

## Greater Manchester Combined Authority

Date: 22 March 2024

Subject: GM Housing Investment Loans Fund and Brownfield Housing Fund

Report of: Councillor Ged Cooney, Portfolio Lead for Housing and Steve Rumbelow, Portfolio Lead Chief Executive for Housing, Homelessness and Infrastructure

### Purpose of Report

This report seeks the Combined Authority’s approval to the GM Housing Investment Loans Fund (“GMHILF” or “the Fund”) loans detailed in the recommendation below. This report also seeks the Combined Authority’s approval to reallocate the source of funding for certain GMHILF loans to the Brownfield Housing Fund, if required to maximise year end spend.

In view of the Combined Authority not meeting in April, this report also seeks the Combined Authority’s approval to delegate authority to the Combined Authority Chief Executive acting in conjunction with the Portfolio Lead for Housing to approve funding and urgent variations to existing funding from the GMHILF, City Deal Receipts and/or the Brownfield Housing Fund.

### Recommendations:

The Combined Authority is requested to:

1. Approve the GMHILF loans detailed in the table below, as detailed further in this and the accompanying Part B report;

BORROWER	SCHEME	DISTRICT	LOAN
Trinity Developments (Manchester) Ltd	Tower D1, Trinity Island	Manchester	£70.8m
New Jackson (Contour) Investments Ltd	Contour	Manchester	£69.2m

The recommendation is to approve the above as a cap on lending, with the Combined Authority committing to provide £120m across the two schemes and having the option to provide a further £20m if there is surplus funding available.

2. Delegate authority to the GMCA Treasurer to change the funding source of GMHILF loans to the Brownfield Housing Fund in advance of 31 March 2024.
3. Delegate authority to the GMCA Chief Executive acting in conjunction with the Portfolio Lead for Housing to approve funding and urgent variations to existing funding for GMHILF, City Deal Receipts and/or the Brownfield Housing Fund funding in the period 22 March 2024 to 31 May 2024.
4. Delegate authority to the GMCA Treasurer acting in conjunction with the GMCA Monitoring Officer to prepare and effect the necessary legal agreements.
5. Note that any recommendations that are approved under the delegation will be reported to the next available meeting of the Combined Authority.

## **Contact Officers**

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## **Equalities Impact, Carbon and Sustainability Assessment:**

The Equalities Impact and Carbon & Sustainability Assessment for each scheme is given below:

TRINITY TOWER D1

**Recommendation - Key points for decision-makers**

**Impacts Questionnaire**

Impact Indicator	Result	Justification/Mitigation
Equality and Inclusion		
Health		
Resilience and Adaptation		
Housing	<b>G</b>	The scheme will bring forward the redevelopment of an approximately 1ha brownfield site. The scheme will deliver 532 apartments.
Economy	<b>G</b>	The development will support GM in continuing to bring forward the supply of the new, high quality housing required for GM to realise its full economic potential. The scheme represents a major development, sustaining a significant number of jobs within the construction sector both on site and within the supply chain. The development will provide opportunities for apprenticeships in a number of construction trades.
Mobility and Connectivity		
Carbon, Nature and Environment		
Consumption and Production		
Contribution to achieving the GM Carbon Neutral 2038 target		

**Further Assessment(s):**

Carbon Assessment

<b>G</b>	Positive impacts overall, whether long or short term.	<b>A</b>	Mix of positive and negative impacts. Trade-offs to consider.	<b>R</b>	Mostly negative, with at least one positive aspect. Trade-offs to consider.	<b>RR</b>	Negative impacts overall.
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## Carbon Assessment

Overall Score  

Buildings	Result	Justification/Mitigation
New Build residential		<p>95% of the apartments will receive an EPC 'B' certification.</p> <p>The building weighted façade U value of 0.6 and a G value of 0.34 coupled with renewable electric heating strategy has given a 54% reduction in the dwelling emission rate over Part L1A (2021) criterion</p> <p>A full life cycle and embodied carbon assessment was undertaken prior to the development being submitted for planning, and reviewed and benchmarked against the 2025 and 2030 targets set by RIBA, UK Green building council and finally against the targets set down by MCCA. In summary the development has an embodied carbon figure that is 36.1% below the 2025 target and 8.7% below the 2030 target. This has been achieved by choosing low carbon products in the design and the inclusion of fly ash within our concrete design mixes</p> <p>Air tightness targets already exceed current requirements and guidance by design and with bio oil generators as emergency power and Renewable energy source heating the heating strategy is already low carbon</p> <p>A bio diversity impact assessment was undertaken by ERAP consultant ecologists in October 2021. The pre development land use was a grade level car park with limited ecological value. The design of the scheme is creating over 600M2 of grassed areas and with over 60 new trees and 208 metres of hedgerow these are encouraging wildlife and biodiversity. Sensitive placed nesting boxes for both bats and also the Black red start bird. Overall the assessment doesn't place a specific figure on the gain but does state that the changes to the area offer a "significant" increase over the requirement of 10% biodiversity net gain</p> <p>The development is surrounded by local authority transport links that include cycle routes to and from the city centre. The development assists in the encouraging of green modes of transport by offering 1 bike storage space in a secure area per apartment in the development.</p>

Residential building(s) renovation/maintenance	N/A	
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New build non-residential (including public) buildings	N/A	
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### Transport

Active travel and public transport	N/A	
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Roads, Parking and Vehicle Access	N/A	
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Access to amenities	N/A	
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Vehicle procurement	N/A	
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### Land Use

Land use	N/A	
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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.
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## Recommendation - Key points for decision-makers

### Impacts Questionnaire

Impact Indicator	Result	Justification/Mitigation
Equality and Inclusion		
Health		
Resilience and Adaptation		
Housing	<b>G</b>	The scheme will bring forward the redevelopment of an approximately 1ha brownfield site. The scheme will deliver 494 apartments.
Economy	<b>G</b>	The development will support GM in continuing to bring forward the supply of the new, high quality housing required for GM to realise its full economic potential. The scheme represents a major development, sustaining a significant number of jobs within the construction sector both on site and within the supply chain. The development will provide opportunities for apprenticeships in a number of construction trades.
Mobility and Connectivity		
Carbon, Nature and Environment		
Consumption and Production		
Contribution to achieving the GM Carbon Neutral 2038 target		

#### Further Assessment(s):

Carbon Assessment

**G**

Positive impacts overall, whether long or short term.

**A**

Mix of positive and negative impacts. Trade-offs to consider.

**R**

Mostly negative, with at least one positive aspect. Trade-offs to consider.

**RR**

Negative impacts overall.

## Carbon Assessment

Overall Score



Buildings	Result	Justification/Mitigation
New Build residential		<p>91% of the apartments will receive an EPC 'B' certification.</p> <p>The building weighted façade U value of 0.9 and a G value of 0.42 coupled with renewable electric heating strategy has given a 38% reduction in the dwelling emission rate over Part L1A (2021) criterion</p> <p>The buildings contain no gas or oil based heating systems with the residential apartments being electrically heated and the communal areas being via Air source heat pumps with a COP of 4.1:1</p> <p>A full life cycle and embodied carbon assessment was undertaken prior to the development being submitted for planning, and reviewed and benchmarked against the 2025 and 2030 targets set by RIBA, UK Green building council and finally against the targets set down by MCCA. In summary the development has an embodied carbon figure that is 36.1% below the 2025 target and 8.7% below the 2030 target. This has been achieved by choosing low carbon products in the design and the inclusion of fly ash within our concrete design mixes</p> <p>Air tightness targets already exceed current requirements and guidance by design and with bio oil generators as emergency power and Renewable energy source heating the heating strategy is already low carbon</p> <p>A bio diversity impact assessment was undertaken by ERAP consultant ecologists in September of 2021. The pre development land use was a storage facility for Vans and cars with limited ecological value. The scheme will encompass new areas of public realm, over 40 new trees are being planted across both plots and 182m of hedgerow. Sensitive placed nesting boxes for both bats and bird roosting boxes are included. Overall the assessment doesn't place a specific figure on the gain but does state that the changes to the area offer an increase over the requirement of 10% biodiversity net gain.</p> <p>The development is surrounded by local authority transport links that include cycle routes to and from the city centre. The development assists in the encouraging of green modes of transport by offering 1 bike storage space in a secure area per apartment in the development. It is also adjacent to the new school and NHS facility at Crown street.</p>

Residential building(s) renovation/maintenance

N/A

New build non-residential (including public) buildings

N/A

### Transport

Active travel and public transport

N/A

Roads, Parking and Vehicle Access

N/A

Access to amenities

N/A

Vehicle procurement

N/A

### Land Use

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**

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

## **Legal Considerations**

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

## **Financial Consequences – Revenue**

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.

## **Financial Consequences – Capital**

The £120m minimum commitment to the two Renaker schemes loans will be sourced from the £300m GM Housing Investment Loans Fund, including the recycling of loans repaid to the Fund. The additional £20m would be provided in the event that surplus funds become available within GMHILF or other funds managed by GMCA.

**Number of attachments to the report:** None

## **Comments/recommendations from Overview & Scrutiny Committee**

None.

## **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*)
- GM City Deal – Homes and Communities Agency (*report to Combined Authority, 28 March 2014*)
- GM City Deal – Homes and Communities Agency: Update (*report to Combined Authority, 26 September 2014*)
- GM Brownfield programme (Devolution Trailblazer deal) - Methodology and Year 1 Allocations\* (*report to Combined Authority, 30 June 2023*)

- GM Brownfield programme (Devolution Trailblazer deal) – Additional Funding Allocations (*report to Combined Authority, 24 November 2023*)

## **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



# 1. Introduction

- 1.1 In line with the agreed governance process for the GM Housing Investment Loans Fund, the Combined Authority is asked to approve the loans detailed in section 3, 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 £802.5m and the total value of approved equity investments is £26.3m<sup>1</sup>. The loans and equity investments approved by the Combined Authority will deliver 9,571 new homes. If the recommendations set out in this report are agreed, the value of loan offers would increase to £942.5m, with the number of new homes supported rising to 10,597.

## 2.0 Overview of Renaker

- 2.1 The two schemes recommended for approval are being brought forward by Renaker. The company is one of the most active developers within GM, having delivered over 6,000 new homes since its establishment in 2006 and an average of over 600 new homes each year during since 2016. To date, GMCA has committed £388.2m of lending across eight Renaker developments which will deliver a total of 4,647 new homes. The two new schemes subject of this proposal will deliver a further 1,026 new homes, making a significant contribution to the GMHILF target to deliver 10,000 new homes and GM's identified housing need to build around 200,000 new homes by 2037. As set out in Places for Everyone, the delivery of high density homes on brownfield sites in accessible locations contributes to the continued transformation of the urban core of the city region as a place to live and work, while also helping reduce the requirement for housing development on less sustainably located greenfield or Green Belt sites.
- 2.2 Renaker is based in and currently operates exclusively within GM, with around 240 direct employees and consistently delivering construction turnover of around £100m or more per annum over the last 5 years. Each scheme is expected to have an average of 550 construction operatives on site at any time, and Renaker estimates that of the 50 or so sub-contractors in its supply chain, 80% are GM-based.
- 2.3 Renaker is currently supporting around 30 of its own staff through apprenticeships and other qualifications. It estimates that the sub-contractors appointed to its current 'live' developments are currently employing around 70 apprentices. Renaker has a

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

long-standing relationship with the majority of the firms it uses, with the continuity of work in the Renaker pipeline providing the stability needed for them to invest in training and development of their workforce. Renaker also has links with a number of colleges within GM to support awareness of employment opportunities within the construction sector and provide career advice and work experience opportunities to students. It is a sponsor of Didsbury High School, working with a Class of Your Own (the creators of the Design Engineer Construct! learning programme) to promote pathways from secondary education to vocational training and employment within the construction sector.

2.4 The proposed commercial terms of the new lending are included in the accompanying Part B report, to be treated as confidential on account of the commercially sensitive nature of the information. Revenue generated on GMHILF lending represents a significant source of income for GMCA. In addition to funding the GMCA Core Investment Team and GM Delivery Team, GMCA has agreed to ringfence that income to support the delivery of GM's housing priorities, and has to date committed funding for a range of initiatives including:

- £1.65m for the GM Good Landlord Scheme and Good Landlord Charter;
- £1.5m revenue support for Growth Locations;
- £1.5m for a programme to support the recruitment and training of graduates with the skills needed to bring forward GM's priorities for investment in housing;
- £0.8m to support a range of partnership working initiatives with Homes England, GM housing providers, and Health and Social Care Partnership, including the development of Home Improvement Agencies and the Ethical Lettings Agency;
- £0.35m to support the development of the Offsite Housing Alliance to drive the development of modern construction methods;
- £0.45m for feasibility work and pilot initiatives around the delivery and retrofit of Net Zero Social Homes;

### 3.1 **Loan approvals sought**

3.1 A Renaker SPV – Trinity Developments (Manchester) Ltd – is seeking a loan from GMCA of up to £70.8m for the development of 532 apartments on the Trinity Island site on Regents Road, Manchester. The scheme represents the second of two towers included within this planning application, with the overall scheme including a further two towers, in total delivering 1,950 homes. There is no affordable housing provision within the scheme but, alongside the redevelopment of a brownfield site which will include new areas of public-realm, Renaker is making a Section 106

contribution of £1.6m to support Manchester City Council in bringing forward affordable housing provision elsewhere within the city, and to part fund the delivery of a new primary school in the Great Jackson Street area opening in September 2024.

- 3.2 A separate Renaker SPV – New Jackson (Contour) Investments Ltd – is seeking a loan from GMCA of up to £69.2m for the development of 494 apartments in the Great Jackson Street area of Manchester. The scheme is the latest phase to come forward as part of a strategic development regeneration framework for Great Jackson Street which Renaker is leading the delivery of. Under a Section 106 Agreement Renaker is making a further financial contribution of £450k to part fund the new Great Jackson Street primary school.
- 3.3. The total loan across the two schemes is £140m and it is recommended that the Combined Authority commit to provide £120m across the two schemes with an option to provide a further £20m if there is surplus funding available.
- 3.4 Further details of the developments 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.

## **4. Funding sources**

- 4.1 A delegation to the GM Treasurer to change the funding sources of GMHILF loans to the Brownfield Housing Fund is recommended for approval, in order to maximise the 31 March 2024 position.

## **5. Delegation**

- 5.1 A delegation is sought to allow urgent recommendations for GMHILF, City Deal Receipts and/or Brownfield Housing Fund funding to be approved in the period between the GMCA's March and May 2024 meetings.
- 5.2 It is proposed that authority be delegated to the GMCA Chief Executive acting in conjunction with the Portfolio Lead for Housing to approve projects for funding and agree urgent variations to the terms of funding previously approved by the Combined Authority.
- 5.3 Any recommendations approved under the delegations will be subject to the usual due diligence processes and will be reported to the next available meeting of the GMCA.