Date: 15 December 2017

Subject: GM Housing Investment Loans Fund – Investment Approval Recommendation

Report of: Paul Dennett, Portfolio Holder for Planning, Housing & Homelessness, and Steve Rumbelow, 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 Loans Fund loans detailed in the recommendation below.

RECOMMENDATIONS
The Greater Manchester Combined Authority is requested to:

- Approve the GM Housing Investment Loans Fund loan 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>
</tr>
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<tbody>
<tr>
<td>Cert JDS Ltd.</td>
<td>40-42 John Dalton Street, Manchester</td>
<td>Manchester</td>
<td>£800,000</td>
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- Recommend to Manchester City Council that it approves the above and prepares and effects the necessary legal agreements in accordance with its approved internal processes.

CONTACT OFFICERS:
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BACKGROUND PAPERS:
- Housing Investment Fund (report to GMCA, 27 February 2015)
- GM Housing Fund – Updated Investment Strategy (report to GMCA, 27 July 2016)
<table>
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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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1.0 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 loan detailed in section 2, which has been recommended for approval by the Fund’s Gateway Panel and Credit Committee.

1.2 The total value of offers of loans from the Fund approved by the Combined Authority to date is £401.2m. If the recommendation set out in this report is approved, the total value of offers of loans from the Fund will increase to £402m.

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. The income generated from the ongoing investment of the Fund can be utilised to support Local Authorities to meet the wider GMCA objectives. The level of commitment has now exceeded £300m and work is ongoing to revise the Investment Strategy to better align the future investment approach with the GMCA housing objectives.

1.4 It is intended that future reports seeking Combined Authority approval to loans will be set in the context of a wider Residential Growth Investment Strategy once this is developed which will provide a strategic framework for supporting housing delivery in Greater Manchester. This will include any new funding from the Housing Infrastructure Fund, the Housing Deal negotiated with Government and any monies available to deliver social housing from the additional £2 billion which the Government has announced. A more detailed report on this will be brought back in due course.

2.0 LOAN APPROVALS SOUGHT

2.1 Cert JDS Ltd is seeking a loan from the GM Housing Investment Loans Fund of £0.8m for the re-generation of ageing secondary office space at 40-42 John Dalton Street, Manchester. The scheme will deliver 4 residential apartments. Planning permission was granted in September 2017 with the developer having opted to go through the planning process and deliver higher quality units rather than rely on the permitted development rights. The loan will be provided to a small Manchester based SME developer supporting GMCAs response to some of the challenges set out in the Housing White Paper.

2.2 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 of 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 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 Loans Fund, including the recycling of loans made by the Fund which have now been repaid.

7.0 RECOMMENDATION

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