Date: 31 May 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;

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<th>BORROWER</th>
<th>SCHEME</th>
<th>DISTRICT</th>
<th>LOAN</th>
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<tbody>
<tr>
<td>Splash Developments Ltd</td>
<td>Daisy Bank Mill</td>
<td>Manchester</td>
<td>£2.338m</td>
</tr>
<tr>
<td>Hazellock Ltd</td>
<td>Trafford Plaza</td>
<td>Trafford</td>
<td>£6.01m</td>
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- Delegate authority to the GMCA Treasurer acting in conjunction with the GMCA Monitoring Officer to prepare and effect the necessary legal agreements.

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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)

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<th>TRACKING/PROCESS</th>
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<td>Does this report relate to a major strategic decision, as set out in the GMCA Constitution</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 relevant Scrutiny Committee 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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1.0 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 £426.2m\(^1\), 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 £434.5m.

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 Splash Developments Ltd is seeking a loan of £2.338m from the GM Housing Investment Loans Fund for the construction of 18 houses on the site known as Daisy Bank Mill in Newton Heath, Manchester. The scheme, for which planning permission was obtained in May 2017, will deliver 18 units and support an SME developer within the GM area. There is no S106 contribution or affordable housing provision due to viability constraints.

2.2 Hazellock Ltd, a SPV established within the MCR Property Group is seeking a loan from the GM Housing Investment Loans Fund of £6.01m for the construction of 174 apartments on Seymour Grove in Old Trafford. The new

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\(^1\) This figure takes account of those loans approved but subsequently withdrawn.
Building will step in height from 10 to 16 storeys. There will be 160 car parking spaces and 170 bike spaces. The loan will allow a GM-based developer to bring forward the redevelopment of a brownfield site and support the regeneration of the Old Trafford area.

2.3 Further details of the 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 the loan in order to mitigate lending risks are given in the accompanying Part B report.

3.2 The 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 scheme is being delivered satisfactorily.

4.0 LEGAL CONSIDERATIONS

4.1 A detailed loan facility and other associated legal documentation will be completed for the 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 loan 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.