

Date: 29 November 2019

Subject: GM Housing Investment Loans Fund (GMHILF): Rochdale Riverside Phase 2 - Mixed Use Development

Report of: Salford City Mayor, Paul Dennett, Portfolio Lead for Housing, Homelessness and Infrastructure, Steve Rumbelow, Portfolio Lead Chief Executive for Housing, Homelessness and Infrastructure and Councillor Allen Brett, Leader, Rochdale Metropolitan Borough Council.

PURPOSE OF REPORT

To seek in principle approval to provide GMHILF investment into Rochdale Riverside Phase 2 alongside Rochdale Metropolitan Borough Council.

RECOMMENDATIONS:

The GMCA is requested to:

1. Note the current position in relation to Rochdale Riverside Phase 2, a Mixed Use Development in Rochdale Town Centre; and
2. Provide approval, in principle, to invest up to £4m for the Rochdale Riverside Phase 2 Mixed Use Development, subject to a further request for the full approval of the investment being brought to the Combined Authority in due course.

CONTACT OFFICERS:

Bill Enevoldson: bill.enevoldson@greatermanchester-ca.gov.uk

Andrew McIntosh: andrew.mcintosh@greatermanchester-ca.gov.uk

Equalities Implications: Not applicable.

Climate Change Impact Assessment and Mitigation Measures: Not applicable.

Risk Management: The structure proposed for the investment in order to mitigate investment risks is set out below. The investment 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 scheme is being delivered satisfactorily.

Legal Considerations: A detailed investment facility and other associated legal documentation will be completed for the scheme ahead of the first investment payment. The investment will be made in line with the investment approach set out in the agreement with MHCLG.

Financial Consequences – Revenue: The investee 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 proposed investment will be sourced from the £300m GM Housing Investment Loans Fund, including the recycling of loans repaid to the Fund.

Number of attachments to the report: None.

Comments/recommendations from Overview & Scrutiny Committee: Not applicable.

BACKGROUND PAPERS:

Housing Investment Fund (report to GMCA, 27 February 2015)

GM Housing 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. Public domain release date: 29 November 2034.
GM Transport Committee	Overview & Scrutiny Committee	

1. INTRODUCTION/BACKGROUND

- 1.1 Rochdale Metropolitan Borough Council (“RMBC”) is nearing completion of a retail and leisure complex known as Rochdale Riverside Phase 1, in conjunction with a private developer. Rochdale Riverside Phase 2 is planned to commence upon completion of Phase 1 in June 2020, utilising the same developer partner and construction contractor. This will achieve efficiencies in overall build cost.
- 1.2 The scheme will support the delivery of the Greater Manchester housing objectives by providing much needed housing within town centres. Rochdale town centre was also identified as RMBC’s town centre challenge area.
- 1.3 This report sets out details in relation to the project and seeks an in principle approval to an investment from the GM Housing Investment Loans Fund (GMHILF) alongside RMBC to enable the delivery of the scheme.

2. SCHEME OUTLINE

- 2.1 Rochdale Riverside Phase 2 is a mixed use scheme, consisting of residential, hotel and office elements, located close to the Metrolink stop in Rochdale town centre. The first of these elements to be delivered is the residential blocks consisting of 228 apartments over three buildings. The scheme will provide high quality apartments at an affordable market rent. The scheme will include private and communal green space. The high quality build will include cycling provision, green space, and will utilise low carbon building materials. The site will be well connected by Metrolink, bus, road and to a lesser extent rail (15 minute walk). The funding structure for the office and hotel is currently being explored by RMBC.
- 2.2 The site was previously used for parking but forms part of the significant regeneration plans for the town centre. The site is currently being used to temporarily store materials for the construction of Phase 1. The costs of the scheme are to be firmed up following a detailed design and costing exercise. This scheme forms part of RMBC’s ambitious £250 million town centre regeneration masterplan, a programme that has already brought improvements such as a new transport interchange, the Number One Riverside building and the award-winning Revealing the Roch project, whilst ensuring the exceptional heritage in the town is enhanced.
- 2.3 The scheme will complement and enhance the local area with new public realm encouraging walkers and cyclists to access the wider town, Metrolink and the Riverside Phase 1 retail and leisure centre.
- 2.4 Building more town centre homes and capitalising on Rochdale's strong transport links with Manchester, Leeds and further afield are all part of the plan to transform the town into one of Greater Manchester’s major players.

3. RESIDENTIAL VALUATION

- 3.1 A traditional residential valuation approach is based on a backward looking assessment of sale and rental values. Through the regeneration of an area, future values are likely to

increase. The traditional valuation approach does not therefore take into account any future value increases that may result from regeneration.

- 3.2 The value of the completed Rochdale Riverside Phase 2 residential block under a traditional valuation approach is less than the cost to develop the residential scheme and the scheme is currently unviable without intervention by RMBC and GMCA in some form. If the GMCA and RMBC hold an investment in the scheme over a longer term, then both GMCA and RMBC can capture the value increases generated by the regeneration of the town centre.
- 3.3 The risk in relation to a longer term investment in a scheme on this basis is that the return is reliant on inflationary increases in values and such increases may not materialise. Regardless of the realisation of the market value increases the public sector still receives the regenerational benefits delivered by such a scheme.

4. PATIENT GMHILF INVESTMENT

- 4.1 The total patient investment requirement has been calculated as the difference between the current day market valuation and the build cost. It is proposed that GMHILF will provide 50% of the patient investment with the other 50% being provided by RMBC. Based on the value increases which have been witnessed in other council areas as a result of regeneration activities, it is anticipated that the value of the scheme could increase by more than £4m by 2028, enabling the full repayment of the GMHILF investment at that time. RMBC will retain their investment for a longer period to benefit from further value increases. However, this value increase is not guaranteed and consequently there is a risk that the GMHILF investment is lost in full.
- 4.2 The investment must adhere to State Aid rules. Whilst the initial view is that the investment will be State Aid compliant, this is subject to formal advice as part of the further due diligence in relation to the scheme.
- 4.3 A further report will be presented to the GMCA for final approval once all the options have been assessed, further clarity over the quantum of funding required is available, and appropriate due diligence has been undertaken.
- 4.4 This proposal is an innovative approach to regeneration with the GMCA and a GM Council sharing risk. A similar approach is being finalised for Stockport Interchange, and could be further replicated elsewhere within GM, provided leaders accept that there is no requirement to retain GMHILF surpluses to mitigate any future risk arising from GMCA having underwritten repayment of 80% of the Fund. This approach will assist town centres in establishing markets, attracting investment and delivering the Mayor of Greater Manchester's Town Centre Challenge.