

<b>CITY OF WOLVERHAMPTON COUNCIL</b>	<b>Cabinet</b> <b>22 March 2023</b>
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<b>Report title</b>	Wolverhampton Investment Prospectus – First Phase Delivery Plan	
<b>Decision designation</b>	AMBER	
<b>Cabinet member with lead responsibility</b>	Councillor Stephen Simkins Deputy Leader: Inclusive City Economy	
<b>Key decision</b>	Yes	
<b>In forward plan</b>	Yes	
<b>Wards affected</b>	St Peters	
<b>Accountable Director</b>	Richard Lawrence, Director of Regeneration	
<b>Originating service</b>	Regeneration	
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<b>Report has been considered by</b>	Regeneration Leadership Team	6 & 20 February 2023
	Cabinet Member briefing	8 February 2023
	Strategic Executive Board	7 February 2023

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### 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:

<b>Proposed outcomes / benefits</b>	<b>Projected Quantum / outputs</b>
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)