

Date: 30 July 2021

Subject: GM Housing Investment Loans Fund – Investment Approval Recommendation

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

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## PURPOSE OF REPORT

This report seeks Combined Authority’s approval to the GM Housing Investment Loans Fund (“GMHILF”) loan detailed in the recommendation below.

In view of the Combined Authority not meeting in August, this report also seeks approval to delegate authority to the Combined Authority Chief Executive in consultation with the Portfolio Lead Leader for Planning, Housing & Homelessness to approve projects for GMHILF funding of up to £2m, and approve any urgent variations on amounts and terms for GMHILF loans previously approved, in the period 31 July 2021 to 23 September March 2021.

## RECOMMENDATIONS:

The Combined Authority is recommended to:

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

BORROWER	SCHEME	DISTRICT	LOAN
Cityheart Limited & Rise Homes Ltd	Stockport Interchange	Stockport	£21.500m

2. Delegate authority to the GMCA Treasurer acting in conjunction with the GMCA Monitoring Officer to prepare and effect the necessary legal agreements.
3. Delegate authority to the Combined Authority Chief Executive in consultation with the Portfolio Lead Leader for Planning, Housing & Homelessness, to approve projects for GMHILF funding of up to £2m and approve any urgent variations on amounts and terms for GMHILF funding previously approved in the period 31 July 2021 to 23 September 2021.

## CONTACT OFFICERS:

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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)
- GM Housing Investment Loans Fund – Investment Approval Recommendations (report to GMCA 25 June 2021)

<b>TRACKING/PROCESS</b>		
Does this report relate to a major strategic decision, as set out in the GMCA Constitution		YES
<b>EXEMPTION FROM CALL IN</b>		
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 IMPACT, CARBON AND SUSTAINABILITY ASSESSMENT:

Impacts Questionnaire		
Impact Indicator	Result	Justification/Mitigation
Equality and Inclusion		
Health		
Resilience and Adaptation		
Housing	G	Provides access to 196 new build homes through the regeneration of the existing Stockport Bus Station site.
Economy	G	New tenants and commercial units to be developed within Stockport town centre. Provides employment opportunities during both the development and operational phases. Private sector investment to be made in to the development.
Mobility and Connectivity		
Carbon, Nature and Environment		
Consumption and Production		
Contribution to achieving the GM Carbon Neutral 2038 target		
<b>Further Assessment(s):</b>	Carbon Assessment	
	<b>Positive impacts overall, whether long or short term.</b>	 <b>Mix of positive and negative impacts. Trade-offs to consider.</b>
	<b>Mostly negative, with at least one positive aspect. Trade-offs to consider.</b>	 <b>Negative impacts overall.</b>

Carbon Assessment		
Overall Score		
Buildings	Result	Justification/Mitigation
New Build residential		Highest level of energy efficiency targeted with minimum standard to be exceeded. Onsite renewable energy to be incorporated in the form of PV.
Residential building(s) renovation/maintenance	N/A	
New Build Commercial/Industrial		Highest level of energy efficiency targeted with minimum standard to be exceeded. Onsite renewable energy to be incorporated in the form of PV.
<b>Transport</b>		
Active travel and public transport	N/A	
Roads, Parking and Vehicle Access	N/A	
Access to amenities	N/A	
Vehicle procurement	N/A	
<b>Land Use</b>		
Land use	N/A	
	No associated carbon impacts expected.	 High standard in terms of practice and awareness on carbon.
	Mostly best practice with a good level of awareness on carbon.	 Partially meets best practice/ awareness, significant room to improve.
	Not best practice and/ or insufficient awareness of carbon impacts.	

**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 loan detailed in section 2, which has 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 £510m and the total value of approved equity investments is £26.3m<sup>1</sup>. If the recommendation set out in this report is agreed, the value of loan offers will increase to £531.5m.
- 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 APPROVAL SOUGHT**

- 2.1 Cityheart Limited and Rise Homes Limited (“the Development Partner”) are seeking a loan of up to £21.5m from the GM Housing Investment Loans Fund for the development of 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, with no affordable housing

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

or Section 106 requirement due to the financial viability of the scheme. At its meeting in June 2021, GMCA approved a patient equity investment in the scheme of up to £9.3m.

- 2.2 Further details of the scheme and proposed terms of the loan 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 loan in order to mitigate risk are given in the accompanying Part B report.
- 3.2 The loan 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 scheme is 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.

### **5. FINANCIAL CONSEQUENCES – REVENUE**

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

### **7. DELEGATION**

- 7.1 A delegation is sought to allow urgent recommendations for funding to be approved in the period between the Combined Authority's July and September meetings. It is proposed that authority be delegated to the Combined Authority Chief Executive in consultation with the Portfolio Lead Leader for Planning, Housing & Homelessness to approve new GMHILF investments of up to £2m and approve variations to the terms of GMHILF investments previously approved by the Combined Authority.
- 7.2 Any recommendations approved under the delegation will be subject to the usual due diligence processes and will be reported to the next available meeting of the Combined Authority.

## **8. RECOMMENDATION**

- 8.1 The Combined Authority is recommended to approve the loan 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.
- 8.2 The Combined Authority is also recommended to delegate authority to the Combined Authority Chief Executive in consultation with the Portfolio Lead Leader for Planning, Housing & Homelessness to approve new GMHILF investments of up to £2m, and approve variations to the terms of GMHILF investments previously approved by the Combined Authority, in the period 31 July 2021 to 23 September 2021.