

GREATER  
MANCHESTER

GMCA

COMBINED  
AUTHORITY

GREATER  
MANCHESTER  
HOUSING FUND  
PROSPECTUS

BOLTON  
BURY  
MANCHESTER  
OLDHAM  
ROCHDALE  
SALFORD  
STOCKPORT  
TAMESIDE  
TRAFFORD  
WIGAN

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A FUTURE  
FORGED  
TOGETHER

## FOREWORD

CLLR SUE DERBYSHIRE,  
CHAIR OF THE HOUSING  
AND PLANNING  
COMMISSION,  
GMCA

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In November 2014 the Greater Manchester Devolution Agreement set out the Government's intention to provide Greater Manchester with a £300million Housing Fund to invest in housing development across the city region over a ten-year period.

This Greater Manchester Housing Fund is immediately available and is designed to accelerate and unlock housing schemes. It will help build the new homes we need to support our growth ambitions across Greater Manchester.

The Housing Fund represents a cornerstone of Greater Manchester's housing growth strategy, and specifically targets the ongoing constraints within the residential finance market, including the reduced risk appetite many lenders continue to exhibit and ceilings on the financial exposure they are prepared to accept.

This Housing Fund will initially provide loan development finance for private sector partners on a fully recoverable basis. It will be managed by the Greater Manchester Combined Authority on behalf of the ten councils in Greater Manchester. The Fund will be open to applications on an ongoing basis.

I would encourage you to speak to us about your schemes and make use of this development finance. We are keen to build more homes to continue the momentum of growth and success across Greater Manchester.

**THE £300MILLION GREATER MANCHESTER HOUSING FUND WILL BE USED PRIMARILY AS DEVELOPMENT FINANCE TO SUPPORT HOUSING GROWTH ACROSS GREATER MANCHESTER AND INCREASE THE NUMBER OF NEW HOMES BEING BUILT.**



## INTRODUCTION:

- Greater Manchester currently has a population of 2.7million and a GVA of £54.8billion per annum.
- By 2024 it is predicted that the region's GVA will be worth more than £70billion per year, representing an average annual growth of three per cent. Over the same period, Greater Manchester's population is forecast to grow by 128,000.
- The Greater Manchester Forecasting Model (GMFM) is updated every year by Oxford Economics for New Economy on behalf of the Greater Manchester Combined Authority (GMCA). The figures show that Greater Manchester is expected to create 110,000 new jobs over the next ten years.
- The top occupation types by growth in the next decade are expected to be:
  - Culture and creative – 26,000 jobs
  - Professional – 17,000 jobs
  - Associate professional and technical – 14,000 jobs
  - Construction – 14,000 jobs
  - Management, directors and senior officials – 12,000 jobs.
- The major drivers of growth over the next decade are expected to be:
  - Business, financial and professional services sector, with a £7.3billion GVA increase
  - Wholesale and retail, with a £2.4billion GVA increase
  - Cultural and creative, with a £2.3billion increase.
- Greater Manchester has the critical success factors to support high economic and employment growth, including:
  - The UK's largest student population outside London
  - The rapidly expanding Metrolink tram network
  - The revitalisation of Manchester Victoria train station
  - The forthcoming arrival of HS2
  - Development plans at Manchester Airport.
- The creation of 110,00 new jobs over the next ten years presents Greater Manchester with a challenge to rapidly accelerate housing and create new neighbourhoods of choice. The Greater Manchester Housing Fund will support the delivery of new supply across Greater Manchester; this is currently running at around 3,000 to 4,000 per annum rather than the 9,000 to 10,000 new homes needed to meet demand.

## FUND PARAMETERS:

- The £300million Greater Manchester Housing Fund will be used primarily as development finance to support housing growth across Greater Manchester and increase the number of new homes being built. The nature and form of schemes remains a local matter to be considered through the planning process by the relevant council.
- Funding will be made available to accelerate or unlock fundamentally viable housing schemes. Access to the fund is on a recoverable capital investment basis and for private sector-led schemes.
- Development finance will usually be in the form of a loan offered with an appropriate state aid-compliant interest rate applied. Final offered rates will depend on the specifics of the project, the creditworthiness of the borrower, the nature of the proposed investment, and the security offered.
- The amount of funding available for each scheme will be based on an assessment of the minimum level of finance needed to unlock the project's delivery.
- Other forms of investment such as equity may be considered in future, to maintain flexibility and enable bespoke packages of support to be developed, provided the investment is state aid-compliant. All funding is invested on a fully recoverable basis. Grant/gap funding will not be considered. GMCA reserves the right to seek additional equity investment from applicants into schemes ahead of any GMCA investment.

## INVESTMENT CRITERIA:

1. The main investment criteria for projects applying to the Fund will be as follows:
  - Project has the support of the council in which the project is based
  - Project due diligence has been satisfactorily completed
  - Project sponsor is willing to accept the terms of the loan as specified.
2. The key terms of the Fund loans will be as follows:

### LOAN TO COST

A maximum of 60% of scheme cost (excluding finance and interest charges), and a maximum of 50% loan to value.

### PRICING

State Aid-compliant rates with an appropriate margin applied.

### LOAN TERM

A maximum of four years from start on site to repayment of the Fund's loan will be permitted.

### SECURITY

First-ranking charge over the property, subject to any pari passu arrangements agreed with other senior lenders. A debenture over the applicant organisation will be secured where possible.

### PRIORITY OF REPAYMENT

The Fund repayment will have priority over receipts from property disposals (including any rental income).<sup>1</sup>

### RECYCLING AND PHASING

Where scheme delivery is phased, recycling of receipts from early phases will be permitted where the loan-to-cost ratio is not breached at any point in time.

Where disposal receipts are to be recycled to further phases, the Fund will require a legal charge over a dedicated project bank account, together with an undertaking from the borrower's solicitor to pay receipts into that account and a requirement for Fund approval to expenditure from that account.

### OTHER INVESTMENT

In addition to cash, developer contributions in the form of upfront land will be permissible, subject to independent valuation. In-kind contributions, in the form of sunk costs incurred by the developer, will only be permitted where it has increased the land value or can be independently valued and provide further security for the Fund. All contributions will be considered on a case-by-case basis.

### MONITORING SURVEYOR

Loan instalments will only be payable against those items included within a statement of approved scheme costs to be agreed with the Fund at the outset, where the developer has supplied evidence of the cost having been incurred (in the form of a construction payments certificate or invoice etc.) and this has been verified by the Monitoring Surveyor funded by the borrower.

3. Approval of individual loan applications may be subject to additional protections as required on a case-by-case basis.
4. Where the exit strategy is based on refinancing at practical completion, schemes will be required to demonstrate that the income stream provides an appropriate level of cover for interest payments.
5. The Fund will require appropriate guarantees in relation to the construction contracts, with the construction contract and professional team appointments incorporating assignable collateral warranties and step-in rights. The same requirements will apply in relation to any other material contracts pertaining to the development, for example subcontracts, sales contracts, and property management agreements.

6. The Fund will invest in schemes brought forward by developers, housebuilders and SMEs, including SPVs. A Parent Company Guarantee will be sought where available and/or appropriate cost overrun protections included within the loan agreements. This will include commitments to provide any additional equity required to meet cost overruns, as well as completion of the scheme and repayment of the loan.
7. The Fund will generally provide loans of upwards of £1million but may similarly seek to support SMEs and portfolios of projects below this threshold where there is an appropriate justification to do so.
8. The Fund will consider its overall exposure in terms of property type and ownership and geographical concentration on a wider risk portfolio level throughout the life of the Fund, and reserves the right to manage this exposure accordingly.
9. Loan Agreements will usually contain a standard set of Conditions Precedent that need to be satisfied before the Fund's loan can be drawn.

<sup>1</sup>The developer will be required to maintain adequate insurance, with provisions in relation to claims equivalent to those for receipts and identifying the Fund as first-loss payee.



## **APPLICATION AND ASSESSMENT:**

1. An application for loan funding should be made by submitting the Expression of Interest information set out in Annex A. Applicants are encouraged to discuss their proposed schemes in advance of submitting the Expression of Interest information. Contact information for initial discussion and submission of information can be found on page 11.
2. Once the information submitted in the Expression of Interest has been reviewed in relation to the investment criteria outlined above, and support for the scheme is confirmed by the relevant council, applicants will be informed of the outcome of that process.
3. A single applicant can put forward bids for different sites, but each bid must comply individually with the investment criteria and requirements set out in this prospectus. Applicants should note that GMCA will be seeking to manage exposure at a portfolio level and the GMCA decision on investments will be final.
4. GMCA will consult with individual councils and may share submitted information with them to seek their views on the application and check the planning status of the project. Other verification, for example site visits, may be undertaken. Where the GMCA's view of likely timing and deliverability differs from that of the applicant, GMCA's view will be final.
5. Applications that satisfy the investment criteria at the Expression of Interest stage will be invited to undergo a technical due diligence review; this will be carried out by GMCA to test the value for money of the proposition and the applicant's ability to repay the investment. Applicants will need to satisfactorily complete the due diligence process and receive formal approval before investment is made.
6. The scope of the due diligence will include:
  - Evidence of the applicant's financial standing (and that of any guarantor), delivery track record, and capacity to successfully undertake the schemes (to consider any additional developments the developer is currently carrying out).
  - Review of 'Know Your Customer' checks and supporting evidence (see Annex B for further details).
  - Confirmation that development costs are robust, including sufficient detailed site surveys and design development, and incorporating appropriate levels of contingency.
  - Confirmation of the value of security and appropriateness for loan, subject to ongoing testing during the course of project implementation.

- Evidence that the applicant developer has satisfactory legal title to the property.
  - Market assessment demonstrating strong demand for the property and supporting the assumptions around project value and timing of income within the scheme's development appraisal.
  - Construction and sales programme demonstrating ability to repay borrowing from the Fund within the required timescale.
  - Sensitivity analysis to demonstrate that scheme viability is resilient to adverse changes in key financial and market parameters.
  - Waterfall analysis to identify priority of payments for overall scheme and losses under different events of default.
  - Deliverability, including planning and the ability to start onsite within six months of investment approval.
  - Confirmation that the NHBC (or similar body) will provide a new homes warranty for the project upon completion.
  - Assessment of reputational risk.
7. Schemes that successfully pass the due diligence stage and achieve formal investment approval will enter into formal negotiations to contract terms before investments are made. Contracts will need to be completed in sufficient time to allow the drawdown timetable to be met. GMCA intends to complete contracts for schemes that pass the due diligence stage as soon as possible after due diligence is concluded.
  2. GMCA will include a number of reporting obligations within the contract to allow the appropriate monitoring of the investments. Funding drawdowns may be stopped where satisfactory information is not provided. This may include scheme-specific financial and delivery-related information, typically on a monthly basis. In addition, GMCA may require corporate level information from the contracting parties throughout the term of the investment.

## **CONTACT FOR FURTHER INFORMATION:**

For further information, and to submit the information required for your Expression of Interest, please contact:

MARIE HODGSON  
TEL: 0161 200 6167

PAUL BEARDMORE  
TEL: 0161 234 4811

SUBMISSIONS@  
AGMA.GOV.UK

## ANNEX A – EXPRESSION OF INTEREST – INFORMATION REQUIRED:

### APPLICANT'S DETAILS

Name of organisation:

Contact name:

Contact email address:

Contact telephone number:

Address of organisation:

Company Registration Number:

Details of joint venture or  
consortium arrangements:

Confirmation of board sign-off:

Confirmation that prospectus  
has been read and understood:

Confirmation of involvement in  
any other Greater Manchester  
Housing Fund bids:

Annual turnover:

Number of staff employed:

### SITE DETAILS

Name and location (including  
council area, co-ordinates and  
postcode):

Confirmation that a site plan  
has been provided:

Size of site (hectares):

Planning status:

Number of units:

Confirmation of applicant's  
control of site:

Confirmation that the site is not  
in receipt of funding support from  
other Government programmes  
for the same purpose:

### GREATER MANCHESTER HOUSING FUND BID DETAILS

Confirmation that the bid is the  
only one for the fund on this site:

Confirmation that the proposed  
recipient of the funding is a  
private sector body:

### TIMESCALES AND DELIVERY

Start onsite date:

Details of anticipated build  
programme:

Confirmation of whether the  
funding is for unlocking or  
accelerating the development:

Confirmation of degree of  
acceleration of build programme if  
capital funding bid is successful:



**UNITS**

Number and tenure of residential units:

**FINANCIAL DETAILS**

Cost profile for development works:

Profile of loan funding requested:

Source details for balance of funding (bank loan, developer equity, other public funding):

Profile of capital repayment to GMCA:

**PLANNING DETAILS**

Confirmation of planning permission:

Confirmation of whether any other consent is required:

Confirmation that the site is fundamentally viable, can support the repayment of the fund, and has the consent of any existing lenders to access additional finance from this fund:

**WIDER PROJECT FINANCIAL DETAILS**

Confirmation of total cost (to include land value, profit and infrastructure costs):

Confirmation of confirmed public funding:

Confirmation of unconfirmed public funding:

Gross Development Value supported by a summary development appraisal:

**WIDER PROJECT PLANNING DETAILS**

Detailed information regarding planning consents, including reference numbers or links to the Planning Portal and information regarding outstanding Reserved Matters:

Details of any site characteristics that would delay start onsite:

**OWNERSHIP DETAILS**

Confirmation of whether the applicant has control of the site:

Details of the nature of control:

Confirmation of the freehold owner:

Confirmation of whether the site was disposed of by a public sector body:

Details of whether any public sector body or Government organisation has any on-going interest in the site:

## **ANNEX B – KNOW YOUR CUSTOMER REQUIREMENTS:**

The following is provided for information and indicates the information which will be required should a scheme be shortlisted and entered into due diligence. Where possible, applicants are advised to prepare due diligence information in advance. Excessive delays in the GMCA or its advisers receiving due diligence information may result in a scheme not proceeding.

### **IN THE CASE OF APPLICANTS ACTING ALONE:**

- Latest audited financial accounts for the applicant (full accounts rather than abbreviated)
- Management or draft accounts where the audited accounts are more than six months old
- Latest audited financial accounts for the applicant's ultimate parent company (full accounts rather than abbreviated)
- Details of any events occurring since the last audited accounts that have a material effect on the understanding of the applicant's or the wider group's financial standing, including but not limited to change of control or ownership, corporate refinancing, significant acquisitions, disposals or closure of subsidiaries or business units, and potential contingent liabilities, including litigation. If none of these apply, a statement to confirm the fact
- Evidence of funding lines available to the applicant, including up-to-date details of headroom within facilities and undrawn facilities
- Where it is proposed that funding will be introduced from related parties, similar information in relation to headroom and undrawn facilities
- Identity of proposed guarantor(s) if applicable.

### **IN THE CASE OF CONSORTIA BIDS:**

- Details of the legal status of the applicant (examples include joint venture company, partnership, limited liability partnership, and limited partnership)
- Details of the names of consortium members, structure of the consortium and roles of each consortium member
- For existing joint venture vehicles, the latest audited financial accounts for the applicant vehicle (full accounts rather than abbreviated)
- Management of draft accounts where the audited accounts are more than six months old
- In the case of newly formed joint-venture vehicles, details of the structure of the opening balance sheet, including details of partners' proposed equity and stakeholder loan investments
- Latest audited financial accounts for each of the consortium members (full accounts rather than abbreviated)
- In respect of the applicant vehicle and each consortium member, details of any events occurring since the last audited accounts that have a material effect on the understanding of the applicant or the wider group's financial standing, including but not limited to change of control or ownership, corporate refinancing, significant acquisitions, disposals or closure of subsidiaries or business units, and potential contingent liabilities, including litigation. If none of these apply, a statement to confirm the fact
- Evidence of funding lines available to the applicant, including up-to-date details of headroom within facilities and undrawn facilities
- Similar information in relation to the funding lines available to each consortium member
- Where it is proposed that funding will be introduced from related parties, similar information in relation to headroom and undrawn facilities
- Identity of proposed guarantor(s) if applicable.