

## GMCA

Date: 25 March 2022

Subject: GM Housing Investment Loans Fund / GM Investment Framework –  
Investment Approval Recommendations

Report of: Salford City Mayor Paul Dennett, Portfolio Lead Leader for Housing,  
Homelessness and Infrastructure, Councillor David Molyneux, Portfolio Lead  
for Investment and Resources, Steve Rumbelow, Portfolio Lead Chief  
Executive for Housing, Homelessness and Infrastructure, and Eamonn  
Boylan, Portfolio Lead Chief Executive for Investment

### Purpose of Report

This report seeks the Combined Authority’s approval to the GM Housing Investment Loans Fund (“GMHILF”) loans detailed in the recommendation below, and approval for up to £20m of the loan for the Three60 development to be met from GMCA’s Growing Places Fund if required as a result of a proposed £100m cap on GMHILF lending to Renaker city-centre developments, as detailed further in this report.

This report also includes details of decisions recently taken by the Chief Executive acting in consultation with the Portfolio Lead for Housing, Homelessness and Infrastructure under the delegation in the GMCA Constitution Part 3 Section F paragraph 3.17 to approve increases of less than 10% in the GM Housing Fund loans previously approved by the GMCA.

### Recommendations:

The GMCA is requested to:

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

BORROWER	SCHEME	DISTRICT	LOAN
GJS (Circle) Developments Limited	Three60	Manchester	£62.300m

Kellen Homes (GM) Ltd	Vernon Gardens	Oldham	£4.163m
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2. Approve up to £20m of the loan for the Three60 scheme being met from GMCA's Growing Places Fund if required as a result of a proposed £100m cap on GMHILF lending to Renaker city-centre developments, as detailed further in this report.
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 decisions recently taken under delegation in respect of GMHILF loans previously approved by the Combined Authority.
5. Delegate authority to the Chief Executive Officer, GMCA & TfGM and the GMCA Treasurer, in consultation with the Portfolio Lead for Housing, Homelessness and Infrastructure, to approve projects for funding and agree urgent variations to the terms of funding in the period 26 March 2022 to 26 May 2022.
6. Note any recommendations that are approved under the delegation will be reported to the next available meeting of the GMCA.

## Contact Officers

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## Equalities Impact, Carbon and Sustainability Assessment:

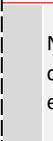
The Equalities Impact and Carbon & Sustainability Assessment for each scheme is given below:

Impacts Questionnaire		
Impact Indicator	Result	Justification/Mitigation
Equality and Inclusion		
Health		
Resilience and Adaptation		
Housing	G	The proposals involve the new build construction of 441 apartments on a brownfield site.
Economy	G	The development will create/safeguard employment opportunities within the GM construction sector, and include commitments to providing construction apprenticeships as part of the development's delivery.
Mobility and Connectivity		
Carbon, Nature and Environment		
Consumption and Production		
Contribution to achieving the GM Carbon Neutral 2038 target		
<b>Further Assessment(s):</b>	Equalities Impact Assessment and Carbon Assessment	
		
Positive impacts overall, whether long or short term.	Mix of positive and negative impacts. Trade-offs to consider.	Mostly negative, with at least one positive aspect. Trade-offs to consider.
		Negative impacts overall.

Carbon Assessment		
Overall Score		
Buildings	Result	Justification/Mitigation
New Build residential		
Residential building(s) renovation/maintenance	N/A	The proposals are expected to deliver a 57% carbon emission reduction against the requirements of Building Regulations Part L, and include for procurement of materials from responsible suppliers operating an Environmental Management System or sustainable sources, and sourcing materials locally to reduce transportation emissions. The proposals also include Air Source Heat Pumps.
New Build Commercial/Industrial	N/A	
<b>Transport</b>		
Active travel and public transport	N/A	
Roads, Parking and Vehicle Access	N/A	
Access to amenities	N/A	
Vehicle procurement	N/A	
<b>Land Use</b>		
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.

# Vernon Gardens

Impacts Questionnaire		
Impact Indicator	Result	Justification/Mitigation
Equality and Inclusion		
Health		
Resilience and Adaptation		
Housing	G	The development includes 49 homes to go forward for affordable rent or shared ownership. Development of brownfield site for housing end use. Development involves new build construction of 99 houses
Economy	G	The development will create/safeguard employment opportunities within the construction sector.
Mobility and Connectivity		
Carbon, Nature and Environment		
Consumption and Production		
Contribution to achieving the GM Carbon Neutral 2038 target		
<b>Further Assessment(s):</b>	Equalities Impact Assessment and Carbon Assessment	
	<b>Positive impacts overall, whether long or short term.</b>	 <b>Mix of positive and negative impacts. Trade-offs to consider.</b>
	<b>Mostly negative, with at least one positive aspect. Trade-offs to consider.</b>	 <b>Negative impacts overall.</b>

Carbon Assessment		
<b>Overall Score</b>		
Buildings	Result	Justification/Mitigation
New Build residential		The proposals are expected to deliver average carbon emission reduction of 15% against the requirements of Building Regulations Part L.
Residential building(s) renovation/maintenanc	N/A	
New Build Commercial/Industrial	N/A	
<b>Transport</b>		
Active travel and public transport	N/A	
Roads, Parking and Vehicle Access	N/A	
Access to amenities	N/A	
Vehicle procurement	N/A	
<b>Land Use</b>		
Land use	N/A	
	<b>No associated carbon impacts expected.</b>	 <b>High standard in terms of practice and awareness on carbon.</b>
	<b>Mostly best practice with a good level of awareness on carbon.</b>	 <b>Partially meets best practice/ awareness, significant room to improve.</b>
	<b>Not best practice and/ or insufficient awareness of carbon impacts.</b>	

## **Risk Management**

The structure and security package proposed for the loans in order to mitigate risk are 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 the Fund'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 loans 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**

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)

## **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?

Yes - exemption from call in was agreed by Councillor John Walsh on 8 March 2022.

## 1. Introduction

- 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 £544.9m 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 7,688 new homes. If the recommendations set out in this report is agreed, the value of loan offers will increase to £611.4m, with the number of new homes supported rising to 8,228.
- 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 approved by GMCA in January 2019 began to set a new context for housing delivery within GM and paved the way for the co-produced GM Housing Strategy and revised GM Housing Investment Loans Fund Investment Strategy that were approved by GMCA in October 2019. Alongside the work toward the Joint Development Plan Document: Places for Everyone, this development of a shared strategic approach to the delivery of new homes across Greater Manchester sets the objectives and focus of future investments made from the Fund.

## 2. Loan approvals sought

- 2.1 A SPV within the Renaker group – GJS (Circle) Developments Ltd – is seeking a loan of £62.3m from GM Housing Investment Loans Fund for a development of 441 apartments known as Three60 in the Great Jackson Street area of Manchester city centre. The site has been assembled through purchases from private owners and a long-leasehold from Manchester City Council. Detailed planning permission for the

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

development and an adjacent scheme known as The Blade was granted in August 2020. There is no affordable housing provision but there are obligations under a Section 106 agreement for a new public park and contribution to affordable housing to be made subject to the values achieved on sales of the development. The Section 106 agreement also encompasses earlier legal agreements for Renaker to part construct a primary school linked to the wider Great Jackson Street development.

- 2.2 The Fund is currently providing loans totalling £70m for Renaker's Collier's Yard and The Blade developments. The amount that can be drawn from the Fund against these commitments and the proposed loan for the Three60 development would be capped at £100m, with the ability to fund £20m of the loan for the Three60 development through GMCA's Growing Places Fund should the £100m cap on GMHILF be reached.
- 2.3 A subsidiary of Kellen Homes Ltd, a housebuilder established in 2020 by the owner of the Renaker group, is seeking a loan of £4.163m from the GM Housing Investment Loans Fund for the development of 99 new build houses on a site in Vernon Street, Royton. The site has been assembled through purchase from a private owner. Planning permission was granted in November 2021. The loan will support the delivery of 50 houses for open-market sale on a brownfield site, and unlock the wider development of a further 49 houses for affordable rent and shared ownership on the site. A S106 contribution of £0.140m towards improvement of local amenity will also be made.
- 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. Delegated GMHILF approvals**

- 3.1 In July 2021, GMCA approved a loan from the GM Housing Investment Loans Fund of £21.5m to Interchange Homes LLP for the construction of 196 apartments at Stockport Bus Interchange, Stockport. Following increases in the scheme cost, a revised loan of £22.680m, an increase of £1.18m (+5%) on the loan originally approved, was approved in December 2021.
- 3.2 In July 2017, the Combined Authority approved £24.4m of lending to Capital & Centric SPVs for the refurbishment of the former Crusader Mill to create 126 apartments and a new build development on an adjacent site to create a further 75 apartments. Separate loan facilities are being provided for each development. The new build

development was completed in 2020. In October 2021, the contractor for the refurbishment development commenced insolvency proceedings. Prior to doing so, 84 of the apartments within the refurbished buildings had been completed. Across the two developments, a significant amount of sales have now been completed with the proceeds used to repay the Fund's loans. Capital & Centric requested that some of the repayments it has made to the Fund are re-drawn to support the cost of completing the construction work and other expenditure arising from the delays. The revised approach, which will be operated within the facility amounts and measures to manage the Fund's exposure originally agreed, was approved in December 2021.