

Date: 31 January 2020

Subject: GM Housing Investment Loans Fund – Investment Approval Recommendations

Report of: Salford City Mayor Paul Dennett, Portfolio Lead 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 the Greater Manchester Combined Authority’s (“Combined Authority”) approval to GM Housing Investment Loans Fund loans detailed in the recommendation below. This report also sets out details of three GM Housing Investment Loans Fund loans which were approved under the delegation agreed by the Combined Authority at its meeting on 29 November 2019.

## RECOMMENDATIONS:

The GMCA is recommended to:

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

BORROWER	SCHEME	DISTRICT	LOAN
Qumar Zaman	Hillside Avenue	Oldham	£0.525m
Rise Homes SPV	Stagecoach Phase 2	Manchester	£5.132m
Mulbury Homes Ltd.	Simpsons Grove	Salford	£2.671m

2. Note the following loans which were approved under delegation:

BORROWER	SCHEME	DISTRICT	LOAN
Terah Ltd.	Withington Bank	Manchester	£2.043m
Watch This Space (Constantine) Ltd.	Richmond Street	Manchester	£2.541m
AH2 Developments Ltd.	The Green, Urmston	Trafford	£1.621m

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)

<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
GM Transport Cttee	Overview & Scrutiny Committee	

Equalities Implications – not applicable

Climate Change Impact Assessment and Mitigation Measures – 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, including those recently approved under delegation, is £448.1m, and the total value of equity investments made by the Fund is £2m<sup>1</sup>. If the recommendations set out in this report are agreed, the value of loan offers will increase to £456.4m.
- 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 was approved via the GMCA in January 2019. This sets the context for housing delivery within GM and paved the way for the GM Housing Strategy and revised GM Housing Investment Loans Fund Investment Strategy that were approved by GMCA in October 2019. Alongside the launch of the GM Spatial Framework, the agreement to these strategic documents will be a pivotal point in shaping the way housing is brought forward across Greater Manchester and setting the objectives and focus of future investments made from the Fund.

## **2. LOAN APPROVALS SOUGHT**

- 2.1 Kumar Zaman is seeking a loan of £0.525m from the GM Housing Investment Loans Fund for the construction of 5 mews houses on Hillside Avenue, Oldham. Planning permission was granted in July 2015. The loan will support an Oldham based SME developer. There is no affordable housing provision or Section 106 contribution.
- 2.2 A SPV subsidiary of Rise Homes Ltd. is seeking a loan from the GM Housing Investment Loans Fund of £5.132m for the construction of 41 apartments on the site of the former Stagecoach depot in Moss Side, Manchester. The proposal represents a second phase of Private Rented Sector development on the site, the Fund having provided a loan for phase 1. Planning consent was granted in December 2016. The development forms part of a wider scheme on the site which includes 72 extra care apartments for social rent and a further 41 apartments for over 55’s on a shared ownership basis, together with 30 family houses for shared ownership alongside 24 family houses for market sale.
- 2.3 Mulbury Homes Ltd. is seeking a loan from the GM Housing Investment Loans Fund of £2.671m for the construction of 20 detached and semi-detached houses on a brownfield site

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<sup>1</sup> These figures exclude loans approved but subsequently withdrawn.

at Simpsons Grove, Boothstown. Planning consent was granted in December 2019. There is no affordable housing provision but the borrower will make a Section 106 contribution of £94k to local education provision and improving public spaces.

- 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. LOANS APPROVED UNDER DELEGATION**

- 3.1 Terah Ltd, a SPV which will deliver the development under the “Step Places” brand, sought a loan of £2.043m from the GM Housing Investment Loans Fund for the construction of 12 apartments on a site to the rear of the former Natwest Bank in Withington as part of a scheme under which the bank building will also be refurbished for commercial end use. Planning permission was granted in December 2019. The loan will support a GM-based SME developer to which the Fund has previously lent bring forward redevelopment of a brownfield site. There is no affordable housing provision with the scheme, but the borrower will make a Section 106 contribution of £6k to local tree planting.

- 3.2 Watch This Space (Constantine) Ltd sought a loan of £2.541m from the GM Housing Investment Loans Fund for the construction of 7 townhouses on the site off Richmond St, City Centre Manchester. The loan will support a SME developer delivering with an experienced professional team and building contractor. Planning permission was granted in May 2017 and construction of the scheme is scheduled to commence early 2020. There is no affordable housing provision with the scheme or requirement for a Section 106 contribution.

- 3.3 A newly created Special Purpose Vehicle subsidiary of AH2 Developments Limited sought a loan of £1.621m from the GM Housing Investment Loans Fund for the construction of 6 family houses at a scheme known as The Green, in Urmston. The loan will support an SME developer and builder within the GM area. Planning permission was granted in December 2019. There is no an affordable housing provision as the scale of the scheme is below the threshold established under local planning policy, or requirement for a Section 106 contribution.

- 3.4 Further details of the schemes and 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. RISK MANAGEMENT**

- 4.1 The structure and security package proposed for each loan 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.

**5. LEGAL CONSIDERATIONS**

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

**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.

**7. FINANCIAL CONSEQUENCES – CAPITAL**

- 7.1 The loans 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 in line with the terms set out in the accompanying report, and note the loans recently approved under delegation, and delegate authority to the GMCA Treasurer acting in conjunction with the GMCA Monitoring Officer to prepare and effect the necessary legal agreements.