

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.

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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	
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BOLTON
BURY

MANCHESTER
OLDHAM

ROCHDALE
SALFORD

STOCKPORT
TAMESIDE

TRAFFORD
WIGAN

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.