

## Greater Manchester Combined Authority

Date: 26 May 2023

Subject: GM Housing Investment Loans Fund - 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") loans detailed in the recommendation below.

This report also sets out various decisions in respect of loans previously approved by the Combined Authority which were taken by the GMCA Chief Executive in the period since the Combined Authority's meeting in March 2023 under delegated authority.

### 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
Capital & Centric (Cocoon) Ltd	Farnworth Green	Bolton	£12.563m
CitiHaus 7 Ltd	The Highline	Trafford	£12.261m

2. Delegate authority to the GMCA Treasurer acting in conjunction with the GMCA Monitoring Officer to prepare and effect the necessary legal agreements.
3. Note variations to the terms of various GM Housing Investments Loans Fund loans detailed in the table below which have been approved by the GMCA Chief Executive

under delegated authority, as detailed further in this and the accompanying Part B report.

BORROWER	SCHEME	DISTRICT	LOAN
Well Built Homes Ltd	Hebron Street	Oldham	£0.810m
Splash Contracts Ltd	Medlock Road	Oldham	£1.600m
Jubilee Way Estates Ltd	Bury Magistrates Court	Bury	£4.344m
GJS (Blade) Investments Ltd	The Blade	Manchester	£32.438m
AH2 Gee Cross Ltd	Rowbotham Street	Tameside	£2.677m

### **Contact Officers**

Bill Enevoldson: [bill.enevoldson@greatermanchester-ca.gov.uk](mailto:bill.enevoldson@greatermanchester-ca.gov.uk)

Laura Blakey: [laura.blakey@greatermanchester-ca.gov.uk](mailto:laura.blakey@greatermanchester-ca.gov.uk)

### **Equalities Impact, Carbon and Sustainability Assessment:**

The Equalities Impact and Carbon & Sustainability Assessment for the Farnworth Green development is given below:

## Recommendation - Key points for decision-makers

The Combined Authority is recommended to approve a loan of £12.563m for the development.

### Impacts Questionnaire

Impact Indicator	Result	Justification/Mitigation
Equality and Inclusion		The proposal will see the development of a Community Hub, and facilitate access to Farnworth's Bus Station as part of the masterplan. Additionally it will create public realm. The proposal will generate value uplift in a severely deprived area, providing an opportunity for residents to support and promote further regeneration. Through the Community Hub and new public realm.
Health		
Resilience and Adaptation		
Housing	G	The proposal will see the redevelopment and regeneration of the site comprising the retail units on Brackley Street and the former precinct, market, and Saddle Inn sites at the heart of Farnworth town centre, Bolton.
Economy	G	The scheme will support economic activity in one of the most deprived areas of GM. Generating value uplift, business rates and council tax rates in a severely deprived area. The scheme will support economic activity in one of the most deprived areas of GM. Creating opportunities for jobs both during development and once complete in the Build to rent scheme and in the commercial and community hub's units. The proposal is for the remediation and redevelopment of the former Farnworth Market precinct and adjacent sites. The proposal is focused on a place-making approach unlocking Bolton's potential to attract further investment. Opportunities likely to be supported through the Community Hub.
Mobility and Connectivity		
Carbon, Nature and Environment	G	The redeveloped site will include green public realm as well as the utilisation of roof gardens in some of the units, which positively compares against the current tarmac based/brownfield site. The scheme will comprise the development of a design-led proposition which will uplift the area with modern architecture. The scheme will involve the creation of green public realm.
Consumption and Production		
Contribution to achieving the GM Carbon Neutral 2038 target		The proposal will deliver residential and commercial units achieving a minimum EPC 'C', in a currently brownfield, contaminated site. Will facilitate access to Farnworth's Bus Station further promoting the use of public transport.
Further	<p><b>G</b> Positive impacts overall, whether long or short term.</p> <p><b>A</b> Mix of positive and negative impacts. Trade-offs to consider.</p> <p><b>R</b> Mostly negative, with at least one positive aspect. Trade-offs to consider.</p> <p><b>RR</b> Negative impacts overall.</p>	

## Carbon Assessment

Overall Score  

Buildings	Result	Justification/Mitigation
New Build residential	<span style="background-color: #0070C0; color: white; padding: 2px 5px;"> </span>	EPC 'C' over £2m of additional costs (c. 10% more)
Residential building(s) renovation/maintenance	N/A	
New build non-residential (including public) buildings	<span style="background-color: #0070C0; color: white; padding: 2px 5px;"> </span>	EPC 'C' c. 10% more to achieve upcoming Part L regulations.
<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	

### Land Use

Land use   The current site is mostly tarmac and contaminated brownfield site.

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.
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The Equalities Impact and Carbon & Sustainability Assessment for the Highline development is given below:

### Recommendation - Key points for decision-makers

The Combined Authority is recommended to approve a loan of £12.261m for the development.

### Impacts Questionnaire

Impact Indicator	Result	Justification/Mitigation
Equality and Inclusion		
Health		
Resilience and Adaptation		
Housing	<b>G</b>	45% of the apartments will be designated for shared ownership Renovation of an unutilised secondary office building into 68 new apartments.
Economy	<b>G</b>	Finance provided to support build costs of £8.375m which will largely be delivered from GM based enterprise.
Mobility and Connectivity		
Carbon, Nature and Environment		
Consumption and Production		
Contribution to achieving the GM Carbon Neutral 2038 target	Not Applicable	
<b>Full</b>	<b>G</b> Positive impacts overall, whether long or short term.	<b>A</b> Mix of positive and negative impacts. Trade-offs to consider. <b>R</b> Mostly negative, with at least one positive aspect. Trade-offs to consider. <b>RR</b> Negative impacts overall.

### Carbon Assessment

Overall Score	Result	Justification/Mitigation
<b>Buildings</b>		
New Build residential	N/A	
Residential building(s) renovation/maintenance	N/A	
New build non-residential (including public) buildings	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>		
Le	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 are given in the accompanying Part B report. The loan will be conditional upon a satisfactory outcome to detailed due diligence and ongoing confirmation from a Monitoring Surveyor acting on the Fund's behalf that the scheme is 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?

No

# 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 £777.7m 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 9,406 new homes. If the recommendation set out in this report is agreed, the value of loan offers will increase to £802.5m with the number of new homes supported rising to 9,571.
- 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 Capital & Centric (Cocoon) Ltd is seeking a loan of £12.563m from the GM Housing Investment Loans Fund for the development of 85 apartments and 12 townhouses together with commercial premises and a community hub on the site of the former Farnworth Market. A GMCA Brownfield Housing Fund grant of £1.4m is being provided for the scheme, which represents a key element within Bolton Council’s

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

masterplan for the transformation of Farnworth town centre. Planning permission was granted in April 2022. There are no Section 106 payments or affordable housing provision within the scheme.

- 2.2 CitiHaus 7 Ltd is seeking a loan of £12.261m from the GM Housing Investment Loans Fund for the refurbishment of Clarendon House, Altrincham, to create 68 apartments. Planning permission was granted in August 2022 subject to finalisation a S106 Agreement, with S106 contributions of £358k having now been agreed. The loan will support a north-west based SME bring a vacant former office building back into use, with 45% of the apartments to go forward for shared ownership.
- 2.3 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.

### **3. Variations under delegation**

- 3.1 At its meeting in March 2023 the Combined Authority agreed that in view of there being no meeting in April it would delegate authority to the GMCA Chief Executive to agree variations to the terms of GMHILF funding previously approved by the Combined Authority.
- 3.2 At its meeting in February 2020, the Combined Authority approved a GM Housing Investment Loans Fund loan of £0.810m to Well Built Homes Ltd for a development of 6 houses on Hebron Street in Royton. The GMCA Chief Executive has approved a change to the terms of the loan, as detailed in the accompanying Part B report, to be treated as confidential on account of the commercially sensitive nature of the information.
- 3.3 At its meeting in July 2020, the Combined Authority approved a GM Housing Investment Loans Fund loan of £1.600m to Splash Contracts Ltd for a development of 8 houses on Medlock Road in Woodhouses. The GMCA Chief Executive has approved a change to the terms of the loan, as detailed in the accompanying Part B report, to be treated as confidential on account of the commercially sensitive nature of the information.
- 3.4 At its meeting in September 2020, the Combined Authority approved a GM Housing Investment Loans Fund loan of £3.948m for the conversion of the former Bury Magistrates Court to create 39 apartments together with the new-build construction of 10 houses on the surrounding site. Following cost increases, the GMCA Chief

Executive has approved a revised loan of £4.344m. This represents an increase of £0.396m (+10%) on the loan originally approved by the Combined Authority.

- 3.5 At its meeting in December 2020, the Combined Authority approved a GM Housing Investments Loans Fund loan of £32.438m to a SPV within the Renaker group for the development of 414 apartments known as The Blade in the Great Jackson Street area of Manchester city centre. The GMCA Chief Executive has approved a change to the terms of the loan, as detailed in the accompanying Part B report, to be treated as confidential on account of the commercially sensitive nature of the information.
- 3.6 At its meeting in September 2022, the Combined Authority approved a GM Housing Investment Loans Fund loan of £3.402m for the development of 20 houses on Rowbotham Street in Hyde. The GMCA Chief Executive has approved a change to the terms of the loan, with a reduced loan of £2.677m required as result, as detailed in the accompanying Part B report, to be treated as confidential on account of the commercially sensitive nature of the information.