

GREATER MANCHESTER COMBINED AUTHORITY

DATE: Friday, 26th March, 2021

TIME: 10.15 am

Via Microsoft Teams

2nd SUPPLEMENTAL AGENDA

27. Greater Manchester Housing Investment Loans Update 1 - 6

Report of Salford City Mayor, Paul Dennett, Portfolio Lead for Housing, Planning & Environment.

28. Greater Manchester Housing Investment Loans Approvals 7 - 10

Report of Salford City Mayor, Paul Dennett, Portfolio Lead for Housing, Planning & Environment.

31. Exclusion of Press & Public

That, under section 100 (A)(4) of the Local Government Act 1972 the press and public should be excluded from the meeting for the following items on business on the grounds that this involved the likely disclosure of exempt information, as set out in the relevant paragraphs of Part 1, Schedule 12A of the Local Government Act 1972 and that the public interest in maintaining the exemption outweighed the public interest in disclosing the information.

PART B

33. Greater Manchester Housing Investment Loans Approvals 11 - 14

Report of City Mayor, Paul Dennett, Portfolio Lead for Planning, Housing & Environment.

BOLTON	MANCHESTER	ROCHDALE	STOCKPORT	TRAFFORD
BURY	OLDHAM	SALFORD	TAMESIDE	WIGAN

Name	Organisation	Political Party
Councillor Eamonn O'Brien	Bury Council	Labour
GM Mayor Andy Burnham	GMCA	Labour
Councillor David Greenhalgh	Bolton Council	Conservative
Councillor Brenda Warrington	Tameside	Labour
Deputy Mayor Beverley Hughes	GMCA	Labour
Councillor Richard Leese	Manchester CC	Labour
Councillor Sean Fielding	Oldham MBC	Labour
Councillor Allen Brett	Rochdale	Labour
City Mayor Paul Dennett	Salford City Council	Labour
Councillor Andrew Western	Trafford	Labour
Councillor David Molyneux	Wigan Council	Labour
Councillor Elise Wilson	Stockport MBC	Labour

For copies of papers and further information on this meeting please refer to the website www.greatermanchester-ca.gov.uk. Alternatively, contact the following
Governance & Scrutiny Officer: Governance and Scrutiny
✉ sylvia.welsh@greatermanchester-ca.gov.uk

This supplemental agenda was issued on 24 February 2021 on behalf of Julie Connor, Secretary to the Greater Manchester Combined Authority, Broadhurst House, 56 Oxford Street, Manchester M1 6EU

Date: 26 March 2021

Subject: GM Housing Investment Loans Fund: Update

Report of: Salford City Mayor Paul Dennett, Portfolio Lead Leader for Housing, Homelessness and Infrastructure, Steve Rumbelow, Portfolio Lead Chief Executive for Housing, Homelessness and Infrastructure

PURPOSE OF REPORT

This report sets out an update on the current and forecast commitments of the GM Housing Investment Loans Fund.

RECOMMENDATIONS:

The GMCA is recommended to note the contents of this report.

CONTACT OFFICERS:

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 Laura Blakey: laura.blakey@greatermanchester-ca.gov.uk

BACKGROUND PAPERS:

- Housing Investment Fund (report to GMCA, 27 February 2015)
- GM Housing Investment Loans Fund – Revised Investment Strategy (report to GMCA, 25 October 2019)

TRACKING/PROCESS		
Does this report relate to a major strategic decision, as set out in the GMCA Constitution		YES
EXEMPTION FROM CALL IN		
Are there any aspects in this report which means it should be considered to be exempt from call in by the relevant Scrutiny Committee on the grounds of urgency?		NO
TfGMC	Overview & Scrutiny Committee	

1. INTRODUCTION & OVERVIEW

- 1.1 The GM Housing Investment Loans Funds (“GMHILF” or “the Fund”) was launched in 2015 with the target of supporting the delivery of at least 10,000 new homes over its 10-year investment timeframe.
- 1.2 The £300m provided by Government (through the Ministry of Housing, Communities and Local Government, “MHCLG”) for onward investment by the Fund is drawn down by GMCA in annual tranches. Any funds not invested (i.e. drawn down under loans made by GMCA to developers) at the end of the financial year are returned to Government.
- 1.3 In the early years of the Fund, any funds returned to Government at financial year end were available for GMCA to re-draw the following year. However, this arrangement came to an end in March 2020 at which point the value of the Fund drawn was £181.1m. Therefore, the position at March 2020 represents the maximum capacity of the Fund going forward. Based on current projections, the Fund is expected to be fully drawn at £181.1m at 31 March 2021.
- 1.4 Under the terms of the GMHILF loan agreement with MHCLG, GMCA has underwritten the repayment of 80% of the funds received from Government when the Fund comes to an end in 2028. This equates to £60m to absorb losses on the Fund, or cover investments out past the final repayment date. To date there have been no losses on the Fund and the full £60m buffer remains available.

2. CURRENT COMMITMENTS AND PIPELINE

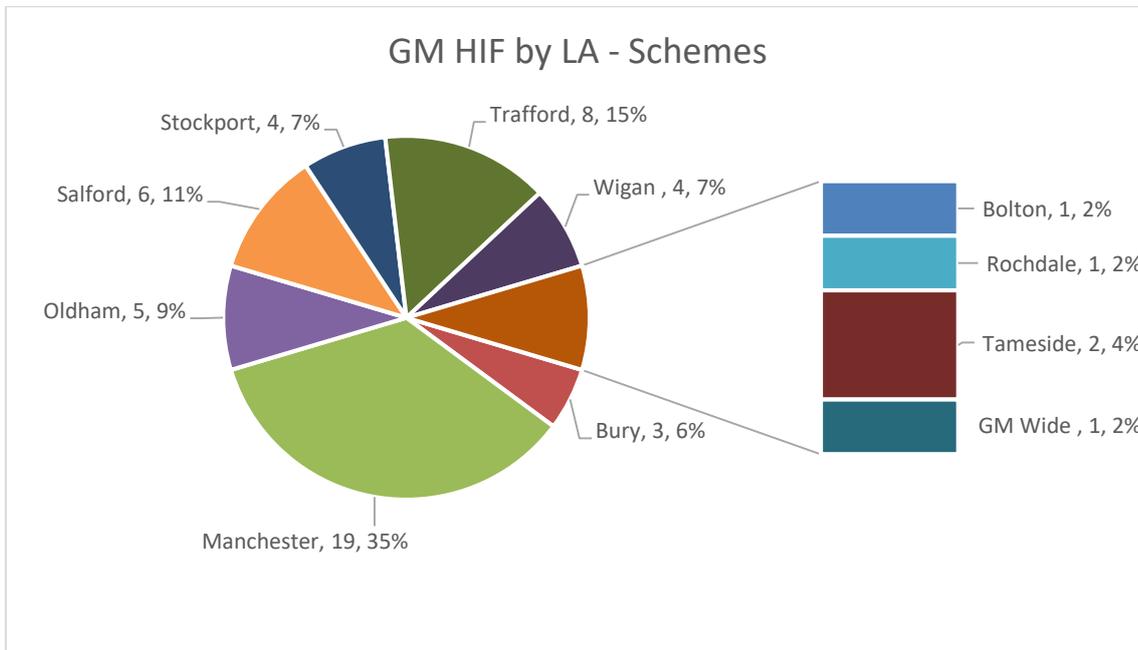
- 2.1 The Combined Authority has approved £507.6m of GMHILF loans to 54 schemes across GM, delivering a total of 6,856 new units (out of a target of 10,000 units), to date. The Combined Authority has also approved £17m of GMHILF equity investments. The distribution of schemes supported by GMHILF lending is shown by local authority area in the graph at appendix 1.
- 2.2 A large proportion of the Fund’s first cycle of investments constituted senior debt for large city centre developments, for which there has been clear demand and which has been key to maximising the funds available from Government.
- 2.3 As well as delivering 5,351 units in support of the Fund’s overall target, lending for those city-centre schemes approved to date is forecast to generate approximately £16.47m of net income to GMCA. In addition to contributing to the Fund’s operation, £1.75m of this income has been used to support the formation of the Delivery Team to further accelerate the supply of new homes and unlock some of GM’s most challenging opportunities for housing growth. In addition to working with local authority partners to progress delivery of priority schemes, the Delivery Team has supported the successful bid for £54m of Getting Building funding across 7 schemes within GM, and the £81m Brownfield Land Fund to deliver over 5,500 new homes over a 5 year period.

- 2.4 In addition to helping create the capacity needed by GM to realise its ambitions for housing growth, the surplus income generated by GMHILF has also been ringfenced to support wider housing objectives in the following areas:
- Delivery of truly affordable housing;
 - Bringing back into use Empty Homes;
 - Addressing issues arising from rogue landlords; and
 - Creating a fund to buy out landlords operating poor / unfit private rented stock across GM.
- 2.5 Detailed proposals for the use of GMHILF income to support these objectives are in the course of being brought forward, the first of which is the GM Good Landlord Scheme which is subject of a separate report due to be considered by the Combined Authority at its meeting in March 2021.
- 2.6 Lending to city centre developments has been key to maximising the drawdown of funds being made available by Government, and has provided the anchor for the Fund's wider activities, including support for SME housebuilders. Of the 54 loans approved to date, 33 have been to SME developers amounting to £61.2m of lending, the vast majority of which has been for schemes outside the city-centre. The Fund has adopted a number of measures to support the SME sector including:
- the creation of a Small Loans Fund for lending of up to £2m, offering a streamlined process and simplified lending requirements specifically designed to support SME housebuilders;
 - a loan pricing framework which does not include the commitment and exit fees often charged by mainstream lenders, reducing the costs of finance which can be a constraint on scheme viability for SME housebuilders; and
 - an Investment Strategy which allows GMCA to consider flexible lending structures, including higher loan to cost and loan to value lending ratios than are often applied by mainstream lenders, and the recycling of receipts to allow phased completion of schemes, in both cases reducing the amount of funding of their own that SME housebuilders have to provide to deliver schemes.
- 2.7 The Fund is also continuing to work with local authorities to bring forward projects into which GMHILF can be invested in a more flexible way to help overcome the viability constraints that are evident in the existing Town Centres. GMCA is continuing to work with local authority and private-sector partners to bring forward investment into schemes such as Stockport Interchange which contribute to wider regeneration strategies for their locations through physical renewal and increasing town centre living to support local economic growth.
- 2.8 The Fund has also made equity investments totalling £15m in three funds – Resonance Limited's Impact Investment Property and Learning Disabilities funds, and Social and Sustainable Housing Limited Partnership's Social and Sustainable Housing Fund – which will work in partnership with Registered Providers and other charities to acquire and refurbish properties across GM to provide accommodation for vulnerable people.

3. CONCLUSIONS

- 3.1 The Fund is expected to be fully drawn at £181.1m at 31 March 2021 and the current pipeline indicates that this will continue to be the case at 31 March 2022.
- 3.2 The Fund will continue to prioritise support for SME developers and enabling marginal developments that bring forward challenging sites and can help establish new residential markets in priority town centres across GM. In line with the GMHILF Investment Strategy, this approach will be blended with investment into city-centre developments in order to maintain the Fund's investment capacity and generate surpluses.

APPENDIX 1: DISTRIBUTION OF GMHILF LOANS BY LOCAL AUTHORITY AREA



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Date: 26 March 2021

Subject: GM Housing Investment Loans Fund – Investment Approval Recommendations

Report of: Salford City Mayor Paul Dennett, Portfolio Lead Leader for Housing, Homelessness and Infrastructure and Steve Rumbelow, Portfolio Lead Chief Executive for Housing, Homelessness and Infrastructure

PURPOSE OF REPORT

This report seeks Combined Authority’s approval to the GM this report seeks the approval of the GM Housing Investment Loans Fund loans detailed in the recommendation below.

RECOMMENDATIONS:

The Combined Authority is recommended to:

1. Approve the GM Housing Investment Loans Fund loans detailed in the table below, as detailed further in this and the accompanying Part B report;

BORROWER	SCHEME	DISTRICT	LOAN
SPV subsidiary of Albell Investment Ltd	All Souls Rectory, Every Street	Manchester	£1.000m
Waterside Places	Islington Wharf Phase 4	Manchester	£8.300m

2. Delegate authority to the GMCA Treasurer acting in conjunction with the GMCA Monitoring Officer to prepare and effect the necessary legal agreements.

CONTACT OFFICERS:

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BACKGROUND PAPERS:

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TRACKING/PROCESS	
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Does this report relate to a major strategic decision, as set out in the GMCA Constitution		YES
EXEMPTION FROM CALL IN		
Are there any aspects in this report which means it should be considered to be exempt from call in by the relevant Scrutiny Committee on the grounds of urgency?		NO
TfGMC	Overview & Scrutiny Committee	

Equalities Implications – not applicable

Climate Change Impact Assessment and Mitigation Measures – not applicable

Risk Management – see paragraph 3

Legal Considerations – see paragraph 4

Financial Consequences – Revenue – see paragraph 5

Financial Consequences – Capital – see paragraph 6

1. INTRODUCTION & OVERVIEW

- 1.1 In line with the agreed governance process for the GM Housing Investment Loans Fund (“the Fund”), the Combined Authority is asked to approve the loans detailed in section 2, which have been recommended for approval by the Fund’s Credit Committee.
- 1.2 The total value of offers of loans from the Fund approved by the Combined Authority to date is £507.6m and the total value of equity investments made by the Fund is £17m¹. If the recommendations set out in this report are agreed, the value of loan offers will increase to £516.9m.
- 1.3 Affordable housing and section 106 agreements are dealt with at a local level in line with local policies, national planning legislation and the government’s National Planning Policy Framework. As agreed at the December 2018 meeting of the GMCA, the majority of the surpluses generated from the Fund will be ring fenced to support provision of additional housing affordable to GM residents, supporting the Mayor’s Town Centre Challenge and tackling issues such as rogue landlords, empty homes and improving standards within the Private Rented Sector.
- 1.4 The GM Housing Vision approved by GMCA in January 2019 began to set a new context for housing delivery within GM and paved the way for the co-produced GM Housing Strategy and revised GM Housing Investment Loans Fund Investment Strategy that were approved by GMCA in October 2019. Alongside the work toward the Joint Development Plan Document: Places for Everyone, this development of a

¹ These figures exclude loan offers that have not been taken up and are therefore withdrawn.

shared strategic approach to the delivery of new homes across Greater Manchester sets the objectives and focus of future investments made from the Fund.

2. LOAN APPROVALS SOUGHT

- 2.1 Albell Investment Ltd is seeking a loan of £1m from the GM Housing Investment Loans Fund for the construction of a 4-storey building to form 10 large apartments suitable for families on the site of the former All Souls Rectory on Every Street, Manchester. Planning permission was granted in December 2016. The loan will support a SME developer. There is no affordable housing provision or Section 106 requirement due to the small scale of the development.
- 2.2 Waterside Places is seeking a loan of £8.3m from the GM Housing Investment Loans Fund, alongside a loan of £8m from GMCA's Growing Places Fund, for the construction of 106 apartments in New Islington, Manchester. Planning permission was granted in August 2020. The loan will deliver the fourth and final phase of a long term redevelopment programme of sites in a strategic location. There is no affordable housing or Section 106 requirement as a result of the price paid to acquire the site being fixed under an historic agreement which predates the City Council's Affordable Housing Supplementary Planning Document (SPD) of 2008 (i.e. the price was based on planning consent with no provision for affordable housing) and is therefore exempt from the requirements set out in the adopted SPD, together with a viability appraisal which demonstrates that the scheme is not commercially viable if a requirement for affordable housing/a Section 106 contribution is introduced.
- 2.3 In both cases the schemes support GM's policy to prioritise brownfield sites for development over the release of Green Belt in meeting its Local Housing Need as set by Government. Lending from the GM Housing Investment Loans Fund will also assist in maintaining a base level of development activity that protects and creates jobs in the construction sector and therefore supports GM's economic recovery from the impact of the Covid-19 pandemic.
- 2.4 Further details of the schemes and proposed terms of the loans are included in the accompanying Part B report, to be treated as confidential on account of the commercially sensitive nature of the information.

3. RISK MANAGEMENT

- 3.1 The structure and security package proposed for the loans in order to mitigate risk are given in the accompanying Part B report.
- 3.2 The loans will be conditional upon a satisfactory outcome of detailed due diligence and ongoing confirmation from Monitoring Surveyors acting on the Fund's behalf that the schemes are being delivered satisfactorily.

4. LEGAL CONSIDERATIONS

- 4.1 A detailed loan facility and other associated legal documentation will be completed ahead of the first loan payment for each scheme.

5. FINANCIAL CONSEQUENCES – REVENUE

- 5.1 The borrowers will be required to meet the Fund’s legal, due diligence and monitoring costs and there is no requirement for additional revenue expenditure by GMCA in addition to the approved Core Investment Team budget.

6. FINANCIAL CONSEQUENCES – CAPITAL

- 6.1 The loans will be sourced from the £300m GM Housing Investment Loans Fund, including the recycling of loans repaid to the Fund.

7. RECOMMENDATION

- 7.1 The Combined Authority is recommended to approve the loans in line with the terms set out in the accompanying report, and delegate authority to the GMCA Treasurer acting in conjunction with the GMCA Monitoring Officer to prepare and effect the necessary legal agreements.

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

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