Date: 31 March 2017

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 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;

<table>
<thead>
<tr>
<th>BORROWER</th>
<th>SCHEME</th>
<th>DISTRICT</th>
<th>LOAN</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wiggett Homes Ltd.</td>
<td>Brook Street, Radcliffe</td>
<td>Bury</td>
<td>£1,555,880</td>
</tr>
<tr>
<td>Blue Dog Property 2 Ltd</td>
<td>Former Police Station, Baguley</td>
<td>Manchester</td>
<td>£1,866,000</td>
</tr>
<tr>
<td>Select Property Group / GM Property Venture Fund SPV</td>
<td>Circle Square</td>
<td>Manchester</td>
<td>£36,300,000</td>
</tr>
<tr>
<td>Urban &amp; Civic (Princess Street) Ltd.</td>
<td>Princess Street</td>
<td>Manchester</td>
<td>£43,310,000</td>
</tr>
<tr>
<td>FICM Ltd.</td>
<td>Trinity, Salford</td>
<td>Salford</td>
<td>£22,500,000</td>
</tr>
<tr>
<td>Hillcrest Homes Woodland Ltd.</td>
<td>Bretherens Hall, Heaton Mersey</td>
<td>Stockport</td>
<td>£3,900,000</td>
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</tbody>
</table>

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

CONTACT OFFICERS:
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Andrew McIntosh (a.mcintosh1@manchester.gov.uk, 0161 234 4061)

**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)

<table>
<thead>
<tr>
<th><strong>TRACKING/PROCESS</strong></th>
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<tr>
<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>
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<th><strong>EXEMPTION FROM CALL IN</strong></th>
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<tr>
<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>
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</table>
1.0 INTRODUCTION & OVERVIEW

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 £196.52m. If the recommendations set out in this report are approved, the total value of offers of loans from the Fund will increase to £305.95m. Recycled repayments from existing loans made by the Fund will be used to fund commitments above £300m.

1.3 The loan approvals sought through this report include three large-scale city centre schemes. During the next few months, the Fund also expects to bring forward proposals for lending to a further two large-scale city centre investments, one of which is a programme comprising three separate schemes. Beyond that pipeline, and subject to any proposals that may be brought forward to substitute lending to large-scale city centre schemes which has been previously approved but is not taken up, no further lending to large-scale city centre schemes is envisaged for the foreseeable future.

2.0 LOAN APPROVALS SOUGHT

2.1 Wiggett Homes Ltd. is seeking a loan of £1,555,880 for the development of 22 houses on a site in Radcliffe.

2.2 Blue Dog Property 2 Ltd. is seeking a loan of £1,866,000 for the construction of 33 apartments on the site of the former police station in Baguley.

2.3 Urban & Civic (Princess Street) Ltd. is seeking a loan of £43,310,000 for the construction of 351 apartments on a site at the junction of Princess Street and Whitworth Street in central Manchester.

2.4 A SPV to be established by Select Property Group and the Greater Manchester Property Venture Fund is seeking a loan of £36,300,000 for the construction of 677 apartments on the former BBC site in central Manchester.

2.5 FICM Ltd. is seeking a loan of £22,500,000 for the construction of 380 apartments on a site at the corner of Blackfriars Road and Trinity Road, Salford. The Combined Authority has previously approved a loan of
£17.3m to this scheme - as a result of changes to the project, approval to increase the loan to £22,500,000 is sought\(^1\).

2.6 Hillcrest Homes Woodlands Ltd. is seeking a loan of £3,900,000 for the construction of 15 houses and 9 apartments on the site of the Bretherens Hall in Heaton Mersey, subject to obtaining planning consent.

2.7 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, including satisfactory resolution of requirements set out by the Fund’s Credit Committee. Monitoring Surveyors acting on the Fund’s behalf will also be appointed to provide ongoing confirmation 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.

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.

\(^1\)The previously approved loan of £17.3m is not included in the value of loan offers approved to date given in paragraph 1.2.