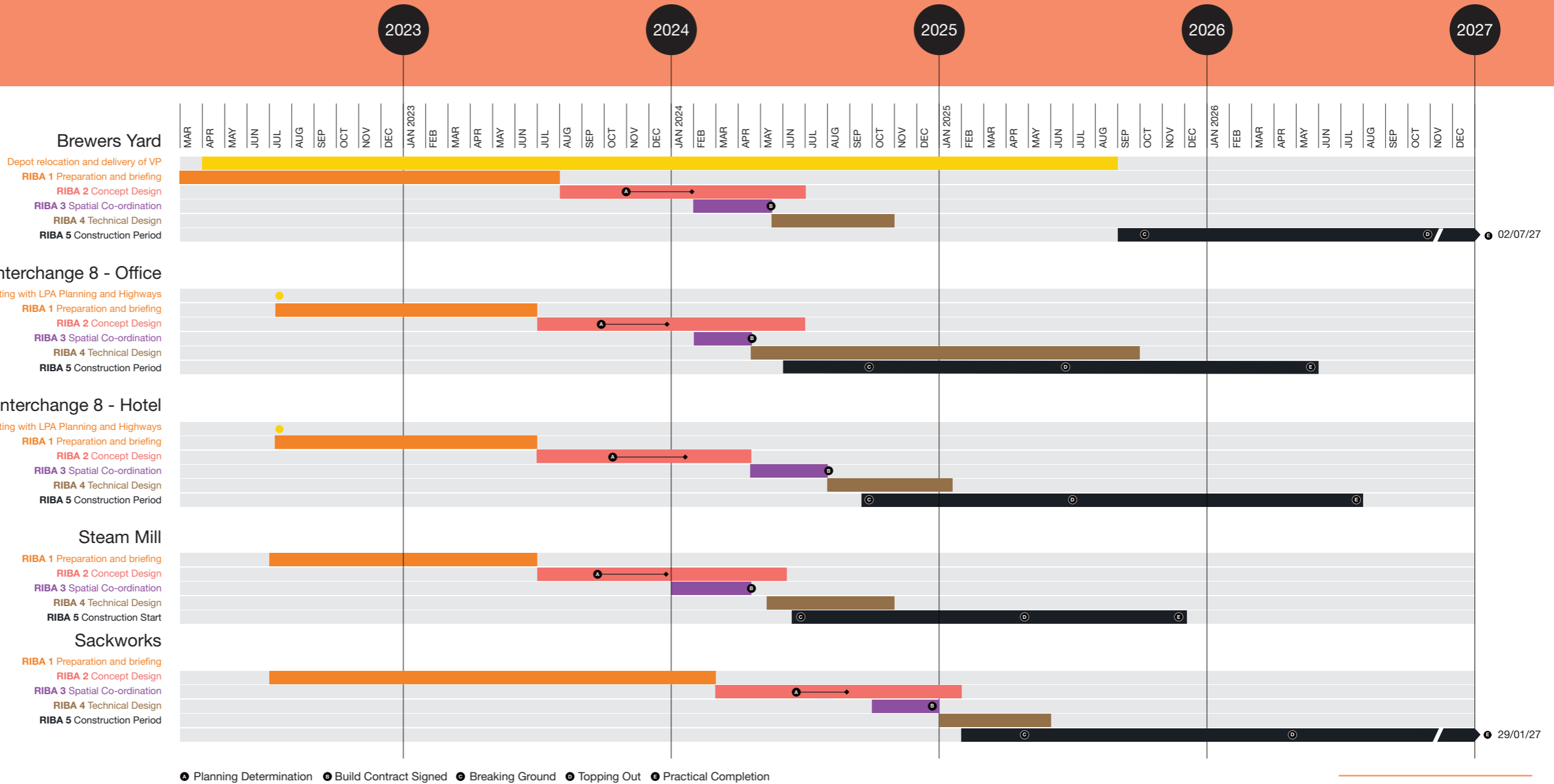
 **£42.62m**

 Net Carbon development Green technology

 Viability Rationale Value gap between projects Grade A office rents and delivery costs at comparable i9 standard.

 'Ask' Overview Viability based upon financial gap and supply absorption risk of office sector

Project
Timelines
(Subject to
business case
approval)



Grant Drawdown

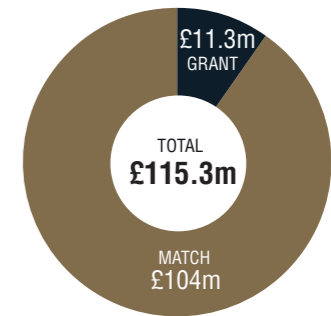
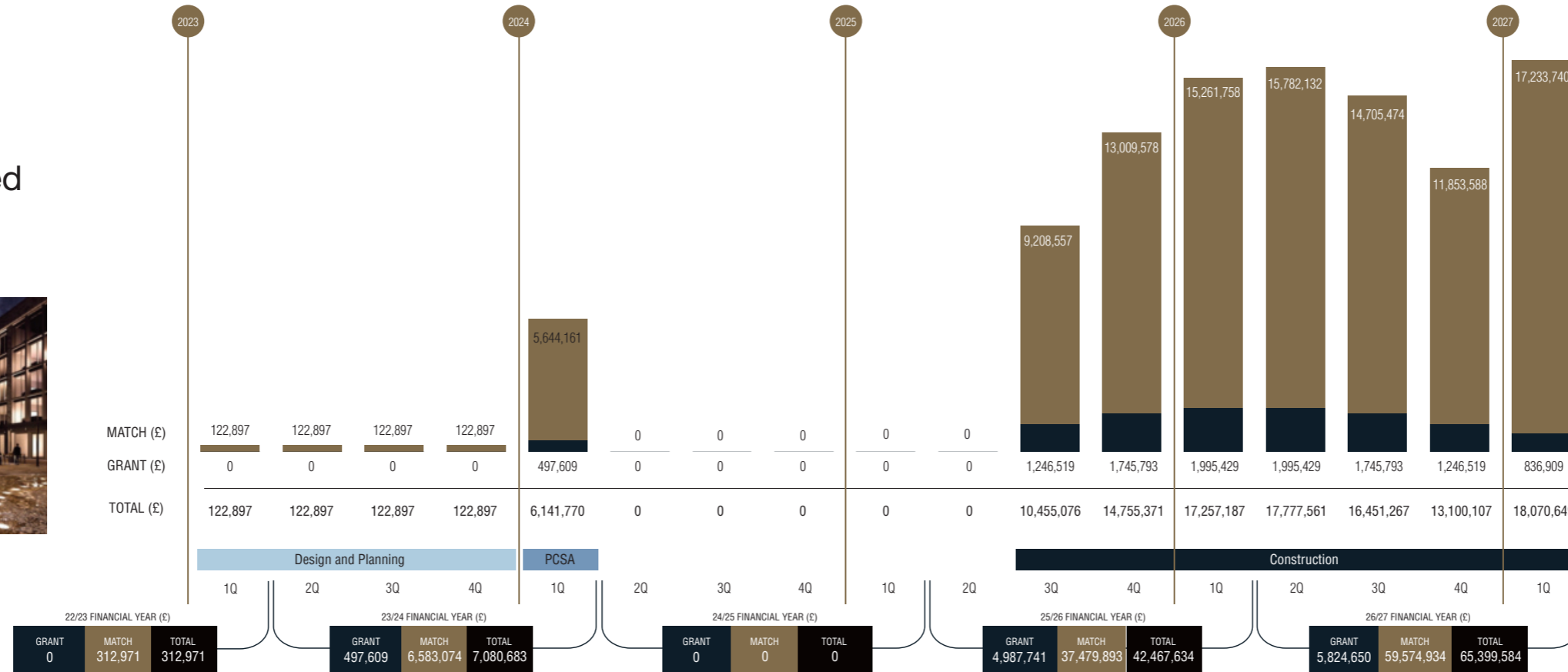
(Subject to finalised appraisals)

Page 40



ACCELERATED SITE

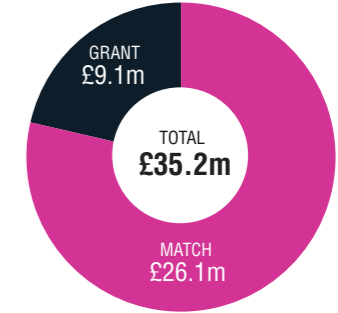
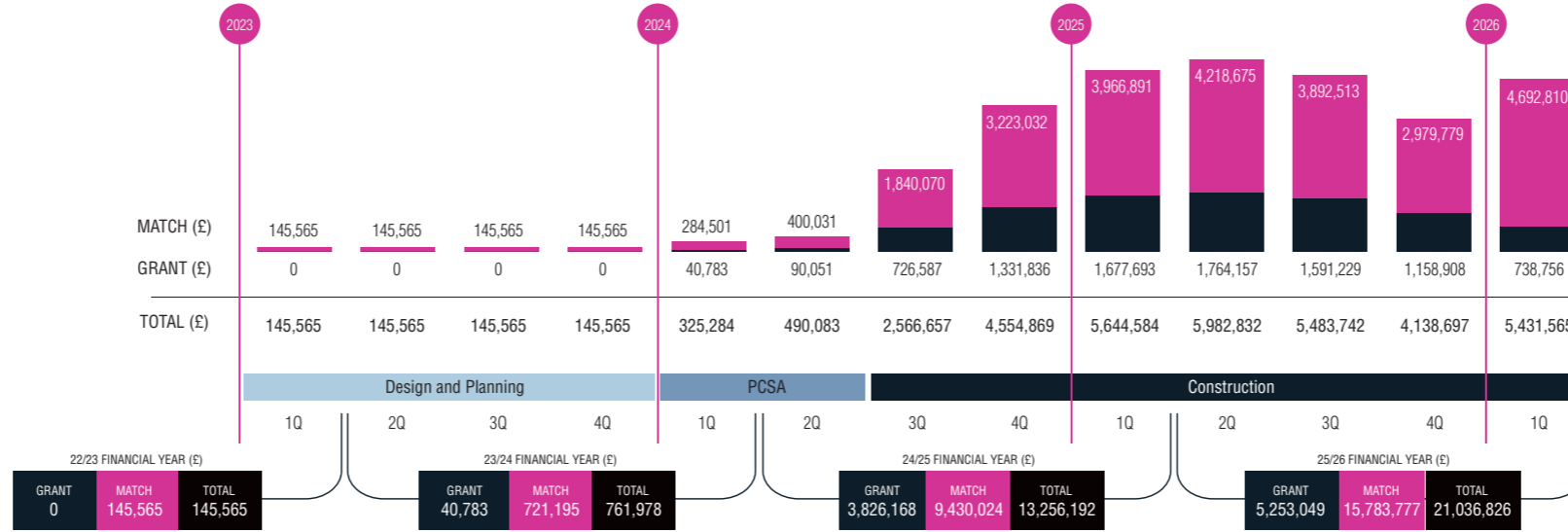
BREWERS YARD





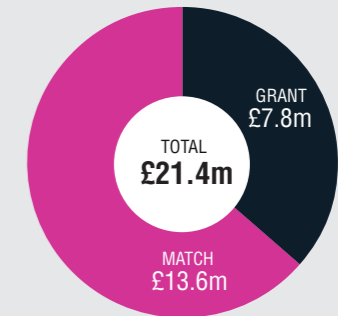
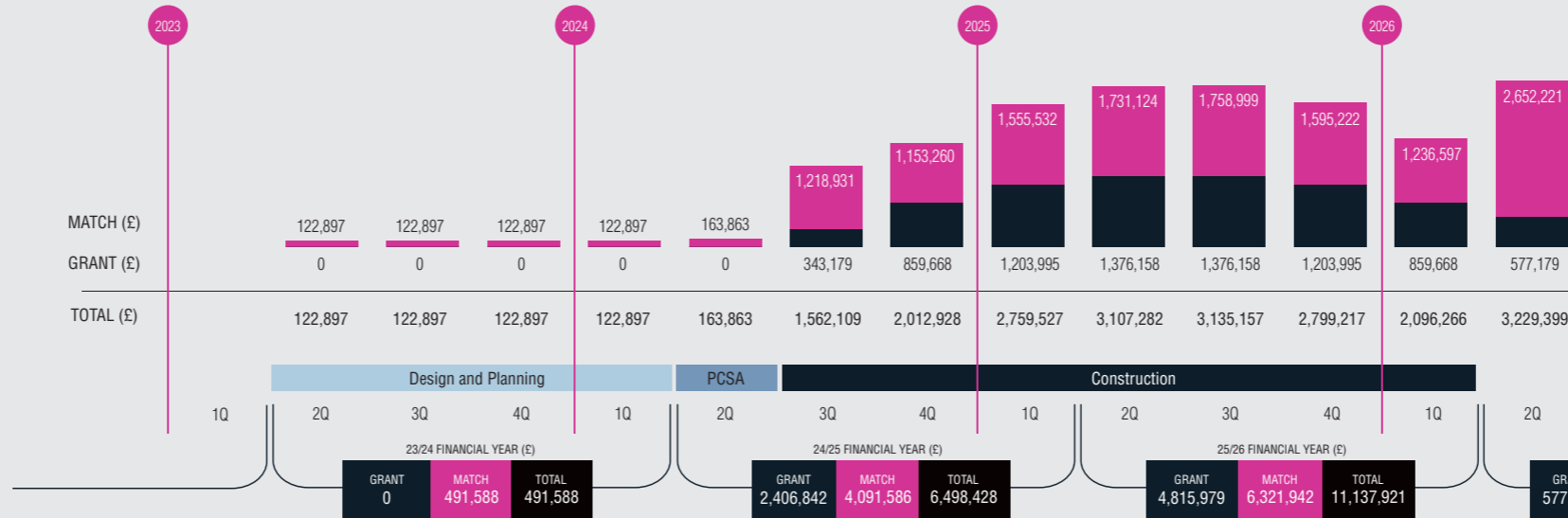
ACCELERATED SITE

INTERCHANGE 8 - OFFICE



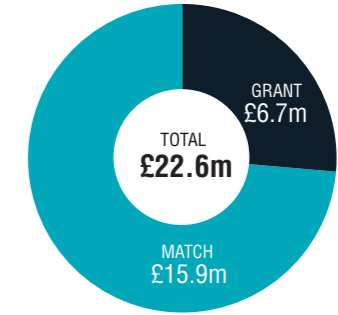
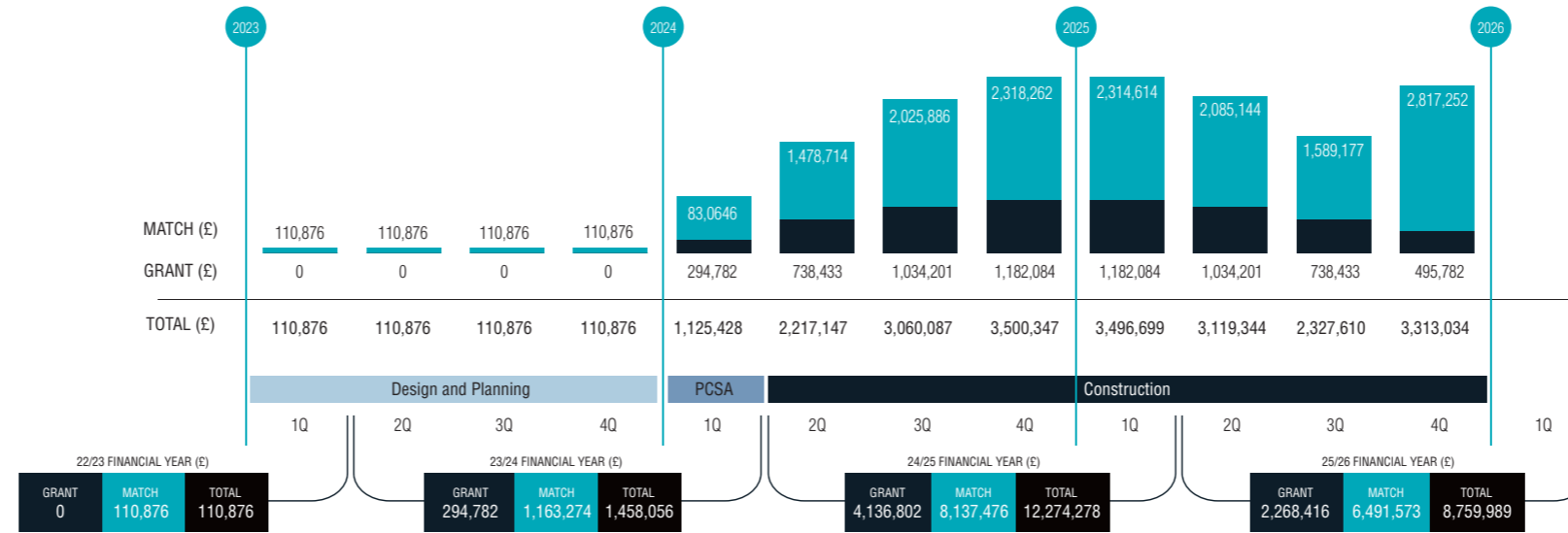
ACCELERATED SITE

INTERCHANGE 8 - HOTEL

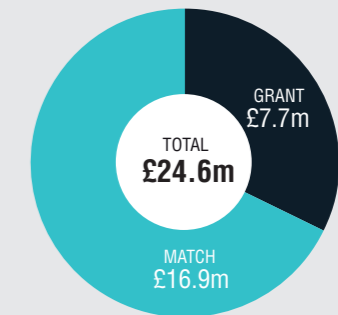
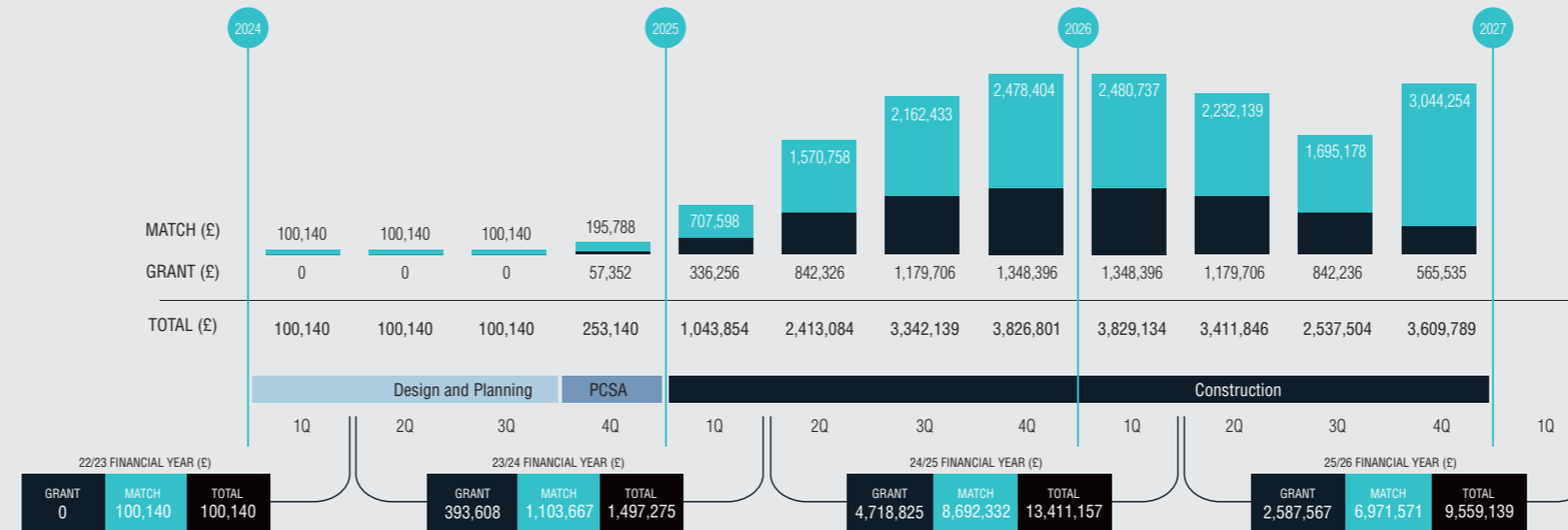




ACCELERATED SITE
Page 42
STEAM MILL



ACCELERATED SITE
SACKWORKS





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