

Gauteng Infrastructure Funding Summit

Investing in Sustainable Human
Settlements

4 May 2017

GAUTENG PARTNERSHIP FUND:

Presented by Boni Muvevi
Chief Executive Officer
4th May 2017



TABLE OF CONTENTS

- Gauteng Province
- GPF Background
- GPF Market Interventions
- GPF Mandate Evolution
- GPF Investment Process
- GPF Performance 2003/04 – 2015/16
- GPF Mandate and Value Proposition
- GPF Vision and Mission
- Capital Raising & Funding Models
- GPF Funded Project Example
- Investment Platforms
- GPF Current Strategic Partners



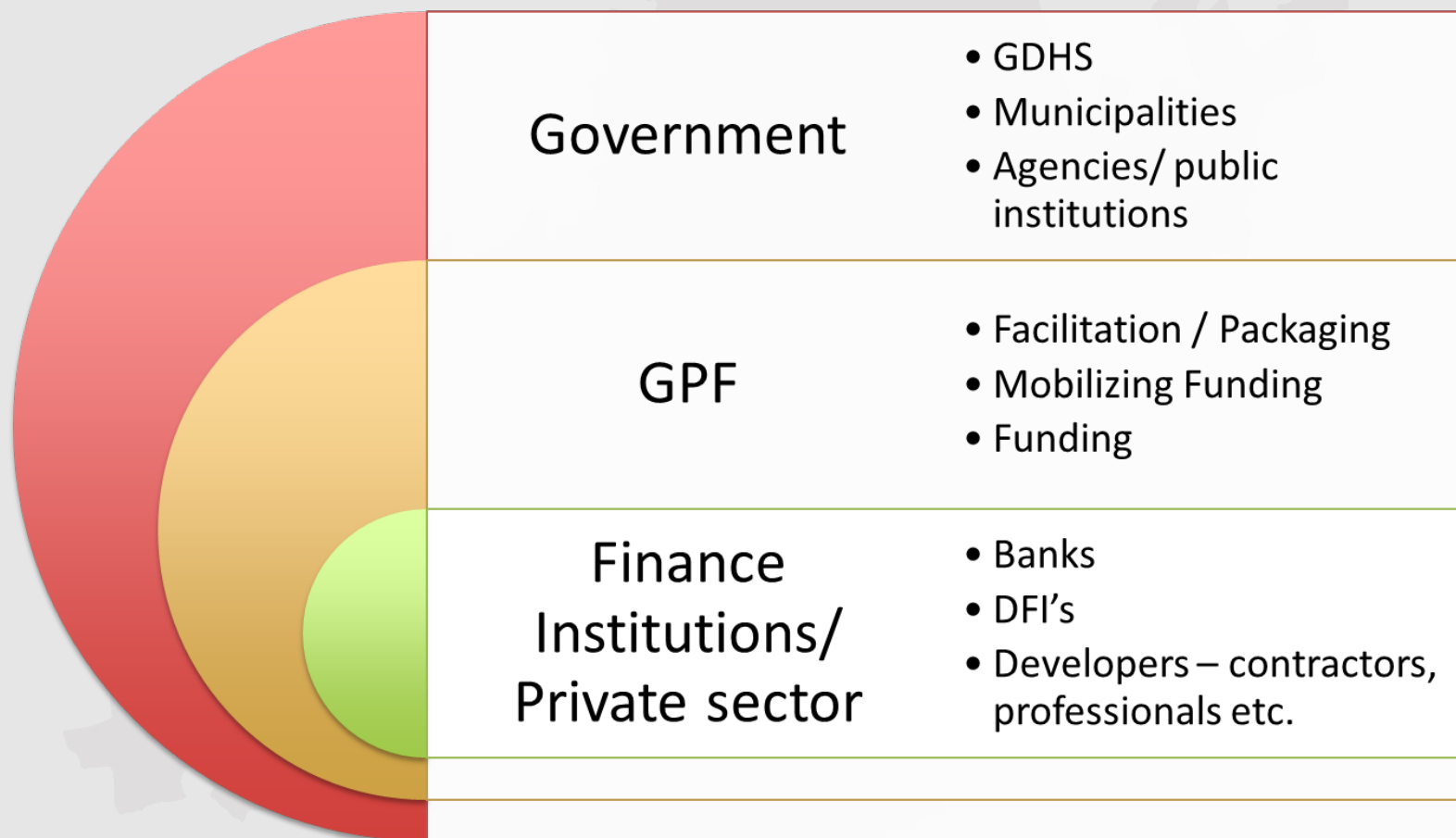
SOUTH AFRICA – GAUTENG PROVINCE



GPF BACKGROUND

- GPF: A **Schedule 3C Provincial Public Entity (PPE)** that was founded in 2002 as a Benevolent Trust under the Trust Properties Control Act 57 (1988).
- **Shareholder/ Executive Authority:** Gauteng Department of Human Settlements (GDHS).
- **Independent and diverse Board of Trustees** who are non-executive members appointed by the Executive Authority (MEC);
- **The Board is the Accounting Authority in terms of the PFMA** and provides strategic direction and leadership to enhance shareholder value and ensure the GPF's long-term sustainable development and growth.
- In fulfilling its responsibilities, **the Board is supported by the Chief Executive Officer and Executive Management Team** in implementing the approved strategic and corporate plans and policies.

GPF ROLE (SINCE INCEPTION)



GPF MARKET INTERVENTIONS

	Financial product	Purpose	
Affordable Housing Rental Accommodation	Rental Housing Fund	To enhance the viability of investment into affordable housing by rental developers/ entrepreneurs.	Strategic partnerships with finance institutions
	Entrepreneur Empowerment Property Fund Programme	This is an incubator programme designed to enable sustainable entrance of HDI owned companies in the affordable rental property market. (The programme is limited to prospective participants invited on public tender annually).	
	Social Housing Fund	To enhance the viability of investment into affordable housing by Social Housing Institutions. This is linked to government institutional subsidy funding.	
	Student Housing Fund	To enhance the viability of investment into affordable housing for students by rental developers/ entrepreneurs.	
Mixed Housing	Funding of Mixed Income Housing Developments (under – development)	To develop optimal funding structure and raise appropriate funding for human settlements projects.	

GPF MANDATE EVOLUTION

GPF Mandate Evolution Timeline:



2002 Mandate

Social
Housing



2008 Mandate

Affordable
Housing



2016 Mandate

All Human
Settlements

GPF INVESTMENT PROCESS

Project Investment Process

Deal origination

- New business development
- Client relationship management
- Deal flow management

Project Assessment

- Investment evaluation
- Viability & Feasibility analysis
- Technical assessment
- Investment criteria
- Credit analysis

Risk Management & Controls

- Credit risk pricing
- Liquidity risk
- Concentration risk
- Other risks

Investment Administration

- Reporting on Investments
- Investment monitoring
- Contract monitoring

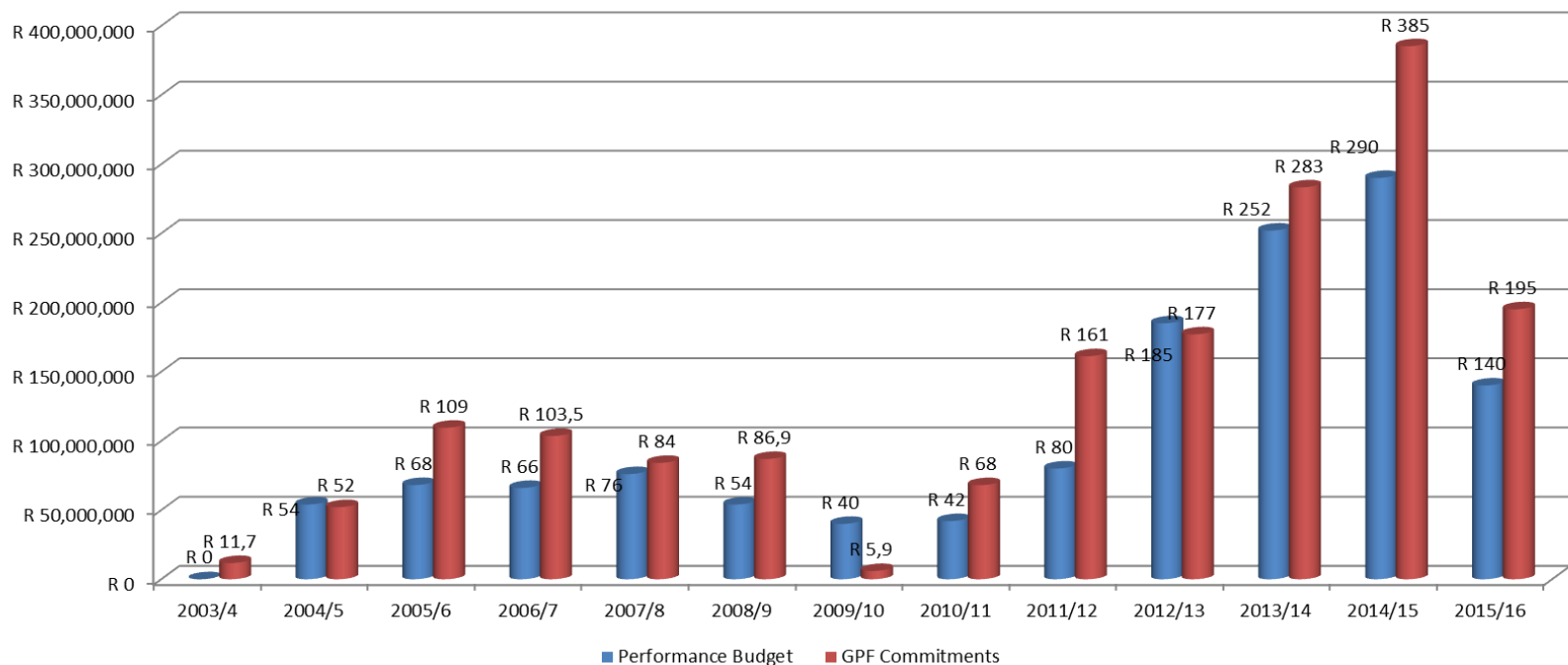
Board Investment Committee – meets every fortnight or adhoc
Board of Trustees – meets 5 times a year or adhoc

GPF PERFORMANCE 2003/04 – 2015/16 (MARCH YEAR END)

Over the past 14 years GPF has **committed funding for projects** to a value of **R1, 7 billion** leveraging approx. **R3 billion** of private and public sector funding in social and rental housing projects.

- This has facilitated approximately 25 000 housing units and funded over 18 000 completed units.

GPF Performance 2003 - 2015



GPF MANDATE

The mandate of GPF is:

“To serve as the funding and implementing agent for integrated, sustainable human settlement developments in the Gauteng City Region and custodian of strategic provincial land transferred to GPF for effective fixed asset management and a more coordinated and efficient implementation of mega human settlement developments”

More specifically, GPF’s mandate comprises the following key roles/functions:

- 1. Fundraising and investment facilitation:** Use of public sector funding to leverage additional funding and facilitate capital flows into integrated, sustainable human settlements;
- 2. Project Financing:** To facilitate an equitable risk sharing and project financing model;
- 3. Project Funding Packaging:** Development of bankable feasibility studies and innovative funding interventions to entice capital market investment in human settlements projects;
- 4. Project implementation, coordination and oversight:** Project management, monitoring and evaluation of the development of Mega Projects by private sector developers and contractors;

GPF MANDATE & VALUE PROPOSITION

- 5. Custodianship of strategic provincial land transferred to GPF:** Life cycle management of strategic immovable assets reserved for the development of Mega Projects.
- To maintain, secure, develop and leverage the value of the land to unlock bulk funding and enhance GPFs balance sheet for sourcing additional funding for all elements/sectors that comprise integrated, sustainable human settlement developments.
 - **This includes the role of GPF as a Developer:** Turnkey planning and execution of Mega Projects on strategic land transferred to GPF, for which GPF is the custodian.
 - In this context, GPF summarises its Value Proposition (Purpose) as follows:
 - ***“To support spatial transformation and the development of integrated, sustainable human settlements across the GCR through strategic partnerships, innovative funding solutions and effective project implementation, strategic immovable assets management and development”.***

GPF VISION AND MISSION

- **VISION**

- *“Gauteng’s leading funding and development partner for delivering integrated, sustainable human settlements”*

- **MISSION**

- In achieving the above vision, the new **GPF mission is to:**
- **Leverage additional direct financial resources** to deliver integrated, sustainable human settlements in Gauteng;
- **Package GDHS Mega Projects** to secure optimal capital market investments;
- **Establish and manage strategic funding partnerships** in respect of integrated, sustainable human settlements;
- **Provide our funding partners** with a sound return on investment; and
- To ensure **proactive, efficient and effective project implementation** in terms of oversight and development.

CAPITAL RAISING INITIATIVES (RENTAL HOUSING)

- **Senior Debt Funding**

The GPF has secured senior debt funding amounting to **R600m** from PIC (R350m) and Futuregrowth (R250m).

The facilities are housed under two separate SPVs, to co-finance projects with the GPF.

The PIC facility is targeted at social housing and empowerment projects, Futuregrowth facility is targeted at commercial rental projects.



- **Concessionary Funding**

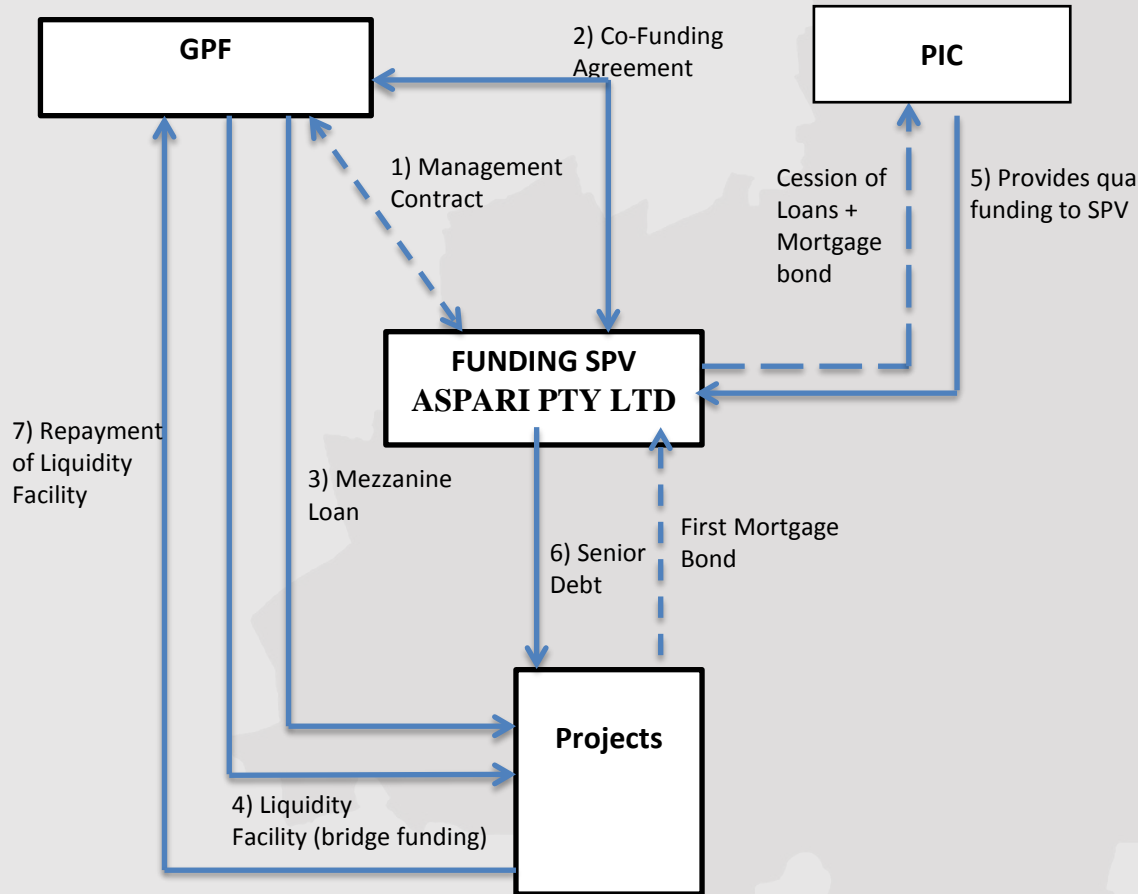
We currently negotiating funding facility from AFD for an amount of **(R500m to R1bn – for social housing)**

and a facility with DBSA of **(R1.2bn – for student accommodation).**



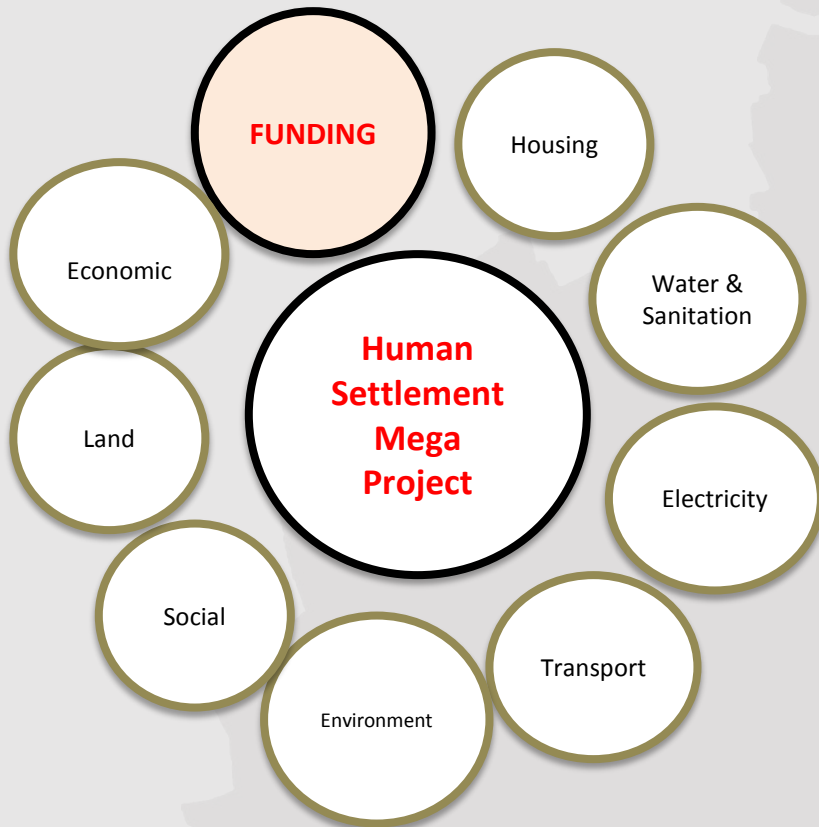
CAPITAL RAISING INITIATIVES: DEBT STRUCTURE:

PIC FACILITY DEBT STRUCTURE OVERVIEW:



- We have funding agreements in place with PIC for R350million for funding Affordable Rental projects and Social Housing Projects.
- GPF has a Fund Management and facility agent agreement with the SPV Aspari Pty Ltd.
- We have fully committed the PIC senior funding to projects.
- We have formally approached PIC for further funding as we would like to include Mega Projects Funding.

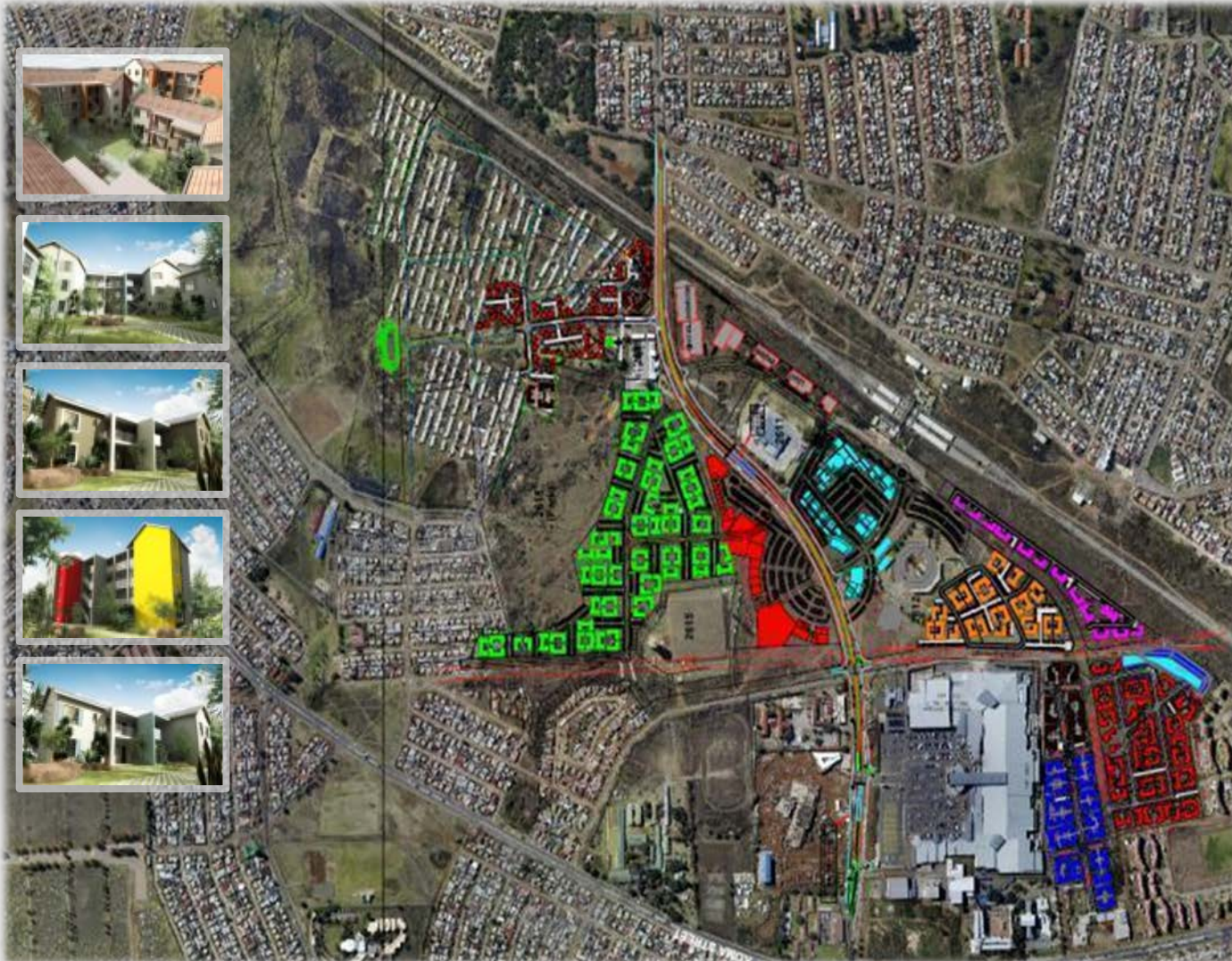
HUMAN SETTLEMENT MEGA PROJECT



KEY COMPONENTS OF MEGA PROJECT FOR THE CITY REGION

- Public Housing
- Open Public Spaces & Landscaping
- Trader Stalls
- Transport
- Taxi Ranks, Bus and Train Stations
- Bulk Infrastructure
- Energy and Electrifications
- Roads
- Business
- Filling Stations
- Commercial Enterprises
- Light Industries
- Funding – Infrastructure, housing and business

Jabulani CBD – 4,200 units (Bolani Road – Soweto, Johannesburg)



Jabulani Hostel
Development – ph 1

Residential – ph 2
(parcel K)

Performing Arts
Theatre

Residential – ph 3
(parcel A)

Residential– ph 2
(parcel C)



Jabulani Mall

New 300 bed
hospital

Jabulani CBD – Soweto

(Bolani Road – Soweto, Johannesburg)



FUNDING REQUIREMENTS – MEGA PROJECTS

- **Funding Requirements**

- Estimate over **R90billion** to fund mega projects and significantly reduce the housing backlog.
- Government allocates on average **R10billion** annual towards Human Settlements projects in Gauteng.
- Target to raise additional approx. **R39billion** to roll our mega projects.
- GDHS has committed to allocate **R3billion** to GPF over a period for implementing some mega projects.
- Infrastructure Bulk Funding **Rbns? solutions?**

- **Funding Opportunities**

- Infrastructure – roads, energy etc
- Housing – end user
- Commercial property
- Schools
- Hospitals
- Small Business
- Contractors
- Development finance
- Sociak port facilities
- Light Industries
- Government offices
- Sustainable community needs
- etc.

FUNDING MODELS AND INSTRUMENTS

- **Funding Models**

- Private Equity / Property Fund
- Bonds
- REITs
- SPAC

- **Funding Instruments**

- Equity
- Debt
 - Short term
 - Working capital
 - Bridging finance
 - Long term

Current Funding Structures – seeking investors

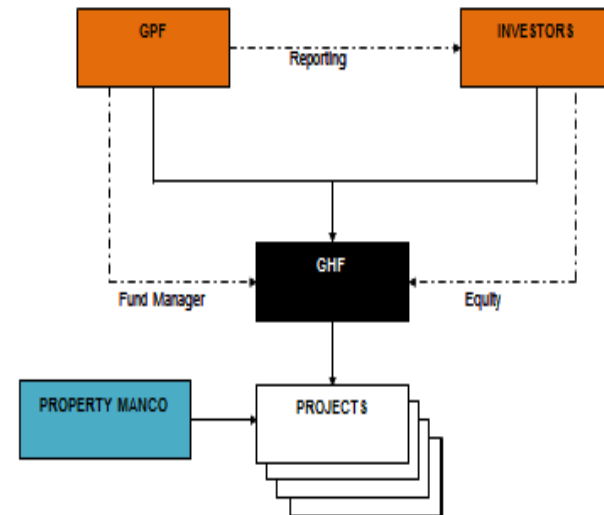
- **Affordable Rental Housing Fund**
 - Target R1billion
 - JV/ Fund Manager
- **Empowerment Rental Property Fund**
 - Target R1billion
 - JV/ Fund Manager
- **Mega Projects Fund/ Bond**
 - Target R30billion
 - JV/Fund Manager

INVESTMENT PLATFORMS

Overview of a Typical Fund

- The Fund will be structured as a limited partnership fund.
- The targeted Fund size - will vary in amount
- The Fund shall be managed by GPF/SPV Fund Manco, in accordance with an agreed SLA.
- The investors will provide the investment funding for the Fund, from which the Fund Manager will make investments.
- The Fund will provide debt and equity capital to greenfield and brownfield affordable housing projects.

Fund Structure Example



GPF CURRENT STRATEGIC PARTNERS



BUILDING SUSTAINABLE PARTNERSHIPS

Our slogan:

“Leveraging Affordable Housing Finance”

THE END

Thank you !