Date: 16 December 2016

Subject: Greater Manchester Housing Investment Loan Fund – Investment Approval Recommendation

Report of: Councillor Richard Farnell, Portfolio Lead for Planning and Housing and Eamonn Boylan, Portfolio Lead Chief Executive for Planning and Housing

PURPOSE OF REPORT
This report seeks Greater Manchester Combined Authority (“Combined Authority”) approval of the GM Housing Investment Loan Fund loans, and an investment of City Deal Receipts, detailed in the recommendation below.

RECOMMENDATIONS
The Greater Manchester Combined Authority is requested to:

• Approve the GM Housing Investment Loan Fund loans in the table below, as detailed further in this and the accompanying Part B report;

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<tr>
<th>BORROWER</th>
<th>SCHEME</th>
<th>DISTRICT</th>
<th>LOAN</th>
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<tbody>
<tr>
<td>FQ Developments Ltd.</td>
<td>Owen Street, Manchester</td>
<td>Manchester</td>
<td>£70,000,000</td>
</tr>
<tr>
<td>Splash Developments Ltd.</td>
<td>Former Star Inn, Failsworth</td>
<td>Oldham</td>
<td>£1,228,165</td>
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• Approve the use of £491,266 of City Deal Receipts to provide additional mezzanine lending for the Former Star Inn scheme, noting that this investment will be subject to the approval of the Homes and Communities Agency to be obtained through the Housing Investment Board;

• Recommend to Manchester City Council that it prepares and effects the necessary legal agreements in accordance with its approved internal processes.

CONTACT OFFICERS:
Bill Enevoldson (b.enevoldson@manchester.gov.uk)
**BACKGROUND PAPERS:**
- Housing Investment Fund (report to GMCA, 27 February 2015)
- GM City Deal: Homes and Communities Agency Receipts (report to GMCA, 29 January 2016)
- GM Housing Fund – Updated Investment Strategy (report to GMCA, 27 July 2016)

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<th>TRACKING/PROCESS</th>
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<td>Does this report relate to a Key Decision, as set out in the GMCA Constitution or in the process agreed by the AGMA Executive Board</td>
<td>Yes</td>
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<th>EXEMPTION FROM CALL IN</th>
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<td>Are there any aspects in this report which means it should be considered to be exempt from call in by the AGMA Scrutiny Pool on the grounds of urgency?</td>
<td>No</td>
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<th>AGMA Commission</th>
<th>TfGMC</th>
<th>Scrutiny Pool</th>
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1.1 In line with the agreed governance process for the GM Housing Investment Loan 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 Gateway Panel and Credit Committee at their meetings earlier this month.

1.2 The total value of offers of loans from the Fund approved by the Combined Authority to date is £125.3m. If the recommendations set out in this report are approved, the total value of offers of loans from the Fund will increase to £196.5m.

1.3 In January 2016, the Combined Authority agreed that receipts from the disposal of Homes and Communities Agency (“HCA”) 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 Loan Fund.

2.0 LOAN APPROVALS SOUGHT

2.1 FQ Developments Ltd. is seeking a GM Housing Investment Loan Fund loan of £70,000,000 for the construction of 846 apartments on a site at Owen Street on the fringes of Manchester city centre.

2.2 Splash Developments Ltd. is seeking a GM Housing Investment Loan Fund loan of £1,228,165 for a second phase of development on the site of the former Star Inn, Failsworth, to create 11 townhouses and 4 apartments.

2.4 In addition to the GM Housing Investment Loan Fund loan for the Star Inn scheme, it is proposed to provide a further £491,266 of funding by way of a mezzanine loan sourced from City Deal receipts. This aspect of the funding is subject to HCA approval through the Housing Investment Board, which is due to consider the proposal at its meeting on 16 December.

2.5 Further details of each scheme and proposed terms of the loans are included in the accompanying Part B report, to be considered in the confidential part of the agenda on account of the commercially sensitive nature of the information.

3.0 RISK MANAGEMENT

3.1 The structure and security package proposed for each loan in order to mitigate lending risks are given in the accompanying Part B report.
3.2 Each loan 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.

4.0 LEGAL CONSIDERATIONS

4.1 A detailed loan facility and other associated legal documentation will be completed for each scheme ahead of the first loan payment.

5.0 FINANCIAL CONSEQUENCES – REVENUE

5.1 The borrowers will be required to meet in full the Fund’s legal, due diligence and monitoring costs and there is no requirement for additional revenue expenditure by GMCA / MCC in addition to the approved Core Investment Team budget.

6.0 FINANCIAL CONSEQUENCES – CAPITAL

6.1 The proposed loans will be sourced from the £300m GM Housing Investment Loan Fund and, in the case of the mezzanine funding for the Former Star Inn scheme, from the £14.95m City Deal receipts which have been generated and passed over by HCA to MCC to date.

7.0 RECOMMENDATION

7.1 The Combined Authority is recommended to approve the loans in line with the terms set out in the accompanying report.