

Date: 25 September 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 detailed in the recommendation below.

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
Bricks & Soul Trading Ltd	Various	GM wide	£0.750m
Newco SPV (an MCR Property Group Company)	Wharf Road, Altrincham	Trafford	£6.397m
Jubilee Way Estates Ltd	Bury Magistrates Court	Bury	£3.948m

2. 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)

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
TfGMC	Overview & Scrutiny Committee	

Equalities Implications – not applicable

Climate Change Impact Assessment and Mitigation Measures – not applicable

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 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 is £444.4m and the total value of equity investments made by the Fund is £17m¹. If the recommendations set out in this report are agreed, the value of loan offers will increase to £455.5m.
- 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 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

¹ These figures exclude loan offers that have not been taken up and are therefore withdrawn.

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 APPROVAL SOUGHT

- 2.1 Bricks & Soul Trading Ltd is seeking a loan of £0.750m from the GM Housing Investment Loans Fund, in the form of a revolving credit facility, for the purchase and refurbishment of various properties across Greater Manchester. The properties will then be sold to Registered Providers and other organisations working with vulnerable people, which will charge local authorities the standard Local Housing Allowance rate, or retained by the borrower to provide affordable rent accommodation. The loan will support a SME which is focussed on bringing empty properties back into use to provide good quality affordable housing within Greater Manchester, and it is expected that around 25 properties would be delivered with the loan
- 2.2 MCR Property Group is seeking a loan of £6.397m from the GM Housing Investment Loans Fund for the development of 44 apartments and 5 houses at Wharf Rd, Trafford. Planning permission was granted in July 2019. The loan will support a Manchester based developer. There is a 25% affordable housing provision and a £230k Community Infrastructure Levy payment.
- 2.3 Jubilee Way Estates Ltd is seeking a loan of £3.948m from the GM Housing Investment Loans Fund for the development of 39 apartments and 10 houses at Bury Magistrates Court. Planning permission was granted in December 2019. The loan will support a Bury based SME developer. There is a maximum £556k Section 106 payment, subject to the outcome of a viability assessment.
- 2.4 Further details of the scheme 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. RISK MANAGEMENT

- 3.1 The structure and security package proposed for the loans in order to mitigate risk are given in the accompanying Part B report.
- 3.2 The loans 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 schemes are 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 for each scheme.

5. FINANCIAL CONSEQUENCES – REVENUE

- 5.1 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.

6. FINANCIAL CONSEQUENCES – CAPITAL

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

7. RECOMMENDATION

- 7.1 The Combined Authority is recommended to approve the loans 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.