

# ENTREPRENEUR EMPOWERMENT PROPERTY FUND

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GAUTENG PARTNERSHIP FUND

LEVERAGING **AFFORDABLE** HOUSING FINANCE



# Entrepreneur Empowerment Property Fund Programme (EPPFP)

- Established to focus exclusively on promoting HDI participation in the affordable rental property market.
- Aims to assist HDI participants overcome some **barriers** of entry
  - Lack of capacity to close deals;
  - Difficulty to access and procure rental stock;
  - Lack of funding for affordable housing;
  - Equity contribution;

# EEFPF - Capacity Program

**Capacity building and mentorship program will include the following:**

- Training programs on property investment and management.
- Professional opinion on the project (feasibility) prior to purchase
- Assistance with project feasibility modelling
- Packaging projects for funding by the Senior funder
- Project reports - by building professionals

## **Interest Free Loan**

- Aims to assist with professional fees and contingencies, subject to a secured project by a company.
- The loan is repayable, with flexible terms depending on the financial feasibility of the project.
- Payable over 5yrs after 5years moratorium

# EEPFP - Project funding

## Long term finance

The project < R20million in total, 50% > acquisition cost

- Junior Loan Funding Terms

- Interest rate – JIBAR (Yr.1 -5) thereafter JIBAR + 0.5% every five years
- Loan term: 15 – 20
- Moratorium (max 2yrs)

Interest free loan + junior loan < 40% of total funding

- Senior Loan Funding

- Interest rate – Prime Rate to Prime + 1%
- Loan term: 15 – 20
- 12 moratorium

# EEPPFP - Participants Requirements

- Equity contribution – Minimum R450,000 towards a project less than R15m; 3% for project above
- Full time commitment to projects and hands on approach
- Willingness to provide additional security (e.g. personal sureties, cashflow shortfall undertaking) should it be required
- Securing at least one project in 2015/16. Failure would mean disqualification and loss of opportunity
- Attendance and meaningful participation in facilitated training programs and workshops compulsory.

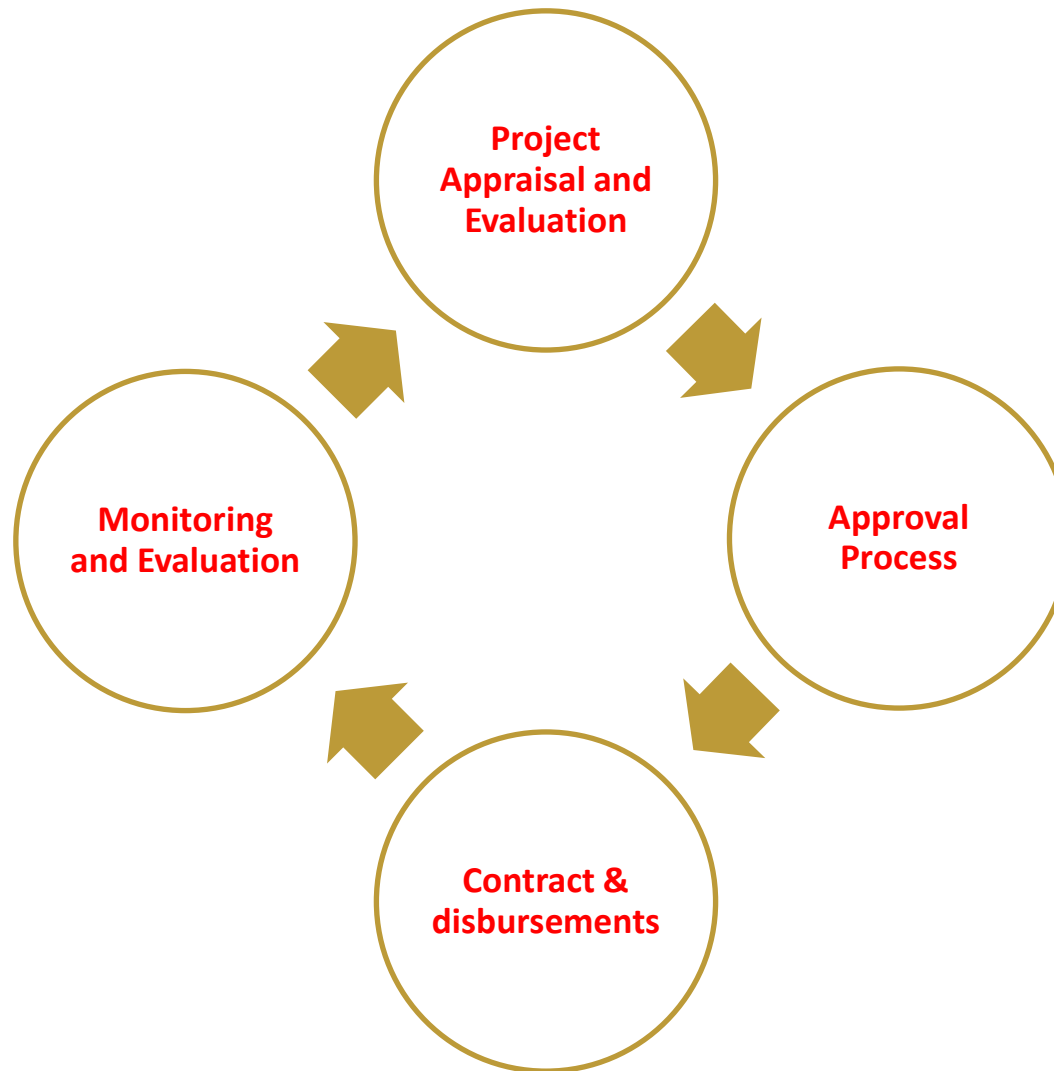
# EEPFP - Investment Guidelines

- Projects must be located in an area close to amenities
- Projects >15 units; and < 80% of the units as residential
- Projects should cater for households with income below R15 000
- The project must be self sustainable
- The project < R10million in total, 50% > acquisition cost
- Interest rate – JIBAR (Yr.1 -5) thereafter JIBAR + 0.5% every five years
- Loan term: 15 – 20

# BUSINESS PLAN GUIDELINES

- A valid offer-to-purchase agreement, land availability agreement, lease agreement, PTO, title deed, etc.;
- All company registration documents including share certificates;
- Profiles of all shareholders, directors and senior management/key personnel;
- Relevant zoning certificate, Geotechnical report, etc.;
- Proof of availability and adequacy of bulk services
- Technical drawings for all construction work to be undertaken;
- Cost estimates or quotations for all works to be undertaken;
- Cost estimates prepared by qualified QS for all works to be undertaken;
- Projected monthly cashflow statements for the first year of operations;
- Projected annual cashflow statements for the loan term;
- Detailed profiles of the professional team (Architect, PM, QS, etc.);
- Written authorisation to do ITC Checks

# GPF Investment Process





# Project Appraisal & Evaluation

- Pre – feasibility Assessment
  - Desktop assessment to check feasibility and compliance
- Expression of Interest
  - Indicative terms and loan administration costs
- Due Diligence
  - Review by independent consultants
- Investment Committee Proposal
  - Preparation of Investment Committee motivation
- Board approval
  - Final approval for loans > R15million

# Contract & Disbursement

- Letter of Offer
  - Letter of Offer with approved term sheet
- Draft Agreement
  - First draft sent for discussion
- Final Draft Agreement & Closure
  - Signature
- Pre Conditions
  - Compliance with all suspensive conditions
  - Equity contribution
- Drawdown (Guarantee)
  - Guarantees sent to conveyancers
  - Funds disbursed (JBCC)

# Monitoring & Evaluation

- Construction Monitoring
  - Site visits, Monthly reports, etc.
- Legal Compliance Monitoring
- Financial Covenants Monitoring
- Annual Review

# Q & A



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