

Date: 29 May 2020

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 the Greater Manchester Combined Authority’s (“Combined Authority”) approval to GM Housing Investment Loans Fund loans and equity investments detailed in the recommendation below. This report also sets out details of two loans which were approved under emergency powers by the Chief Executive acting in consultation with the Portfolio Lead Leader for Housing, Homelessness and Infrastructure in April 2020.

RECOMMENDATIONS:

The Combined Authority is requested 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
Maya Property Developments Ltd	Riley’s Snooker Centre, Altrincham	Trafford	£1.990m
The Sheridan Group	Diamond Hall, Woodhouses	Oldham	£1.967m

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

PARTNERSHIP	FUND	DISTRICT	EQUITY INVESTMENT
Resonance Limited	Resonance Impact Investment Property Fund	GM wide	£5.000m

Resonance Limited	Resonance Learning Disabilities Fund	GM wide	£5.000m
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3. Delegate authority to the GMCA Treasurer acting in conjunction with the GMCA Monitoring Officer to prepare and effect the necessary legal agreements.
4. Note the following loans which were approved in April 2020 under emergency powers.

BORROWER	SCHEME	DISTRICT	LOAN
Heath Farm Lane LLP	Heath Farm Lane, Partington	Trafford	£5.000m
Specialist Care Developments Ltd	Stephenson Street	Oldham	£0.981m

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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)

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
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 and equity investments 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 £462.3m, and the total value of equity investments made by the Fund is £7m. If the recommendations set out in this report are agreed, the value of loan offers will increase to £466.2m and the value of equity investments will increase to £17m.
- 1.3 In January 2016, the Combined Authority agreed that receipts from the disposal of Homes England land and property within Greater Manchester, which are available for GM to invest under the terms of the City Deal agreed with government in 2012, would in future be used to make investments in residential schemes alongside lending from the GM Housing Investment Loans Fund.
- 1.4 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.
- 1.5 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 AND EQUITY INVESTMENT APPROVALS SOUGHT

- 2.1 Maya Property Developments Ltd is seeking a GMHILF loan of £1.990m for the construction of 8 houses at Riley’s Snooker Centre, Bridgewater Rd, Altrincham. Planning permission was granted in December 2019. The loan will support a Salford based SME developer. There is no affordable housing provision.
- 2.2 The Sheridan Group is seeking a loan from the GM Housing Investment Loans Fund of £1.967m for the construction of 8 houses on a site known as Diamond Hall Farm, Woodhouses. The loan will support a new GM-based SME developer. Planning permission was granted in January 2020 and the borrower will make a Section 106 contribution of £160k

towards the provision of affordable housing elsewhere within Oldham and improvement of local amenity.

- 2.3 Resonance Limited (an FCA regulated social impact fund manager) is seeking investment of £5m from the GM Housing Investment Loans Fund to invest into a newly created Limited Partnership fund. The Impact Investment Property Fund will acquire and modify/refurbish properties across Greater Manchester, to then be leased to Registered Providers as part of the Ethical Lettings Agency framework. The Housing Providers then provide the home to those on the housing waiting list and pay a rent to the Impact Investment Property Fund at a rate linked to the Housing Benefit received.
- 2.4 Resonance Limited is also seeking investment of £5m from the GM Housing Investment Loans Fund to invest into a second newly created Limited Partnership fund. The Learning Disabilities Property Fund will acquire and significantly modify/refurbish properties across Greater Manchester, to then be leased to Housing Providers. The Housing Providers then provide the home to those with learning & physical disabilities, autism, sensory impairment, mental health problems and behaviours that challenge and pay a rent to the Learning Disabilities Fund at a rate linked to the Housing Benefit received.
- 2.5 Further details of the schemes/funds and proposed terms of the loans and equity investments 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 EMERGENCY POWERS IN APRIL 2020

- 3.1 Heath Farm Lane LLP sought a loan from the GM Housing Investment Loans Fund of £5.000m for the construction of 148 new homes at Heath Farm Lane, Partington. The scheme will provide 50% of all units as affordable housing in a key strategic regeneration area for Trafford Council and will involve the remediation of a brownfield site, unlocking future housing development. Planning permission was granted in April 2019 and a Section 106 agreement which will provide for contributions for junction upgrades, new sport facilities, green space and children's play space is to be entered into, with the financial contribution totalling £218,747.
- 3.2 Specialist Care Developments Limited, a Special Purpose Vehicle of Multi Utility UK Ltd, sought a loan of £0.981m for the construction of 12 apartments on land at Stephenson Street, Oldham. Planning permission was granted in August 2019. The loan will support an Oldham based SME developer. There is no affordable housing provision. To date, investment of City Deal Receipts has been in the form of lending alongside loans from the GMHILF itself; the risk profile of this scheme is considered suitable for the full amount of the loan to be sourced from City Deal Receipts (but the loan will otherwise be managed as if it were from GMHILF). Homes England has confirmed its approval to this investment of City Deal Receipts.

4. RISK MANAGEMENT

- 4.1 The structure and security package proposed for the loans and equity investments 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 The process through which the funds which GMHILF is investing equity will take decisions in order to ensure that investments are prudent will be agreed in advance, and GMCA will receive ongoing reporting on the performance of those funds.

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.
- 5.2 A detailed investment agreement will be completed for each of the funds ahead of the GMHILF equity being injected.

6. FINANCIAL CONSEQUENCES – REVENUE

- 6.1 In respect of the GMHILF/City Deal loans 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 operation of the funds GMHILF is investing in will be funded through the investments they make.

7. FINANCIAL CONSEQUENCES – CAPITAL

- 7.1 The proposed loans and equity investments will be sourced from the £300m GM Housing Investment Loans Fund, including the recycling of loans repaid to the Fund, with the exception of the Stephenson Street scheme which will be sourced from the £29.4m City Deal Receipts which Homes England has to date provided to GM for investment.

8. RECOMMENDATION

- 8.1 The Combined Authority is recommended to approve the loans and equity investments in line with the terms set out in the accompanying report, and note the loans recently approved under emergency powers, and delegate authority to the GMCA Treasurer acting in conjunction with the GMCA Monitoring Officer to prepare and effect the necessary legal agreements.