

**Date:** 29 March 2019

**Subject:** GM Housing Investment Loans Fund – Investment Approval Recommendations

**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.

### RECOMMENDATION

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;

BORROWER	SCHEME	DISTRICT	LOAN
Harrison Hunt (Vicarage Gardens) Ltd.	St George’s Vicarage, Heaviley	Stockport	£1.277m
Citybranch SPV	Chapel Square, Regent Road, Altrincham	Trafford	£12.931m

- Approve the use of £570,000 City Deal Receipts to provide additional lending to the St George’s Vicarage scheme;
- Delegate authority to the GMCA Treasurer acting in conjunction with the GMCA Monitoring Officer to prepare and effect the necessary legal agreements.
- This report also seeks Combined Authority approval to give delegated authority for the period 30 March 2019 to 30 May 2019 to the Combined Authority Chief Executive and the Combined Authority Treasurer, in consultation with the Combined Authority Mayor and the Portfolio Holder for Planning, Housing, Homelessness and Infrastructure to approve funding requests for projects in the absence of a Combined Authority meeting in April and approve any urgent variations on amounts and terms for already approved loans. Note that

recommendations approved under the delegation will be subject to the usual due diligence processes and will be reported to the Combined Authority at the next available meeting.

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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)

<b>TRACKING/PROCESS</b>		
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		Yes
<b>EXEMPTION FROM CALL IN</b>		
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?		No
AGMA Commission	TfGMC	Scrutiny Pool

## **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 loans detailed in section 2, which have 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 £412m<sup>1</sup>, and the total value of equity investments made by the Fund is £2m. If the recommendations set out in this report are agreed, the value of loan offers will increase to £426.8m.
- 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 2019 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 Mayors Town Centre Challenge and tackling issues such as rogue landlords, empty homes and improving standards within the Private Rented Sector. An update report will be brought back to the GMCA in the coming months seeking approval to propositions that can be developed utilising these surpluses.
- 1.4 The GM Housing Vision was approved via the GMCA in January 2019. This sets the context for housing delivery within GM and paves the way for the GM Housing Strategy and a revised GM Housing Investment Loans Fund Investment Strategy that will be brought to the GMCA for approval in the following months. Alongside the launch of the GM Spatial Framework, the agreement to these strategic documents will be a pivotal point in shaping the way housing is brought forward across Greater Manchester and setting the objectives and focus of future investments made from the Fund.

## **2.0 LOAN APPROVALS SOUGHT**

- 2.1 Harrison Hunt (Vicarage Gardens) Ltd. is seeking a loan of £1.847m, to be made up of lending from the GM Housing Investment Loans Fund and City Deal Receipts, for the construction of 19 houses and apartments on the site known as St George’s Vicarage. Homes England has confirmed its approval to the City Deal Receipts element of the lending. Alongside new-build on the surrounding site, the scheme, for which planning permission was obtained in December 2018, will see the existing derelict Grade II listed former vicarage

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<sup>1</sup> This figure takes account of those loans approved but subsequently withdrawn; in addition to those reported to the Combined Authority at its meeting in December 2018, the £5.4m loan to Bowdon Homes for the Carrhill scheme approved by the Combined Authority in July 2018 has now been withdrawn.

brought back into use and support an SME developer with the GM area.

- 2.2 A SPV to be established by Citybranch Healthcare Limited, is seeking a loan from the GM Housing Investment Loans Fund of £12.931m for the construction of 70 apartments at the Chapel Square development, Regent Road, Altrincham. 34 of the units are currently anticipated to be pre-sold to a GM-based Registered Provider for affordable rent use. Planning permission was obtained in March 2018 and includes for a £250k section 106 contribution to public-realm works and £320k Community Infrastructure Levy. The scheme will also deliver a 300 space replacement car park which will provide a much needed increase parking provision within Altrincham town centre and support the continued regeneration of one of Greater Manchester's Town Centres.
- 2.3 Further details of the schemes 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 the loans in order to mitigate lending risks are given in the accompanying Part B report.
- 3.2 The loans 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, and City Deal Receipts.

### **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.