

OWEN STREET PHASE 2 - DEVELOPMENT LOAN - EXECUTIVE DECISION

18 March 2019

EXEMPT - GMPF - EXECUTIVE DECISION NOTICE

SUBJECT MATTER:	OWEN STREET (DEANSGATE SQUARE) PHASE 2
DECISION:	DETERMINED that as part of the 3% allocation to Greater Manchester Property Venture Fund (GMPVF) approved by Panel on 12 September 2014, to approve a £30m debt facility for phase 2 of the Owen Street / Deansgate Square development. This loan replaces the £30 loan previously agreed for phase 1.
DECISION TAKER:	Sandra Stewart
DESIGNATION OF DECISION TAKER:	Director of Pensions
DATE OF DECISION:	18 March 2019
REASON FOR DECISION	<p>An allocation of 3% of Fund assets to GMPVF, was ratified by Panel 12 September 2014.</p> <p>Renaker is an experienced developer with a strong presence in Manchester and with a proven track record. Phase 1 of the Owen Street / Deansgate Square residential development (close to Manchester City Centre), is due to complete shortly with the practical completion and sale of Tower D to Legal & General. Following the sale, phase 2 will commence, to complete Tower A and the amenity building, as well as progressing the remaining tower blocks (B and C).</p> <p>The £30m loan facility is part of a £100m debt facility with the balance coming from Greater Manchester Housing Investment Fund. As work has started on site, the developer has already committed a substantial equity sum into progressing the phase 2 buildings. The value of work in progress at December 18 for phase 2 being £110m.</p> <p>A red book valuation has been completed which reports a GDV for Tower A of £188.2m. It is intended that the sales achieved from Tower A will be sufficient to repay both GM HIF and GMPVF. Security is also held by the lenders over the wider site, should the sale proceeds from Tower A not cover both lenders.</p> <p>To ensure funding is utilised to complete Tower A, the amount required to achieve practical completion will be held in an escrow account for this purpose only.</p> <p>The development loan is secured on the site/development, at no greater than 55% of development costs or 35% of development value.</p> <p>Following due diligence, Avison Young (AY) in their role as non-discretionary manager to GMPVF, have recommended entering</p>

	into the phase 2 loan agreement. Please refer to the AY report attached which supports this recommendation.
ALTERNATIVE OPTIONS REJECTED (if any):	The Local Investments team and AY review development debt opportunities on a regular basis. Recent competitor development debt opportunities have been assessed, but not progressed at this stage.
CONSULTEES:	The Local Investment team has discussed the opportunity internally, with Avison Young as Fund Managers to GMPVF and consulted with GMPF's Investment Committee. There was a consensus that Renaker are a credible developer, Owen St / Deansgate Square being a viable development and this being an appropriate investment for GMPVF's investments portfolio.
FINANCIAL IMPLICATIONS:	The loan will be made from GMPF's 3% allocation to the GM Property Venture Fund. The £600m investment approved by BDWG on 31 July 2014 and ratified by Panel on 12 September 2014.
LEGAL IMPLICATIONS:	<p>An external firm of lawyers have been appointed by the Fund to prepare a market standard LMA lending agreement, inter-creditor agreement, review the construction documents and ratify the title of the site to be held as security for the loan.</p> <p>Legal due diligence is close to completion and no significant issues have been raised by the lawyers. All documents are in final form and have been substantially agreed by all parties.</p> <p>A conditions precedent checklist has been prepared, which shows the remaining documents required to be provided by the borrower, in advance of the loan agreement being completed.</p>
RISK MANAGEMENT:	Associated risks with providing development debt have been discussed in the due diligence paper. The associated mitigants to some of the risks have also been considered and deemed appropriate. Renaker is an experienced developer and has committed substantial sums in progressing the works to date, the funding required to complete Tower A is to be held in escrow, to ensure its practical completion. The strategy for GMPVF provides diversification to the portfolio, both in sector and type of financial instrument.
CONFLICT OF INTEREST:	None
DISPENSATION GRANTED BY STANDARDS COMMITTEE ATTACHED:	N/A

ACCESS TO INFORMATION:	Not for Publication: This report contains exempt information relating to paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972 (as amended). On balance, under paragraph 10 of Part 2 of Schedule 12A, it would not be in the public interest to disclose this information to the public because disclosure would, or would likely to, prejudice the commercial interests of the Fund and/or its agents which, in turn, could impact upon the interest of the local taxpayer and/or the beneficiaries of the Fund.
REFERENCE DOCUMENTS:	Appendix 1- GVA Recommendation dated 12 March 2019 Further background papers relating to this report can be inspected by contacting: Andrew Hall, Investment Manager by phone on 0161 301 7203 or by email: andrew.hall@tameside.gov.uk