GMCA GREATER MANCHESTER COMBINED AUTHORITY

GMCA

Date: 27 January 2023

Subject: GM Housing Investment Loans Fund / GM City Deal Receipts - Investment Approval Recommendations

Report of: Steve Rumbelow, Portfolio Lead Chief Executive for Housing, Homelessness and Infrastructure

Purpose of Report

This report seeks the Combined Authority's approval to the GM Housing Investment Loans Fund ("GMHILF" or "the Fund") loans detailed in the recommendation below. This report also seeks the Combined Authority's approval to substitute up to £20m of the proposed GMHILF lending with City Deal Receipts, subject to Homes England approval.

Recommendations:

The Combined Authority is requested to:

1. Approve the GMHILF loans detailed in the table below, as detailed further in this and the accompanying Part B report;

BORROWER	SCHEME	DISTRICT	LOAN
Renaker	Bankside, Greengate	Salford	£54.143m
Renaker	Tower D2, Trinity Island	Manchester	£65.646m

2. Approve up to £20m of the GMHILF lending for the Bankside and Tower D2 schemes being substituted with City Deal Receipts, noting that this is subject to Homes England approval, and to delegate authority to the GMCA Treasurer to agree the exact composition of the lending between GMHILF and City Deal Receipts following further discussions with Homes England.
3. Delegate authority to the GMCA Treasurer acting in conjunction with the GMCA Monitoring Officer to prepare and effect the necessary legal agreements.

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:

BANKSIDE

Recommendation - Key points for decision-makers

The results of the Decision Tool identify that the development which GMCA lending will support the delivery of will have positive impacts on housing and the local economy, and incorporates a number of measures to reduce carbon impacts.

Impacts Questionnaire

Impact Indicator	Result	Justification/Mitigation
Equality and Inclusion		
Health		
Resilience and Adaptation		
Housing	G	The development will bring back into residential use a brownfield site previously occupied by vacant or underused light industrial/commercial premises and surface car-parking. The development involves the new-build construction of 42-storey building incorporating 444 apartments.
Economy	G	The development is expected to have an average of 500 construction operatives on site at any point in time, with around 80% of the companies in the contractor's supply chain being GM-based. The development provides opportunities for the companies carrying out the construction to offer apprenticeships in a range of construction skills.
Mobility and Connectivity		
Carbon, Nature and Environment		
Consumption and Production		
Contribution to achieving the GM Carbon Neutral 2038 target		

Further Assessment(s): Carbon Assessment

G	**Positive impacts overall, whether long or short term.**	A	**Mix of positive and negative impacts. Trade-offs to consider.**	R	**Mostly negative, with at least one positive aspect. Trade-offs to consider.**	RR	**Negative impacts overall.**

Carbon Assessment

Overall Score	

Buildings	Result	Justification/Mitigation
New Build residential		Approx. 90% of the apartments are expected to achieve an EPC rating of 'B+', with the remainder achieving a 'C' rating. The proposed building fabric achieves a 5% bettement against the energy efficiency standards required by Building Regulations Part L. An assessment using the Building Research Establishment's "Housing Quality Mark" framework, which includes analysis of procurement strategies, has been carried out and identifies that the development will achieve a 4 Star "Excellent" rating. Not known A biodiversity impact assessment has been completed and measures to achieve a net biodiversity gain of at least 10% are incorporated in the development. The development is located in a sustainable city centre location in close proximity and with good connectivity to retail, transport and other amenities. Communal areas within the building will be heated using Air Source Heat Pumps.
Residential building(s) renovation/maintenance	N/A	
New build non-residential (including public) buildings	N/A	
Transport		
Active travel and public transport	N/A	
Roads, Parking and Vehicle Access	N/A	
Access to amenities	N/A	
Vehicle procurement	N/A	
Land Use		
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.

TRINITY TOWER D2

Recommendation - Key points for decision-makers

The results of the Decision Tool identify that the development which GMCA lending will support the delivery of will have positive impacts on housing and the local economy, and incorporates a number of measures to reduce carbon impacts.

Impacts Questionnaire

Impact Indicator	Result	Justification/Mitigation
Equality and Inclusion		
Health		
Resilience and Adaptation		
Housing	G	The development will bring back into residential use a brownfield site previously used as surface car-parking. The development involves the new-build construction of 55-storey building incorporating 483 apartments.
Economy	G	The development is expected to have an average of 500 construction operatives on site at any point in time, with around 80% of the companies in the contractor's supply chain being GM-based. The development provides opportunities for the companies carrying out the construction to offer apprenticeships in a range of construction skills.
Mobility and Connectivity		
Carbon, Nature and Environment		
Consumption and Production		
Contribution to achieving the GM Carbon Neutral 2038 target		

Further Assessment(s): Carbon Assessment

G	**Positive impacts overall, whether long or short term.**	A	**Mix of positive and negative impacts. Trade-offs to consider.**	R	**Mostly negative, with at least one positive aspect. Trade-offs to consider.**	RR	**Negative impacts overall.**

Carbon Assessment

Overall Score	

Buildings	Result	Justification/Mitigation
New Build residential		Approx. 90% of the apartments are expected to achieve an EPC rating of 'B+', with the remainder achieving a 'C' rating. The proposed building fabric achieves a 5% bettement against the energy efficiency standards required by Building Regulations Part L. An assessment using the Building Research Establishment's "Housing Quality Mark" framework, which includes analysis of procurement strategies, has been carried out and identifies that the development will achieve a 4 Star "Excellent" rating. Not known A biodiversity impact assessment has been completed and measures to achieve a net biodiversity gain of at least 10% are incorporated in the development. The development is located in a sustainable city centre location in close proximity and with good connectivity to retail, transport and other amenities. Communal areas within the building will be heated using Air Source Heat Pumps.
Residential building(s) renovation/maintenance	N/A	
New build non-residential (including public) buildings	N/A	
Transport		
Active travel and public transport	N/A	
Roads, Parking and Vehicle Access	N/A	
Access to amenities	N/A	
Vehicle procurement	N/A	
Land Use		
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.

Risk Management

The structure and security package proposed for the loans in order to mitigate risk is 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 GMCA'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

See Paragraph 6.

Financial Consequences – Capital

See Paragraph 5.

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)*
- GM City Deal – Homes and Communities Agency (*report to Combined Authority, 28 March 2014)*
- GM City Deal – Homes and Communities Agency: Update (*report to Combined Authority, 26 September 2014)*

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

1. Introduction

1.1 In line with the agreed governance process for the GM Housing Investment Loans Fund, the Combined Authority is asked to approve the loans detailed in section 3, 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 £656.1m and the total value of approved equity investments is £26.3m[1]. The loans and equity investments approved by the Combined Authority will deliver 8,465 new homes. If the recommendations set out in this report are agreed, the value of loan offers would increase to £775.9m, with the number of new homes supported rising to 9,062.

2.0 Overview of Renaker

2.1 The two schemes subject of this proposal are being brought forward by Renaker. The company is one of the most active developers within GM, having delivered over 6,000 new homes since its establishment in 2006 and an average of over 600 new homes each year during since 2016. To date, GMCA has committed £268.5m of lending across six Renaker developments which will deliver a total of 3,720 new homes. The two new schemes subject of this proposal will deliver a further 927 new homes, making a significant contribution to the GMHILF target to deliver 10,000 new homes and GM's identified housing need to build around 200,000 new homes by 2037. As set out in Places for Everyone, the delivery of high density homes on brownfield sites in accessible locations contributes to the continued transformation of the urban core of the city region as a place to live and work, while also helping reduce the requirement for housing development on less sustainably located greenfield or Green Belt sites.

2.2 Renaker is based in and currently operates exclusively within GM, with around 230 direct employees and consistently delivering construction turnover of around £100m or more per annum over the last 5 years. Each scheme is expected to have an

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

average of 500 construction operatives on site at any time, and Renaker estimates that of the 50 or so sub-contractors in its supply chain, 80% are GM-based.

2.3 Renaker is currently supporting around 30 of its own staff through apprenticeships and other qualifications. It estimates that the sub-contractors appointed to its current 'live' developments are currently employing around 70 apprentices. Renaker has a long-standing relationship with the majority of the firms it uses, with the continuity of work in the Renaker pipeline providing the stability needed for them to invest in training and development of their workforce. Renaker also has links with a number of colleges within GM to support awareness of employment opportunities within the construction sector and provide career advice and work experience opportunities to students. It is a sponsor of Didsbury High School, working with a Class of Your Own (the creators of the Design Engineer Construct! learning programme) to promote pathways from secondary education to vocational training and employment within the construction sector.

2.4 The proposed commercial terms of the new lending are included in the accompanying Part B report, to be treated as confidential on account of the commercially sensitive nature of the information. Revenue generated on GMHILF lending represents a significant source of income for GMCA. In addition to funding the GMCA Core Investment Team and GM Delivery Team, GMCA has agreed to ringfence that income to support the delivery of GM's housing priorities, and has to date committed funding for a range of initiatives including:

- £1.65m for the GM Good Landlord Scheme and Good Landlord Charter;
- £1.5m revenue support for Growth Locations;
- £1.5m for a programme to support the recruitment and training of graduates with the skills needed to bring forward GM's priorities for investment in housing;
- £0.8m to support a range of partnership working initiatives with Homes England, GM housing providers, and Health and Social Care Partnership, including the development of Home Improvement Agencies and the Ethical Lettings Agency;
- £0.35m to support the development of the Offsite Housing Alliance to drive the development of modern construction methods;
- £0.45m for feasibility work and pilot initiatives around the delivery and retrofit of Net Zero Social Homes;

3.0 Loan approvals sought

3.1 Renaker is seeking a loan from GMCA of £54.143m for the development of 444 apartments on a site in the Greengate area of Salford. The scheme, known as

Bankside, represents the second of four towers proposed in a masterplan for the area (the Collier's Yard scheme, for which a GMHILF loan of £37.562m is being provided, being the first). Detailed planning permission was granted in March 2022. There is no affordable housing provision within the scheme. Under a Section 106 agreement the phased implementation of the residential development set out in the masterplan is linked to Renaker's delivery of significant public-realm improvements and amenity, including a new public-park, public-square and boulevard linking the new buildings to the Grade II* listed former Collier Street baths, with a requirement under the planning consent for Renaker to bring forward proposals for the refurbishment and return to use of the former baths prior to the completion of the Bankside scheme.

3.2 Renaker is also seeking a loan from GMCA of £65.646m for the development of 483 apartments on part of the site known as Trinity Island. The scheme represents the first of four towers which will together deliver 1,950 new homes and for which detailed planning consent was granted in March 2022. There is no affordable housing provision within the scheme, but alongside the redevelopment of a brownfield site which will include new areas of public-realm, a Section 106 contribution is being made to support Manchester City Council in bringing forward affordable housing provision elsewhere within the city, and for the delivery of a new primary school in the Great Jackson Street area.

3.3 Further details of the developments 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.

4. City Deal Receipts

4.1 The proposal includes a recommendation to substitute up to £20m of lending to the two new Renaker schemes from GMHILF with City Deal Receipts.

4.2 By way of background, Homes England has agreed to make receipts from the disposal of its land and property in Greater Manchester in the period up to March 2022 available for GMCA to reinvest in schemes which support the objectives of the GM City Deal agreed with Government in 2012. Under the arrangements, GMCA is currently holding £30.1m of 'City Deal Receipts'.

4.3 City Deal Receipts can only be invested in 'Viable Projects', i.e. those which a reasoned assessment confirms will, in all likelihood, be able repay the investment. If an investment is not recovered, the amount to be repaid to Homes England is reduced

accordingly. Equally, Homes England approval is required to all investments of City Deal Receipts.

4.4 In 2016, GMCA agreed that it would ringfence City Deal Receipts for investment in residential schemes with the intention that the funds would complement the investment capacity available through GMHILF. City Deal Receipts are managed within the GMCA Core Investment Team, with oversight from the GMHILF Credit Committee.

4.5 The arrangements were originally intended to come to an end in March 2022, at which point GMCA would have repaid the funds it has received to Homes England together with the returns it had made on the investments made (typically, fees and interest on loans funded with City Deal Receipts). By agreement with Homes England, the repayment has been rescheduled for 31 January 2023, with GMCA having until then to bring forward proposals for further investments which, if approved by Homes England, will be subject to their own specific repayment arrangements which are to be agreed by Homes England on a case-by-case basis.

4.6 Proposals for up to £20m of the lending to be sourced from City Deal Receipts are now progressing through Homes England's governance processes, but a timeframe for its decision cannot yet be confirmed.

5. Financial Consequences – Capital

5.1 At close on 31st March 2022, GMHILF stood at £179.8m, representing the Fund's maximum investment capacity going forward. The March 2023 position is forecast to replicate this.

5.2 If necessary, the £119.8m lending proposed for the two new Renaker schemes would be sourced in full from GMHILF. However, proposals have been put to Homes England for up to £20m of the lending to be sourced from City Deal Receipts, which would reduce the commitment from GMHILF. The Combined Authority is therefore asked to approve the use of up to £20m of City Deal Receipts within the lending and, should Homes England's approval to this be forthcoming, to delegate authority to the GMCA Treasurer to finalise the composition of the lending between GMHILF and City Deal Receipts following further discussion with Homes England.

5.3 GMCA is currently providing the following loans to other Renaker schemes:

- £37.562m for the development known as Collier's Yard, Greengate;
- £32.438m for the development known as The Blade in the Great Jackson Street area of Manchester city centre;

- £62.300m for the development known as 360Degrees, also in the Great Jackson Street area of Manchester city centre.

5.4 The existing lending to Renaker schemes set out above is operated within a cap of £120m on the total amount that can be drawn from GMCA at any point in time. The new lending will continue to operate within this cap, and does not therefore require any increase in GMCA's overall commitment to Renaker schemes. Even if the new lending is sourced in full from GMHILF, there would still be significant capacity within GMHILF available to support other schemes. Further information around the overall GMHILF position and the impact of the proposed new lending is included in the accompanying Part B report, to be treated as confidential on account of the commercially sensitive nature of the information.

6. Financial Consequences – Revenue

6.1 The borrowers will be required to meet GMCA'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.