

Date: 25 June 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 Housing Investment Loans Fund loans and equity investment detailed in the recommendation below.

RECOMMENDATIONS:

The GMCA 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
FSG (Kara) Projects Ltd	Kara Street, Seedley	Salford	£5.126m
Newpark Gables Ltd	7 Old Hall Road	Salford	£1.455m

2. Approve the GM Housing Investment Loans Fund equity investment detailed in the table below, as detailed further in this and the accompanying Part B report:

DEVELOPER	SCHEME	DISTRICT	EQUITY
Cityheart Ltd and Rise Homes Ltd	Stockport Interchange	Stockport	£9.300m

3. 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)
- Stockport Interchange/Town Centre Mixed Use Proposals (report to GMCA 29 June 2018)
- Stockport Interchange Mixed Use Scheme – Update report (report to GMCA 31 January 2020)

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
GMTC	Overview & Scrutiny Committee	

Impacts

All three developments for which GMHILF loans/investment are proposed will increase the supply of new housing within GM.

The Kara Street and Old Hall Road developments will have short term positive impacts on economic development by sustaining jobs within GM's construction sector. The Kara Street development will also have long term positive impact on the re-use of derelict urban land.

The Stockport Interchange development will have long term positive impacts on increasing the accessibility of homes for GM residents and improving an underused urban site. It will also have positive long term impacts on GM's economic development, attracting inward investment to Stockport Town Centre, helping local businesses maximise economic assets and increasing employment opportunities.

Carbon Assessment

The Kara Street development meets the majority of best practice for minimising carbon impacts, and includes the delivery of on-site renewable infrastructure. The Old Hall Road development partially meets best practice for minimising carbon impacts, and does not include on-site renewable infrastructure on account of the small scale of the development.

The Stockport Interchange development meets the highest standard of best practice for minimising carbon impacts, and includes the delivery of on-site renewable energy infrastructure.

Equalities Assessment

Not applicable.

Risk Management – see paragraph 4

Legal Considerations – see paragraph 5

Financial Consequences – Revenue – see paragraph 6

Financial Consequences – Capital – see paragraph 7

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 £511.7m and the total value of approved equity investments is £17m¹. If the recommendations set out in this report are agreed, the value of loan offers will increase to £518.3m and the value of equity investments will increase to £26.3m.
- 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 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 FSG (Kara) Projects Ltd is seeking a loan of £5.126m from the GM Housing Investment Loans Fund for the development of 66 new build houses on a site at Kara Street, Seedley. The scheme, for which a grant offer of £683k from the GMCA Brownfield Land Fund has been made, is part of a wider planning consent granted in March 2021 under which Salix Homes will deliver 97 affordable units on a nearby site. The two sites were acquired from Salford Council earlier in 2021, and across

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

the two developments a S106 contribution of £1.1m is to be made towards local education, open space and public realm infrastructure.

- 2.2 Newpark Gables Ltd is seeking a loan of £1.455m from the GM Housing Investment Loans Fund for the development of 7 new build apartments in Broughton, Salford. Planning permission was granted in November 2020. The loan will support a GM based developer investing in Greater Manchester. There is no S106 contribution or affordable housing provision due to the small scale of the scheme.
- 2.3 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. EQUITY INVESTMENT APPROVALS SOUGHT

- 3.1 Cityheart Limited and Rise Homes Limited (“the Development Partner”) are seeking a patient equity investment of up to £9.3m from the GM Housing Investment Loans Fund to deliver and operate 196 apartments for Private Rented Sector use on the site of the existing Stockport Bus Station in Stockport Town Centre. The development forms part of a wider scheme involving the construction of a new bus interchange and public park. Planning permission was granted in October 2019. There is no affordable housing or Section 106 requirement due to the financial viability of the scheme.
- 3.2 Further details of the development and basis for GMCA’s investment are included in the accompanying Part B report, to be treated as confidential on account of the commercially sensitive nature of the information.

4. RISK MANAGEMENT

- 4.1 The structure and security package proposed for the loans in order to mitigate risk are given in the accompanying Part B report.
- 4.2 The loans will be conditional upon a satisfactory outcome of detailed due diligence and ongoing confirmation from a Monitoring Surveyor acting on the Fund’s behalf that the schemes are being delivered satisfactorily.
- 4.3 As a shareholder in the SPV established by the Development Partner for the Stockport Interchange development, GMCA will participate in key decisions regarding the construction and operation of the development in order to manage risk.

5. LEGAL CONSIDERATIONS

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

- 5.2 A detailed Shareholders' agreement will be entered into ahead of proceeding with the investment in the Stockport Interchange development.

6. FINANCIAL CONSEQUENCES – REVENUE

- 6.1 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.
- 6.2 The operational costs of the SPV established by the Development Partner for the Stockport Interchange development will be funded through the investments made by the shareholders and there is no requirement for additional revenue expenditure by GMCA in addition to the approved Core Investment Team budget.

7. FINANCIAL CONSEQUENCES – CAPITAL

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

8. RECOMMENDATION

- 8.1 The Combined Authority is recommended to approve the loans and equity investment 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.