

Wolverhampton  
Development  
Company



## **3 YR BUSINESS PLAN**

**2009–2012**

**WOLVERHAMPTON DEVELOPMENT COMPANY**

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## **FOREWORD**

Since we published our 3 yr Business Plan in July 2008 good progress has been made towards achieving its objectives e.g. completion of the Stafford Road Corridor Masterplan. However, the economic climate has worsened to an extent that no one could have predicted. Liquidity has been the first casualty of the downturn and both private sector residential and commercial development, other than in certain specialist sectors, has all but ceased.

The consequence of this is to render the economic assumptions that underpinned our 3 yr Business Plan much too optimistic. Rather than work against activities and targets that are unrealistic, we have taken the opportunity to look again at the underlying assumptions and produce a revised Plan for the period 2009 to March 2012.

I remain optimistic about the future success of Wolverhampton and the Company is determined to play its part in bringing this success about. The current downturn makes our task more difficult but I am confident that the transformation of Wolverhampton into a vibrant and successful 21<sup>st</sup> Century City is already well underway.

**Graham Mackenzie**  
**Chairman**

## **1 EXECUTIVE SUMMARY**

- This is WDC's revised 3 year Business Plan and sets out the activities it will undertake over the period April 2009 to March 2012.
- Our mission is to increase the pace, scale and quality of growth opportunities to create a sustainable and prosperous future for Wolverhampton.
- Key activities in our delivery programme include working with our partners to produce a framework document for the City Centre.
- Some £125m of private sector investment will be secured, together with 1600 new jobs.

## 2 MISSION, VISION AND VALUES

### Our Mission

Our mission is to increase the pace, scale and quality of the growth opportunities to be offered to the investment sector. WDC will create and nurture new markets to create a sustainable prosperous future.

To achieve our mission, WDC will take responsibility for:–

- The facilitation of delivery of a number of significant current development/investment opportunities
- The identification of future opportunities and undertaking of associated activity such as land assembly, masterplanning and gap funding applications
- The promotion of the City to would-be investors and their advisors

### Our Vision

WDC sees Wolverhampton being transformed into a vibrant, sustainable, economically successful and socially inclusive City capable of meeting the needs of the 21<sup>st</sup> Century. It is vital for the success of the City that residents are able to benefit directly from the opportunities created by enhancing their ability to access employment via upskilling. Merely creating opportunities which are taken up by others will not be acceptable.

The success of the City will be measured by its high levels of employment, improved skill levels and educational attainment, private sector investment and the absence of pockets of deprivation. This will be augmented by high quality buildings, appropriate housing and leading edge employment, retail and leisure opportunities.

### Our Values

WDC wishes to be recognised as an organisation that secures the delivery of high quality outcomes on time by focussing on finding solutions to overcome barriers to achievement.

Underpinning this are the following values :–

- **think ahead**  
lead innovation today whilst planning for tomorrow
- **change views**  
raise aspirations, change attitudes whilst changing landscapes
- **work together**  
build and utilise successful partnerships
- **make it happen**  
deliver on our promise

### **3 THE RECESSION AND NEW UNDERLYING ASSUMPTIONS**

#### **3.1 THE CHANGING SCENERY**

- 3.1.1 Since the spring of 2008, there have been many significant changes that impact upon the ability of WDC to deliver the outcomes set out in the 3 yr Business Plan.
- 3.1.2 The current downturn has meant market activity and investment levels have virtually ceased in most sectors. Public sector investment has continued to increase particularly for infrastructure and previously contractually committed gap funding proposals.
- 3.1.3 Significantly this downturn has seen the near collapse of the financial sector with its knock on effect on liquidity and asset values. Lending for development opportunities is almost non-existent. A leading Birmingham developer recently said that he knew of 5 potential corporate investors in Central London each with up to £70m to invest i.e. a total of £350m. This contrasts with what he said was the position in 2007 when there were 200 corporate investors prepared to invest £100m each i.e. £2b investment monies available.
- 3.1.4 With the collapse in investment there has been the need to adjust yields and asset values with most majority property investment companies writing down their portfolios by up to 40%.
- 3.1.5 Whilst the recession may be close to bottoming out in a technical sense the impact in terms of rising unemployment and company failures is likely to continue for a least another 12 months or so. This will mean that potential occupiers will be reluctant to commit to relocate until confidence returns fully to the market. Indeed, currently most office scheme occupiers outside of Central London appear to be almost exclusively public or quasi-public sector.

#### **3.2 REVISED ASSUMPTIONS**

##### **3.2.1 Liquidity**

The most significant feature of the current downturn has been the squeeze on liquidity caused by the reluctance of the banks to lend either to each other or to businesses more generally.

- 3.2.2 This has impacted greatly on the commercial and residential property markets with little investment for schemes being available. What investment there has been has tended to be for smaller sized schemes up to say £50m. Even then, the traditional level of say 30% equity stake, raising 70% of debt finance, has disappeared. Lenders are now requiring more than 50% equity stakes before considering lending.
- 3.2.3 The key to when liquidity will return to anything like approaching previous levels is the relative attractiveness of property developments in terms of return when compared to stocks and shares etc.
- 3.2.4 Furthermore the banks themselves are unlikely to play such a large role in funding commercial property transactions until they have repaired their balance sheets. Indeed Government pressure is encouraging them to start lending to businesses for their own commercial needs as a first priority. In addition to this, each sector of development ie commercial, retail or residential will offer differing investment return opportunities and will therefore attract 'liquidity' or investment at different times. Of course, the appetite for some types of schemes may take years to return with little or no investment being available in the meantime.

### **3.2.5 Asset Values**

Alongside the lack of available funding, asset values have dropped significantly with all of the major investment companies slashing the value of their holdings. Commercial property yields have increased significantly and rental growth has become negative. As a consequence of the need for companies in the real economy to reduce costs to ride out the downturn, planned moves are put on hold and space, particularly office space, remains difficult to let. In fact, outside of Central London, most recent occupiers of office space are public sector or quasi-public sector organisations. Given this, the market is not willing to contemplate funding speculative office development outside of a few favoured locations. Clearly this leads to a 'chicken and egg' situation for locations like Wolverhampton where no speculative development is fundable and no space will be available when the market returns.

3.2.6 In terms of retail investment, the sector shows signs of resilience in customer spending although certain sectors connected with the housing market continue to suffer badly. In addition, a significant number of high profile casualties have closed, leaving high streets with vacant units. There is little appetite for funding major retail developments apart from superstores.

3.2.7 For residential schemes, private sector house building is still very depressed and most schemes require HCA funding to progress. Demand for family housing remains strong and the reduction in prices seems to have bottomed out. Even when the market starts to improve, the consents for very high density apartment schemes are unlikely to be built with the market remaining sceptical about buy-to-let proposals. There continues to be a real shortage of 3-4 bed family housing and if apartments are built in future they are likely to be larger and much fewer in number.

3.2.8 The question of density will also affect asset values in the longer-term. Even when yields return to average levels then the land value and end value of the scheme will still be below the exceptional high levels reached in 2007 unless the same density of development is forthcoming.

### **3.2.9 Public Sector Investment**

The Government is encouraging public sector investment in capital works, particularly strategic infrastructure, as a means of reviving the economy. Part of this approach seeks to drag forward investment scheduled for 2010/11 into the current year.

3.2.10 Most commentators predict a severe squeeze on public sector capital expenditure following the general election as a result of the need to reduce public expenditure as a proportion of GDP. Securing a share of such reduced expenditure will depend upon the strength of the case made against what is bound to be ever fiercer competition.

## **4 DELIVERY PROGRAMME**

### **4.1 PROJECTS**

#### **Summer Row**

WDC has been active in seeking ways of unblocking the present difficulty in securing funding to enable the scheme to progress. Several avenues have been explored and Multi has expressed an interest in pursuing two of the introductions made by WDC. WDC will highlight work on Summer Row as one of its key priorities.

## **I54**

WDC is very happy to continue to assist AWM and WCC in bringing forward the development of i54. The partners have indicated that WDC should play a role in helping to find occupiers for the early phase of development following the appointment of a preferred developer.

### **Interchange**

With the submission of the detailed planning application for Phase I, the Interchange scheme moves closer to implementation. This phase includes proposals to rebuild the bus station and to use a restored Queen's Building as a cafe/bar. In addition to this, Pipers Row House will be demolished and a new building of two storeys, containing some 16 000ft<sup>2</sup> of retail space, constructed to the east of Queen's Building.

Construction of Phase 1 is scheduled to commence in October 2009 with completion due at the end of 2010. WDC will continue to assist Neptune in the delivery of Phase I and work to ensure that Phase II is able to proceed as speedily as possible. WCC has asked that WDC take the lead in identifying and seeking solutions to any obstacles to the implementation of Phase II. A key part of this activity will be to ensure that stakeholders enter into binding commitments at as early a stage as possible.

### **City Centre West**

Retention of the option to purchase Fox Hotel is essential if WCC's landholdings in this area, particularly the surface car park to the rear of the hotel are to be unlocked for development. The enlarged site offers an opportunity to undertake a mixed-use development that could provide a variety of City Centre uses, including residential and commercial. For Wolverhampton to become an attractive location for office development, it will be necessary to de-risk projects by assembling packages of land and obtaining planning consent. Given the market's reluctance to fund speculative development in full, some form of gap-funding is likely to be necessary. Our plan suggests a small-scale start by developing the Fox Hotel site plus in 2011/12.

Opposite the Fox Hotel on the other side of the ring road, sits the old Marshall Building. WDC is aware that the purchase of this building by a high-profile regeneration specialist company was completed in June. Whilst the market is not buoyant at the current time, it is envisaged that development could commence in 2011/12. WDC, working with ABCD, will support this project.

Peal House was vacated by Carillion in early 2009 and WDC has been in dialogue with Axa, the owners, and a Birmingham based developer about the refurbishment of the building. In addition, WDC have encouraged a local organisation to look at occupying a substantial part of the building post-refurbishment. There is a reasonable prospect of the work being started in 2010/11.

### **Stafford Street**

WDC has been working with Start Estates to secure additional funding to enable it to redevelop the old drill hall in Stafford Street for 12 residential units. The redevelopment has been identified as commencing in 2009/10.

### **Northern Gateway**

Both the CityGate and Treetops schemes have obtained consent for mixed-use developments but have not proceeded as yet because of the lack of funding. WDC will assist both developments to secure funding and start dates for the schemes are anticipated in 2010/11.

### **Low Level Station**

Work continues with Oswin to identify potential occupiers for Low Level Station as the foreign casino operator appears not to wish to proceed. In addition, ways of 'completing' the Fusion scheme are being explored with Barretts.

### **Canalside**

WDC would wish to see development in the Canalside area start again. Key to this is the production of a delivery plan which is discussed in more detail in the next section. However, on the assumption that the proposition is successful, project outcomes are highlighted for 2009/10 onwards.

## **4.2 PLANS**

### **City Centre Framework**

WDC believes that it is vital that a framework is produced to guide future development in the City Centre. Such a framework should comprise baseline work identifying the nature, type and amount of activity that exists in the City Centre and just as importantly the elements that are missing.

The framework would address the attractiveness of the City for developers, landowners and investors. Infrastructure considerations, including transportation, car parking, connectivity and public realm, will be assessed and options identified. Finally, the work would focus upon sub-areas of the City Centre and produce development briefs for these areas.

An application for £350k has been submitted to AWM to fund the work.

### **Superstore Study**

With the continued buoyancy of the superstore market, there is an urgent need to undertake work on both the amount of convenience retail floorspace that Wolverhampton requires and the best locations for such space to be accommodated.

WCC as local planning authority is undertaking the needs assessment exercise and WDC has been asked to commission an independent study that would rank in preference order the potential superstore sites in and around the city centre.

A sum of £35,000 has been allocated in the revised budget for this work.

### **Canalside Delivery Plan**

Discussions with WCC have resulted in an agreement that WDC should commission a delivery plan for the Canalside area. This plan would identify the numbers and mix of residential units to be delivered, the preferred phasing of such delivery, opportunities for social and commercial uses and possible infrastructure requirements.

## **5 OTHER ACTIVITIES**

- 5.1 WDC will play an active role in supporting the Council's 'Red Carpet' initiative. In particular, it believes that it could take the lead on identifying solutions for companies (whether already in the City or potential relocators) to meet their property/floorspace requirements.
- 5.2 WDC will provide a 'follow-up' service to identify the reasons why developments are not being implemented in accordance with the timescales envisaged.

5.3 WDC will help to develop a marketing plan for the City and perform the role allocated to it in putting such a plan into operation.

**6 OUTPUTS AND FUNDING**

**6.1 FORECAST KEY OUTPUTS**

The individual projects are identified below with their various output and funding projected requirements. These have been amalgamated and are produced below in summary form.

**SUMMARY FORECASTS**

	2009-10	2010-11	2011-12	Total Years 1– 3	Total Years 2012–14
Public Funding	£13.4m	£22m	£7.5m	£42.9m	£17.75m
Private Funding	£41.6m	£71m	£14.5m	£127.1m	£107m
Commercial Floorspace	6,000m <sup>2</sup>	53,600m <sup>2</sup>	11,000 m <sup>2</sup>	70,600m <sup>2</sup>	33,500m <sup>2</sup>
Jobs	150	847	620	1617	1550
Housing Units	62	150	150	362	
Brownfield Land (hectares)	1.3	8.8	5.1	15.2	4.8

## PROJECT OUTPUTS

### Interchange

	2009-10	2010-11	2011-12	2012-13	2013-14	Total £m
Public Funding	£10m	£13.4m		£8m (AWM)	£8m (AWM)	£39m
Private Sector Funding	£0.6m			£30m	£55m	£85.6m
Commercial Floorspace		1,600m <sup>2</sup> (retail)		10,000m <sup>2</sup> office	15,000m <sup>2</sup> retail	
Jobs		77		500	700	1277

### City Gate

	2009-10	2010-11	2011-12	2012-13	Total £m
Public Funding					
Private Funding	£20m	£40m			£60m
Commercial Floorspace	4,000m <sup>2</sup>	21,500m <sup>2</sup>			25,500m <sup>2</sup>
Jobs	100	400			500

### Tree Tops

	2009-10	2010-11	2011-12	2012-13	Total £m
Public Funding					
Private Funding	£10m	£10m			£20m
Commercial Floorspace	2,000m <sup>2</sup>	21,500m <sup>2</sup>			22,500m <sup>2</sup>
Jobs	50	350			400

### Canalside

	2009-10	2010-11	2011-12	2012-13	Total £m
Public Funding (HCA)	£3m	£5.5m	£4m		£12.5m
Private Funding	£8m	£14m	£8m		£30m
Housing units	50	150	150		350

### Fox Hotel

	2009-10	2010-11	2011-12	2012-13	Total £m
Public Funding				£1.75m	£1.75m
Private Funding				£22m	£22m
Commercial Floorspace				7,000m <sup>2</sup> (office) 1,500m <sup>2</sup> (retail)	8,500m <sup>2</sup>
Jobs				350	350

### Marshalls Building

	2009-10	2010-11	2011-12	2012-13	Total £m
Public Funding		£1m	£2m		£3m
Private Funding	£1m	£3m	£4m		£8m
Commercial Floorspace		7,000m <sup>2</sup>	7,000m <sup>2</sup>		14,000m <sup>2</sup>
Jobs		220	220		440

### Peal House

	2009-10	2010-11	2011-12	2012-13	Total £m
Public Funding		£2m	£1.5m		£3.5m
Private Funding		£4m	£2.5m		£6.5m
Office Floorspace		2,000m <sup>2</sup>	4,000m <sup>2</sup>		6,000m <sup>2</sup>
Jobs		100	250		350

### 184 Stafford Street

	2009-10	2010-11	2011-12	2012-13	Total £m
Public Funding					
Private Funding	£2m				£2m
Housing Units	12				12

## PLANS

### City Centre Framework Plan

	2009-10	2010-11	2011-12	2012-13	Total £m
Public Funding (AWM)	£0.4m	£0.1m			£0.5m
Private Funding					