



**CAMBRIDGESHIRE
& PETERBOROUGH**
COMBINED AUTHORITY

JAMES PALMER
CAMBRIDGESHIRE &
PETERBOROUGH MAYOR

HOUSING AND COMMUNITIES COMMITTEE	AGENDA ITEM No: 2.1
9 MARCH 2020	PUBLIC REPORT <i>This report contains appendices 1 and 3 which are exempt from publication under Part 1 of Schedule 12A of the Local Government Act 1972, as amended, in that it would not be in the public interest for this information to be disclosed (information relating to the financial or business affairs of any particular person (including the authority holding that information)).</i>

£100m AFFORDABLE HOUSING PROGRAMME (NON-GRANT): CAMBRIDGE CITY, HISTON ROAD, DEVELOPMENT LOAN TO LARAGH HOMES

1.0 PURPOSE

- 1.1. To seek approval from the Board for the provision of a 30 month repayable loan facility capped at £9.637m to Histon Road Development LLP for the development of a 27 unit housing scheme at 295-301 Histon Road, Cambridge, CB4 3NF
- 1.2. The loan will be used to acquire the land and develop the site of 27 housing units that will include 10 affordable residential units.
- 1.3. Through this transaction the site will be delivered, without which the developer has advised that this will not happen due to constraints of a lack of funding from traditional High Street lenders and willing equity partners in the current economic climate.
- 1.4. Providing the loan will enable 10 affordable units to be delivered under the current S106 agreement, without which the scheme will not proceed in the foreseeable future. No grant is requested or involved.

<u>DECISION REQUIRED</u>	
Lead Member:	Councillor Chris Boden, Lead member for Housing and Chair of the Housing and Communities Committee
Lead Officer:	Roger Thompson, Director of Housing and Development
Forward Plan Ref: n/a	Key Decision: No
<p>The Housing and Communities Committee is recommended to:</p> <p>(a) Recommend that the Combined Authority Board approve the provision of a loan facility of £9.637m to Histon Road Developments LLP for a scheme of 27 units based on the heads of terms detailed in exempt Appendix 1.</p> <p>(b) Recommend that the Combined Authority Board delegate authority to the Director of Housing and Development, in consultation with the Monitoring Officer and the Lead Member for Investment and Finance, to conclude any necessary legal documentation, including the determination of the interest rate to be charged and the security for the loan by way of a first charge upon the land.</p>	<p>Voting arrangements</p> <p>Simple majority of all Members</p>

2.0 BACKGROUND

- 2.1. In order to have a selection of tools and a flexible approach in which housing delivery can be achieved and accelerated, on the 26th September 2018 the Combined Authority Board approved a flexible multi toolkit housing strategy.
- 2.2. The strategy included the provision of a rolling fund from within the £100m housing programme to be used for toolkit opportunities over and above just issuing traditional grant, such as a repayable loan agreement, as is being proposed in this paper.

A flexible multi-toolkit approach



2.3. The approved Housing Strategy included the following policy commitments:

- (a) Under paragraph 3.17 to promote all housing that is in addition to the existing development pipeline.
- (b) Under section 3.18 there is a commitment to being creative and using a range of financial delivery mechanisms that have not traditionally been a public sector method to support and deliver housing.
- (c) This proposal is further supported by paragraph 3.23 to encourage the best use of all property assets
- (d) Under 3.24 to helping to accelerate schemes using financial mechanisms in the toolbox.
- (e) Under 3.25 to more enabling action including loans
- (f) Under 3.27 to taking the initiative on more direct interventions as exemplified in the toolbox above.

2.4. The site has a reserved matters planning approval from Cambridge City Council from 17th December 2019. However, to deliver the development, the developer needs a source of funding to enable a prompt delivery of the scheme. Without funding support the development of much needed affordable housing will not progress. The intention is that Laragh House Developments Ltd, having already acquired the property, will initiate the development through their LLP subsidiary created specifically to deliver this development.

2.5. The site is located to the rear of 295-301 Histon Road, Cambridge and is shown in red in Appendix 2.

3.0 PROPOSAL & CONDITIONS

- 3.1. The proposal is to offer a loan agreement to Histon Road Developments LLP in the maximum sum of £9.637m for 30 months to undertake the development. Draft heads of terms for the loan are attached in exempt Appendix 1. The loan will be providing 90% of the capital being required and the borrower will be providing the 10% of equity from their own resources.
- 3.2. The intention is to develop the property in line with the existing planning consent, creating 27 new homes comprising 17 market units and 10 affordable units consisting of three one bed apartments, six two bed apartments and one three bed house.
- 3.3. For the avoidance of any doubt, the scheme will not be funded unless it delivers the 10 affordable units within it.
- 3.4. The remaining units will be sold to the Market. Attached in exempt Appendix 3 is the application form and business plan which includes more detail including high level risk analysis, development appraisal and cashflow which identifies a projected drawdown schedule. It is projected that repayments of the loan capital will commence in December 2021 and by end September 2022 repayments will have repaid the loan with all interest in full.
- 3.5. The loan will be secured against a first charge on the land on which the property sits.
- 3.6. The loan will be Conditional upon Laragh House Developments Limited standing as a guarantor for the loan for a sum of £350,000.
- 3.7. This opportunity creates and brings into supply 27 homes including 10 affordable homes in a development that would otherwise not be delivered by the market.
- 3.8. It will be a welcome addition to the local private and affordable housing stock. It will provide opportunity for those that live and work locally or aspire to live in the locality.

4.0 FINANCIAL IMPLICATIONS

- 4.1. It is proposed that the Combined Authority provides a £9.637m loan facility for a 30 month period to Histon Road Developments LLP. Anticipated commencement of drawdown is April 2020 from the £100m Housing programme.
- 4.2. Maximum loan drawdown is projected to be £9.637m (In Nov 2021). We are proposing to offer a loan for £9.637m so that the borrower has sufficient funds to ensure completion of the project without relying upon revenue from projected sales to complete the project. This loan will be secured by the Combined Authority taking a first charge against the property.

- 4.3. The interest rate will be set once audited accounts for the guarantor are received (as reflected in the heads of terms, see exempt Appendix 1). The interest rate to be determined will comply with State Aid rules and reflect the balance of the debt, the funding from the borrower, the financial standing of the borrower and guarantor and the overall risk of the project. In this case the risk is mitigated because a primary charge is secured against the asset and there is a limited guarantor. The final interest rate will be determined once the guarantor has provided their latest audited accounts and trading accounts.
- 4.4. The cumulative cashflow for the £40m revolving fund (assuming this deal proceeds) is shown in Appendix 4. Based on current commitments the fund will be able to support this scheme.

5.0 LEGAL IMPLICATIONS

- 5.1 At its meeting on the 26 September 2018, the Combined Authority Board agreed by a majority to:
- a) agree the approach to delivering the Housing Strategy set out in the 31Ten report in Appendix 1 of the report.
 - b) agree the concept of creating a revolving fund of monies from within the £100m programme for housing investment, to run within and beyond the 5 year programme.
- 5.2 The Combined Authority has the ability to lend under s.12 Local Government Act 2003 “power to invest” as well as under its general power of competence under the Cambridgeshire and Peterborough Combined Authority Order 2017 provided that it is compliant with European state aid rules.
- 5.3 In making any such investment the Authority is required to have regard to the government’s statutory guidance on Local Government Investment (section 15 Local Government Act 2003) and specific guidance published by the Chartered Institute of Public Finance and Accountancy.
- 5.4 A first charge will be taken over the property and only released as sales are being completed and loan re-payments made.
- 5.5 The devolution deal of June 2016 placed no particular restrictions on the use of the £100m housing programme for such purposes. The £100m must be used for delivering housing and growth.

6.0 APPENDICES

- 6.1. Exempt Appendix 1 – Heads of Terms for Loan Agreement between CPCA and Histon Road Developments LLP
- 6.2. Appendix 2 – Site location plan

6.3. Exempt Appendix 3 – Borrowers Business Plan

6.4. Appendix 4 - £40m revolving fund cumulative cashflow

<u>Source Documents</u>	<u>Location</u>
List background papers: Reports and minutes of the Combined Authority Board 26 September 2018	<u>Combined Authority Board 26 September 2018</u>