

GAUTENG PARTNERSHIP FUND: PROPERTY ENTREPRENEUR SEMINAR

Presented by Boni Muvevi (Chief Executive Officer)

Date: 17th September 2014

We have a culture of excellence in housing service delivery !

GAUTENG PARTNERSHIP FUND

LEVERAGING **AFFORDABLE** HOUSING FINANCE



GAUTENG PROVINCE
LOCAL GOVERNMENT AND HOUSING
REPUBLIC OF SOUTH AFRICA





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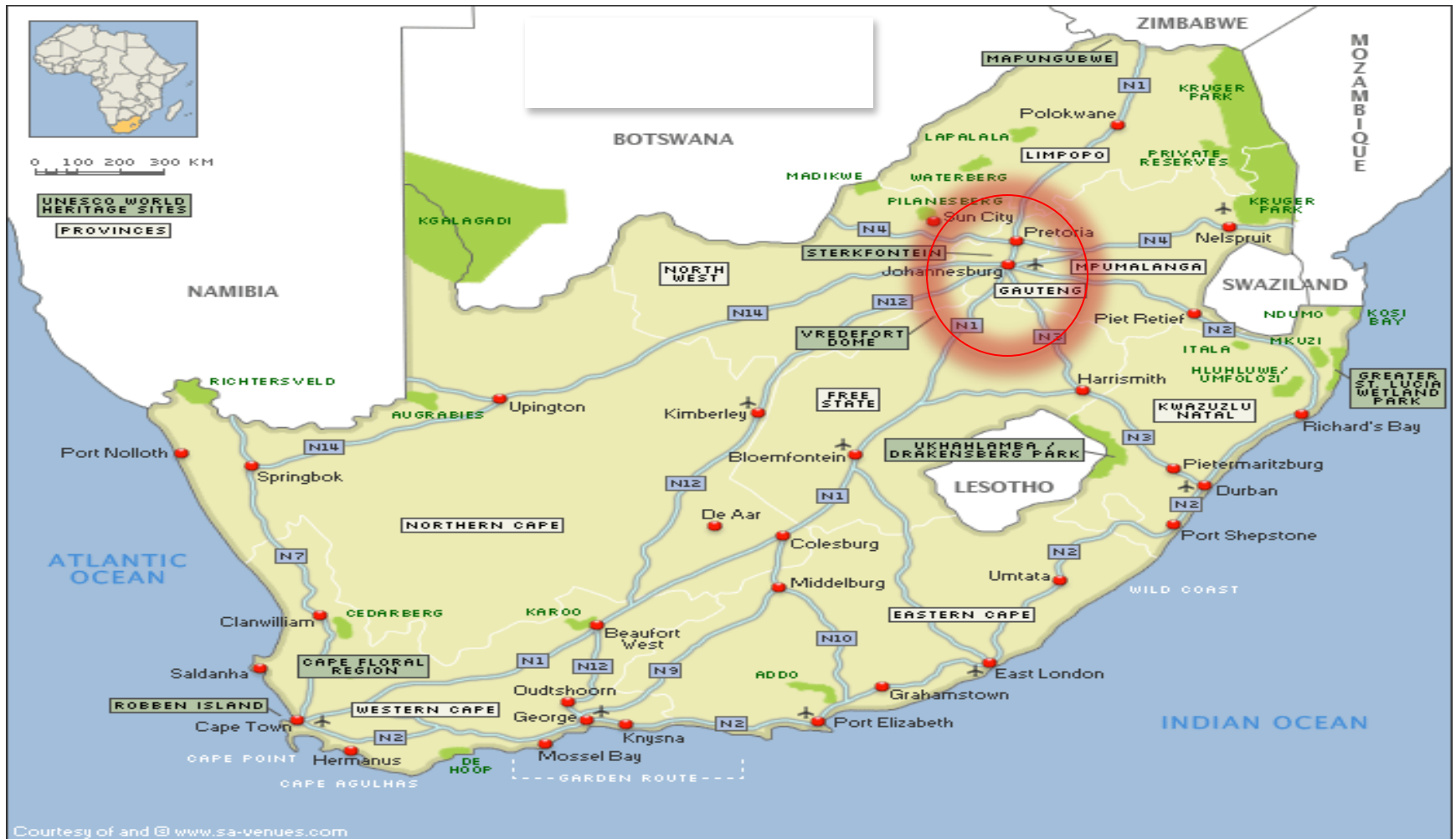


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SOUTH AFRICA



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SOUTH AFRICA – GAUTENG PROVINCE



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GAUTENG PROVINCE

BRIEF STATISTICS

“**Gauteng**” – name comes from a Sesotho word meaning “**Place of Gold**”. This referred to a thriving gold industry in the province following the 1886 discovery of gold in Johannesburg.

Total Area – 18,178 km² (7,019sqm)

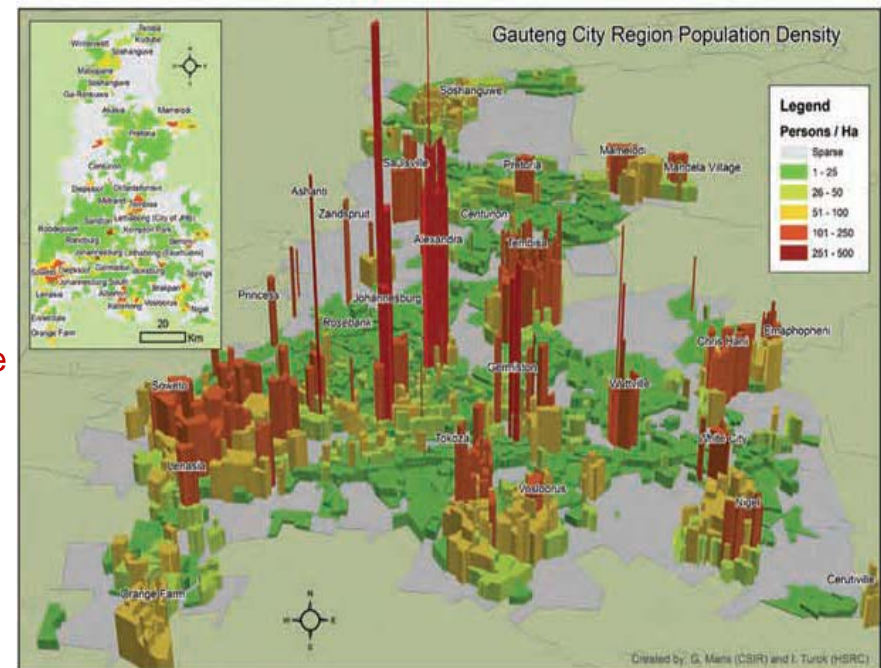
Population (2011) – 12,272,263

Capital City : (Pretoria) Tshwane

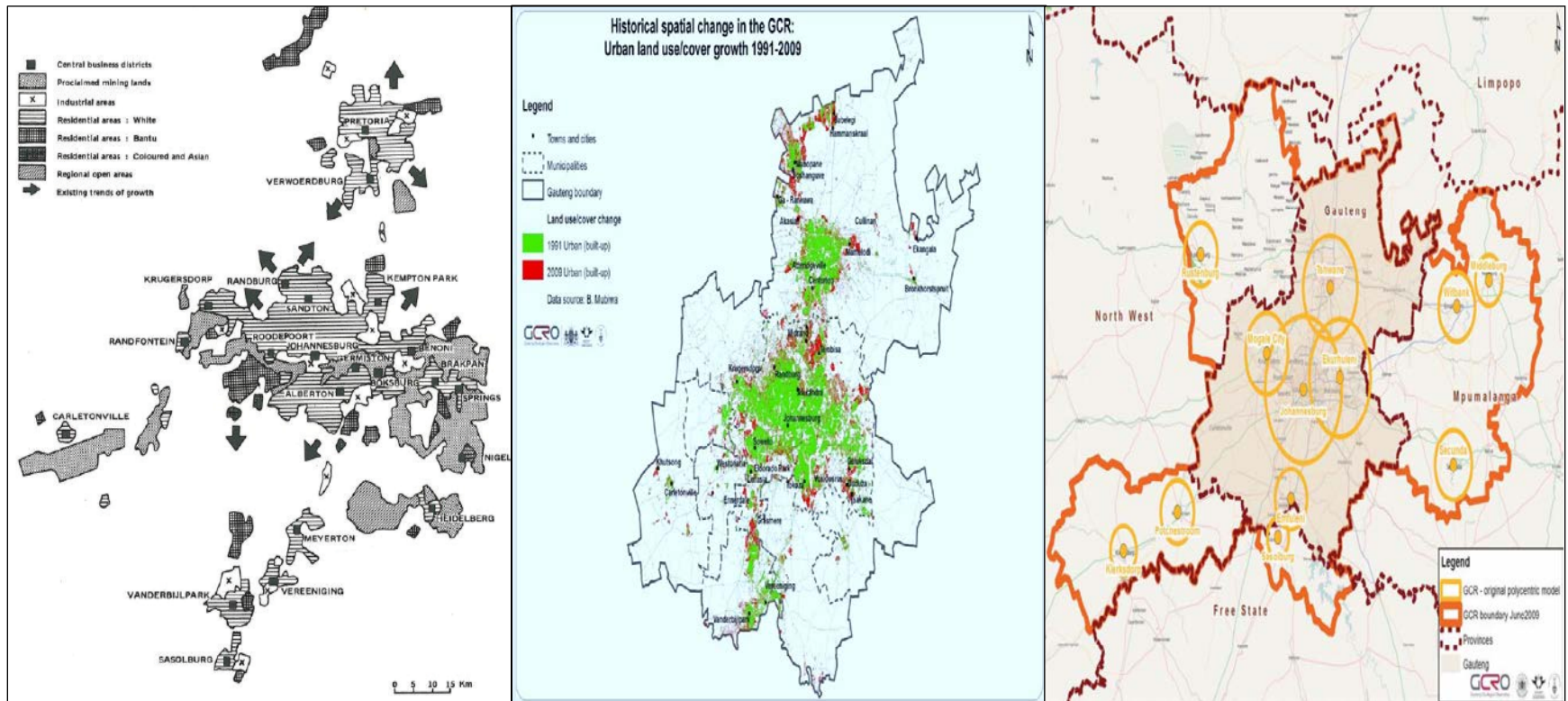
9 (nine) – Official Languages

Six Districts:

1. City of Johannesburg – over 4million people
2. City of Tshwane – over 2million people
3. Ekurhuleni – over 3million people
4. Sedibeng – below 1million people
5. Metsweding – below 1million people
6. West Rand – below 1 million people



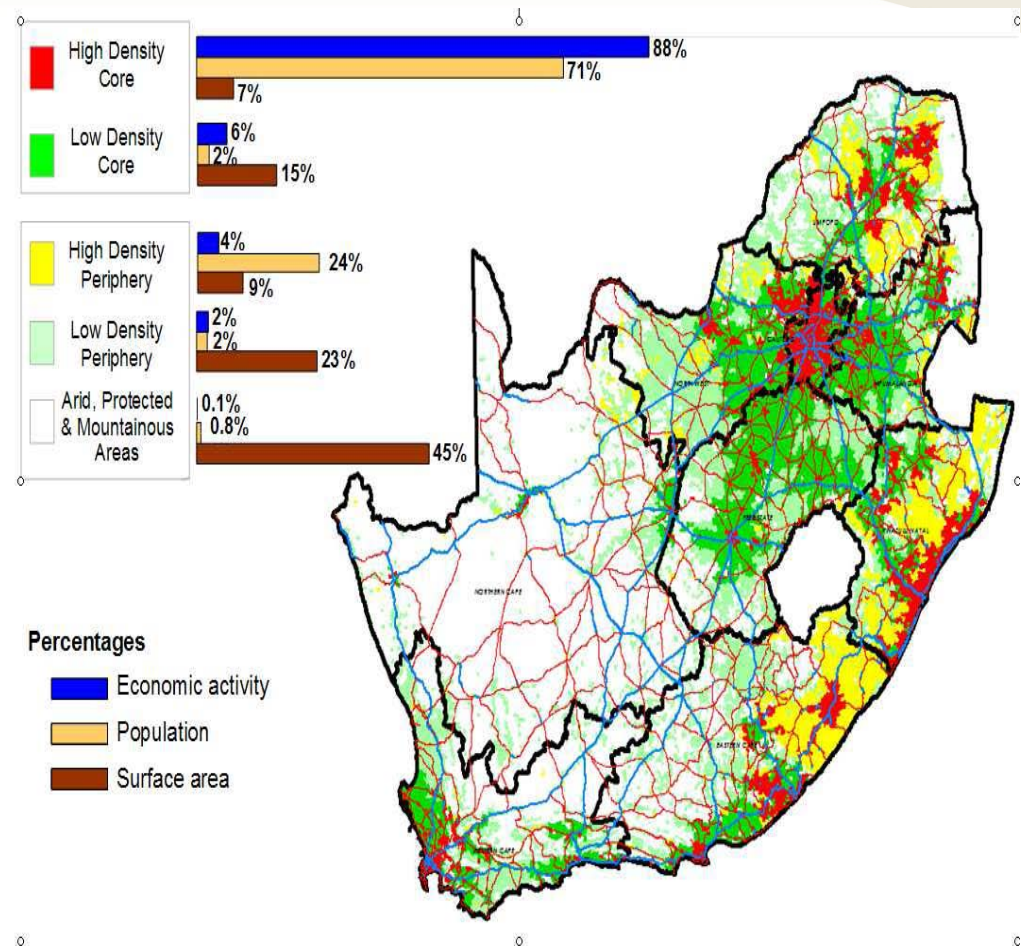
THE STORY OF GAUTENG PROVINCE (PAST, PRESENT & FUTURE)



1. Since the 1970s, the urban landscape of the Gauteng Province has transformed into the highly connected cluster of cities, towns and urban nodes we know today.
2. This translated into a landscape of urban sprawl, low density housing programmes and a spatial distortion in the spread of economic activity and employment opportunities.

GAUTENG PROVINCE – TREND & CONCENTRATION

- The Gauteng urban region represents the most dense concentrations of *economic activity*, *population*, and *poverty*
- Area: 18 178 square km (1.4% of total SA area); Population: 12 272 263 (22.39% of total SA population); GDP: R674.9 billion (35.6% of SA GDP)
- 50% of all high-income earners, 13.6% people living below Minimum Living Level



GAUTENG PROVINCE - LONG TERM DEVELOPMENT TRENDS

According to province forecasts, the following trends are expected to impact development in Gauteng Province:

1. **Domestic and foreign trade volumes are expected to increase significantly - especially to Africa.** This is expected to provide opportunities for the Gauteng Province to grow and establish mutually beneficial trade agreements and improve the foreign trade balance of Gauteng.
2. **The demand for economic goods and services from the Gauteng Province is anticipated to increase,** which will also require the utilisation of the Gauteng Province's available work force and create employment opportunities.
3. **The economy of the Gauteng Province is anticipated to experience robust growth over the coming decades** based on improving market demand conditions, the strategic position of the Gauteng Province in Africa, and the in-migration of skilled migrants.
4. **The projected rate of migration and urban expansion** implies increasing pressures on available housing, municipal infrastructure, economic opportunities, the natural environment and transportation infrastructure.

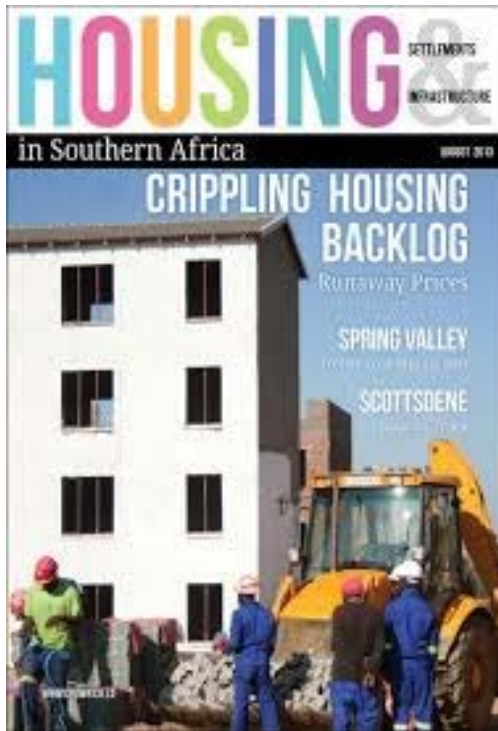


GAUTENG PROVINCE - LONG TERM DEVELOPMENT TRENDS

5. **Expanding migration flows** are foreseen to be a significant factor in rapid population growth within the Gauteng Province.
6. **Cooperative governance and integrated planning will become increasingly complex as a result of rapidly expanding populations and local economies within the GP.** The governing system of the Gauteng Province needs to be redesigned into a more dynamic structure where departments and spheres can work independently but at the same time collaboratively to govern over the Gauteng Province effectively.
7. **Highly fertile agricultural land in the Gauteng Province is increasingly being lost and threatened by urban growth/sprawl.** The expanding footprint of the city - region is increasingly encroaching on agricultural land placing pressure on local food security and peri-urban livelihoods.

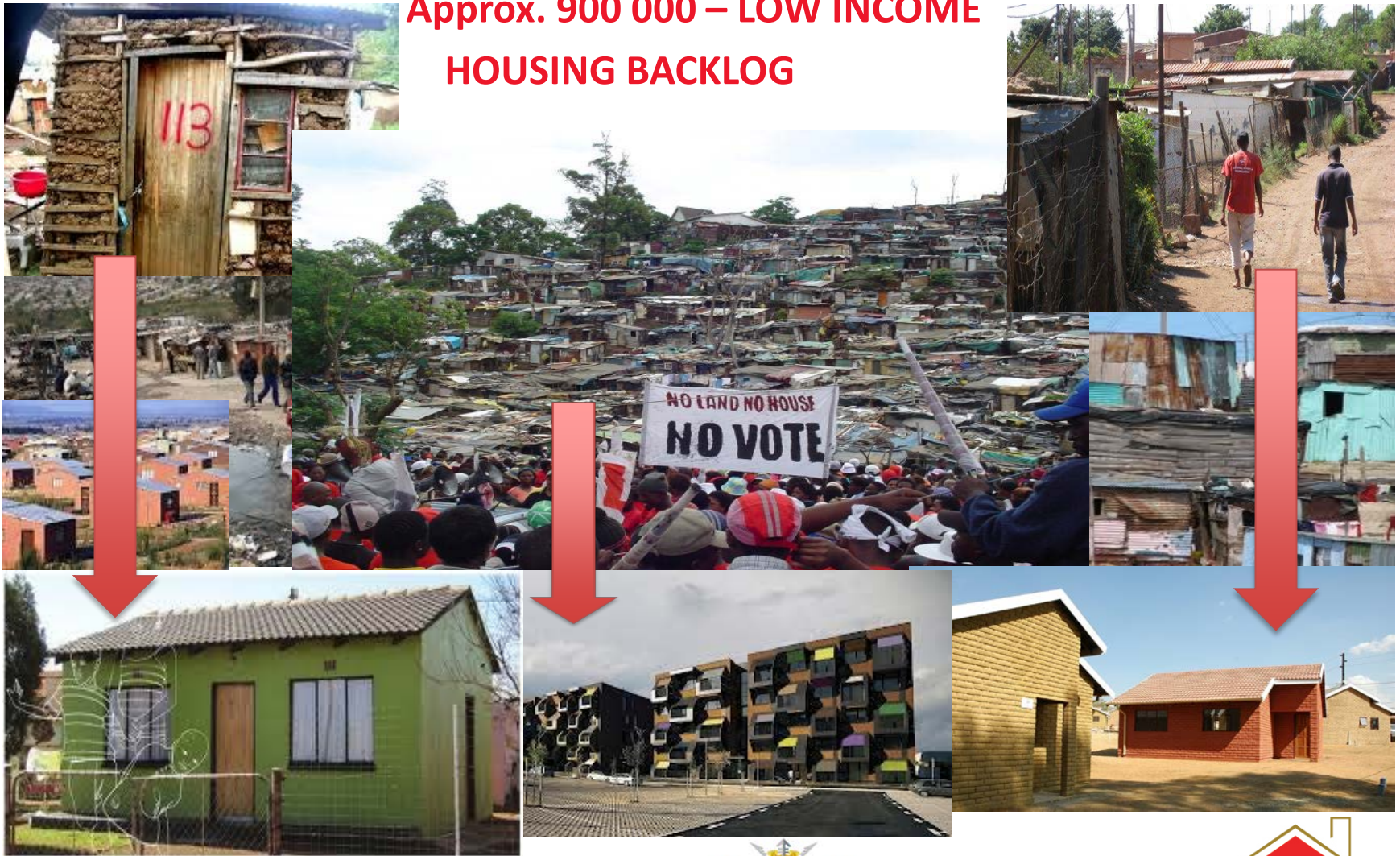


GAUTENG PROVINCE - HOUSING CHALLENGES



GAUTENG PROVINCE – HOUSING CHALLENGE

**Approx. 900 000 – LOW INCOME
HOUSING BACKLOG**



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WHY AFFORDABLE HOUSING?

CONTRIBUTION TO ADDRESSING NATIONAL ISSUES!

- Historical housing backlog
- Redressing the Legacy of living apart – Apartheid
- Capital redistribution and empowerment
- Property ownership, as an asset and a means for creation of wealth
- Reducing unemployment /job creation
- The constitutional right to housing for all SA citizens
- Demand by people for better infrastructure and services (housing)
- **Is this government responsibility only ?**

WHY PARTNERSHIP?

AFRICAN PROVERB:

“IF YOU WANT TO GO FAST, GO ALONE. IF YOU WANT TO GO FAR, GO TOGETHER”.

STRATEGIC RATIONALE FOR HOUSING?

Realities of limitations and challenges:

Government

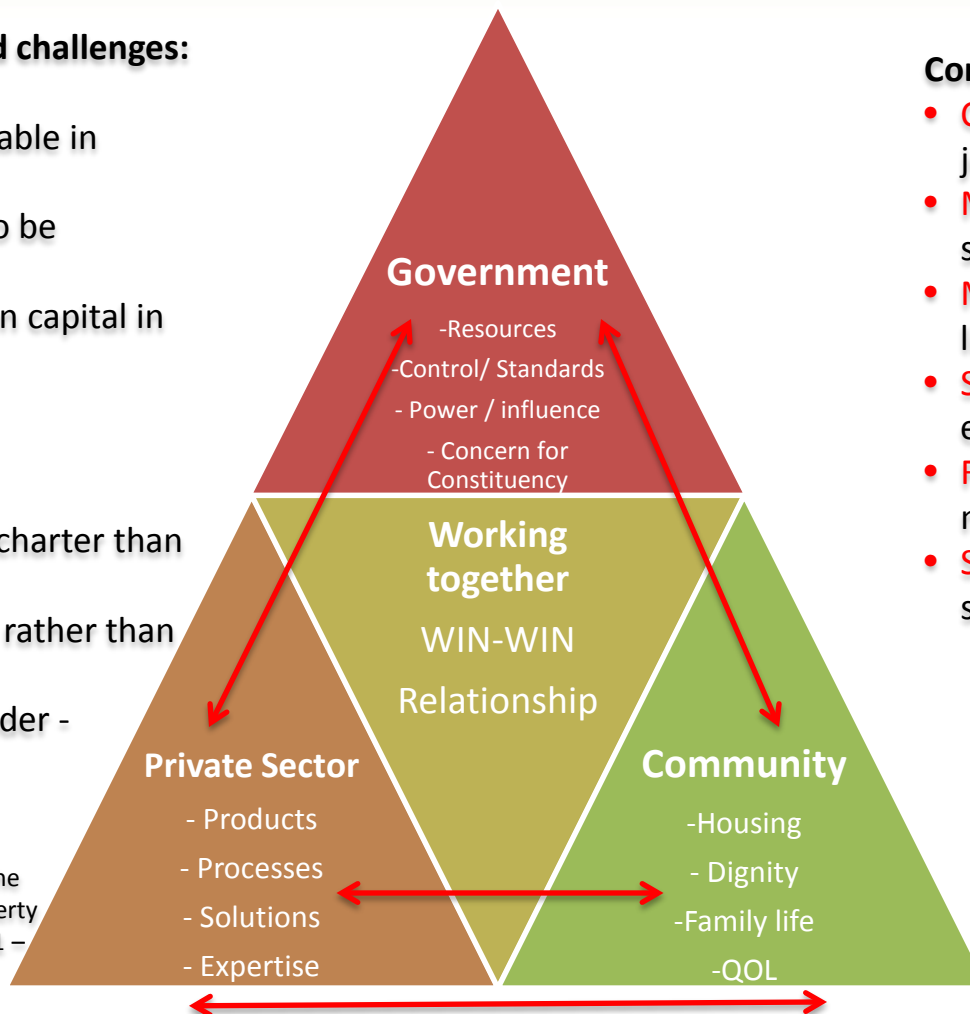
- Not enough capital available in government treasury.
- Pace of delivery needs to be improved.
- Insufficient skilled human capital in govt.
- Limited innovation.

Private Sector

- Driven by FSC, Property charter than opportunities
- Decisions on perception rather than facts.
- Lack of investment in under - developed areas.

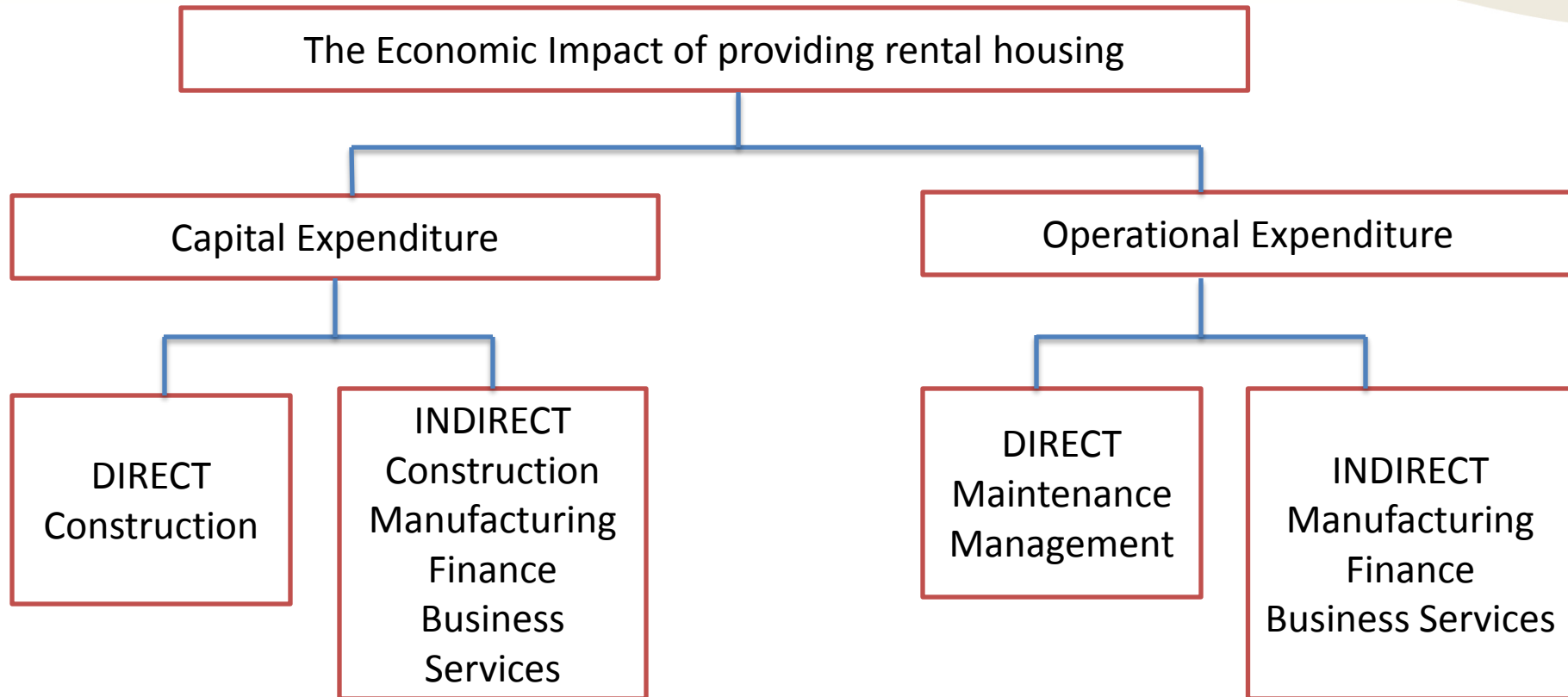
Contribution to SA Economy

- **Construction & Property** – jobs, tax revenue
- **Mining sector** – cement, stones etc.
- **Manufacturing** – doors, lintels etc.
- **Small business** – plumbers, elect etc.
- **Finance industry** – mortgage, microfinance
- **Social investment** – sustainable society



SOCIAL RESPONSIBILITY AND BUSINESS OPPORTUNITY

RENTAL HOUSING ECONOMIC IMPACT



Construction related employment opportunities estimated over the period at

Approx. 37 000 people (15 000 completed housing units)

On – going operational employment opportunities estimated over the period at

Approx. 2 700 people (15 000 completed housing units)

Classifying the economic impact of developing housing [Francois Viruly 2014]

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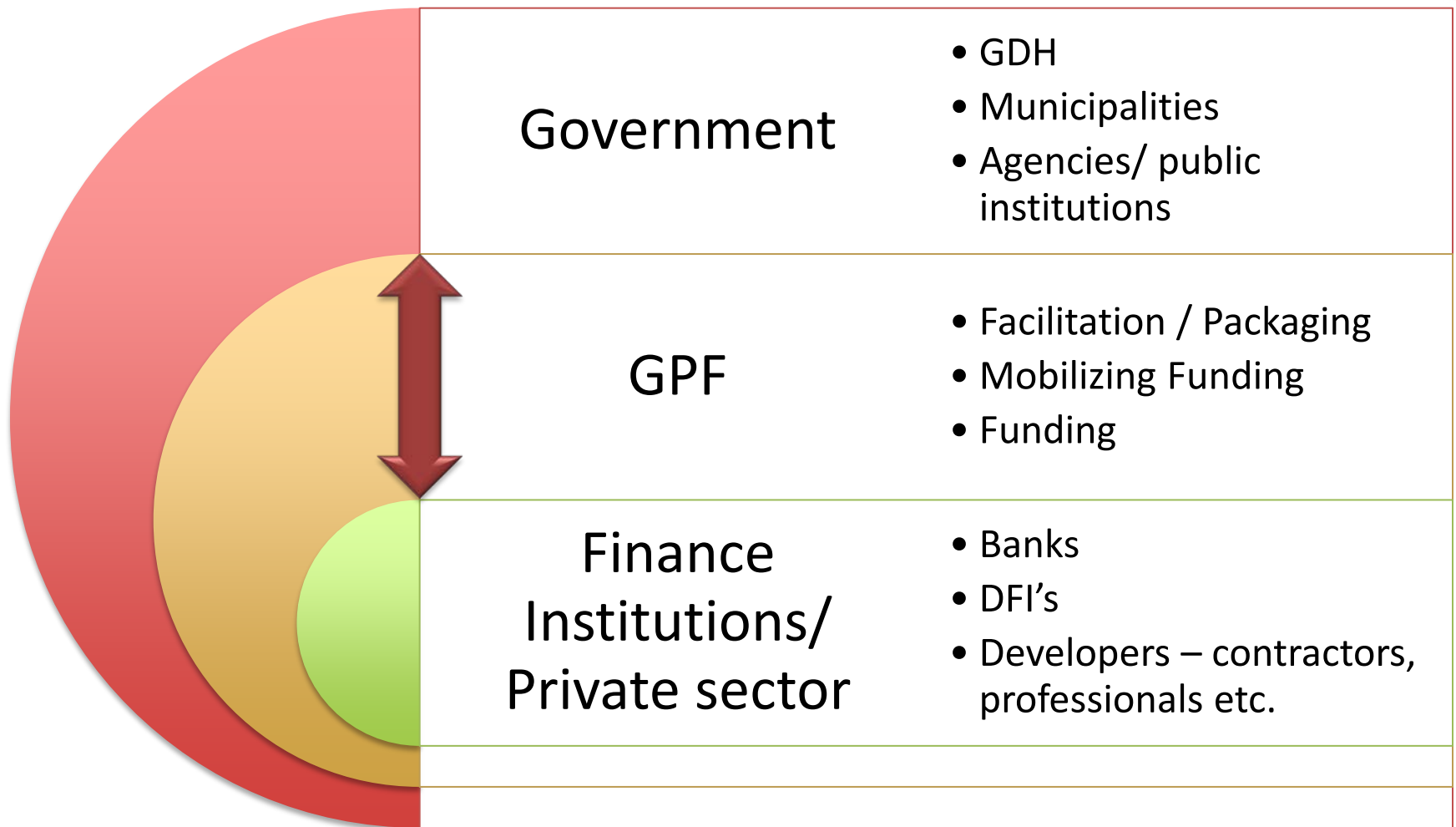
GPF BACKGROUND

- The GPF was founded as a Trust – 2002 with a social delivery mission of addressing specific challenges in the social housing sector “affordable rental”.
- Beneficiary criteria currently *gap market* - households with income less than R15 000 .
- GDH is the founder and Executive Authority. GPF was capitalised with an initial funding of approx. R450 million in grant. Recapitalised in tranches over the period.
- The key mandate is to attract public and private sector capital into low income housing sector.
- GPF has a unitary Board of Trustees, and report in terms of all applicable laws and best practice.
- GPF is governed in terms of trust deed and listed in schedule 3C under PFMA.
- The GPF major objective is to ensure facilitation and funding of affordable housing development in Gauteng.

GPF BACKGROUND – OPERATING MODEL

- GPF is structured as a **social delivery vehicle** of the GDH and **operate on a cost recovery basis**.
- We are **not expected to earn market returns but social returns**. The socio- economic returns on funded projects or deliberate interventions are as significant as financial returns.
- We are a calculated risk taker with an appetite to **share financing risk with partners**.
- We put up first layer of capital and thus a **subordinated first risk position** in the funding structures of projects.
- We expect the investor/developer to **contribute minimum equity towards a project** to demonstrate seriousness and have a skin in the game.
- **Security is shared *pari - passu or subordinated* to senior debt funders.**

GAUTENG PARTNERSHIP FUND ROLE IN HOUSING PROJECTS



GAUTENG PARTNERSHIP FUND STRATEGY 2014

The GPF Strategy supports Outcome 8, as a proactive contributor to the development of sustainable human settlements and quality of household life in Gauteng. GPF Strategic objective two (2):

To effectively implement programmes and the expanded GPF role in within the sustainable human settlements programme of Government.

1. Play a catalytic role in mobilizing provincial and local government institutions in shaping the sustainable human settlements sector.
2. Assist the GDH in the implementation of mixed income housing (human settlements) on projects that have completed township establishment and all technical input, but require bankability studies.
3. Leverage affordable housing finance

Outcome 8 targets to 2014

– Affordable Rental Accommodation

PROVINCE	TARGET
EASTERN CAPE	11 888
FREE STATE	5 280
GAUTENG	19 352
KWAZULU-NATAL	15 240
LIMPOPO	6 240
MPUMALANGA	5 296
NORTHERN CAPE	1 864
NORTH WEST	5 768
WESTERN CAPE	9 072
TOTAL	80 000

GPF MARKET INTERVENTIONS

Financial product	Purpose
Rental Housing Fund	To enhance the viability of investment into affordable housing by rental developers/ entrepreneurs.
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 (New)	To enhance the viability of investment into affordable housing by rental developers/ entrepreneurs.
Strategic Partnership Projects	To share financial risks with financial institutions for affordable housing projects.
Facilitation of Mixed Income Housing Developments (New)	To develop optimal funding structure and raise appropriate funding for human settlements projects.

GPF INVESTMENT CRITERIA

Mandate fit – the affordable housing project should cater for households with income <R15 000

Strategic fit – does the project fit or contribute to GPF strategic direction

Policy fit – maximum 30% contribution by GPF and balance from a senior funder

BEE / Empowerment Plan – minimum participation ownership and across the construction value chain.

Alignment to government planning or funded projects – i.e. IDP's and urban renewal initiatives.

Socio economic development – does the project have developmental impact

- Job creation
- Poverty alleviation
- Increase procurement of goods & services for SMME's

Technical aspects – design, costs etc.

Financial Sustainability – cashflows, financial ratios etc.

OTHER KEY PROJECT CONSIDERATIONS

- Contribution to building **sustainable communities**
- Catalytic role or **developmental impact**
- Part of municipal IDP's (**under-developed areas**)
- Precinct approach, **alignment to others investments**
- Target market (households earning <R15 000 income)
- **Proximity to amenities** and transport nodes
- Design (secure environment, **functionality** and unit layout etc.)
- **Quality of construction, NHBRC and CIDB rating of contractor. Professional team experience.**
- Local SMME's development
- **Project and property management**
- Future (**green issues!**)

PROJECT EXAMPLE

- Brickfields (2005) - Newtown
- Mixed use – Commercial retail & Housing 809 units:
- GPF Funding: R24million
- Total Cost: R120million



GREEN AND ALTERNATIVE MATERIAL OPPORTUNITIES



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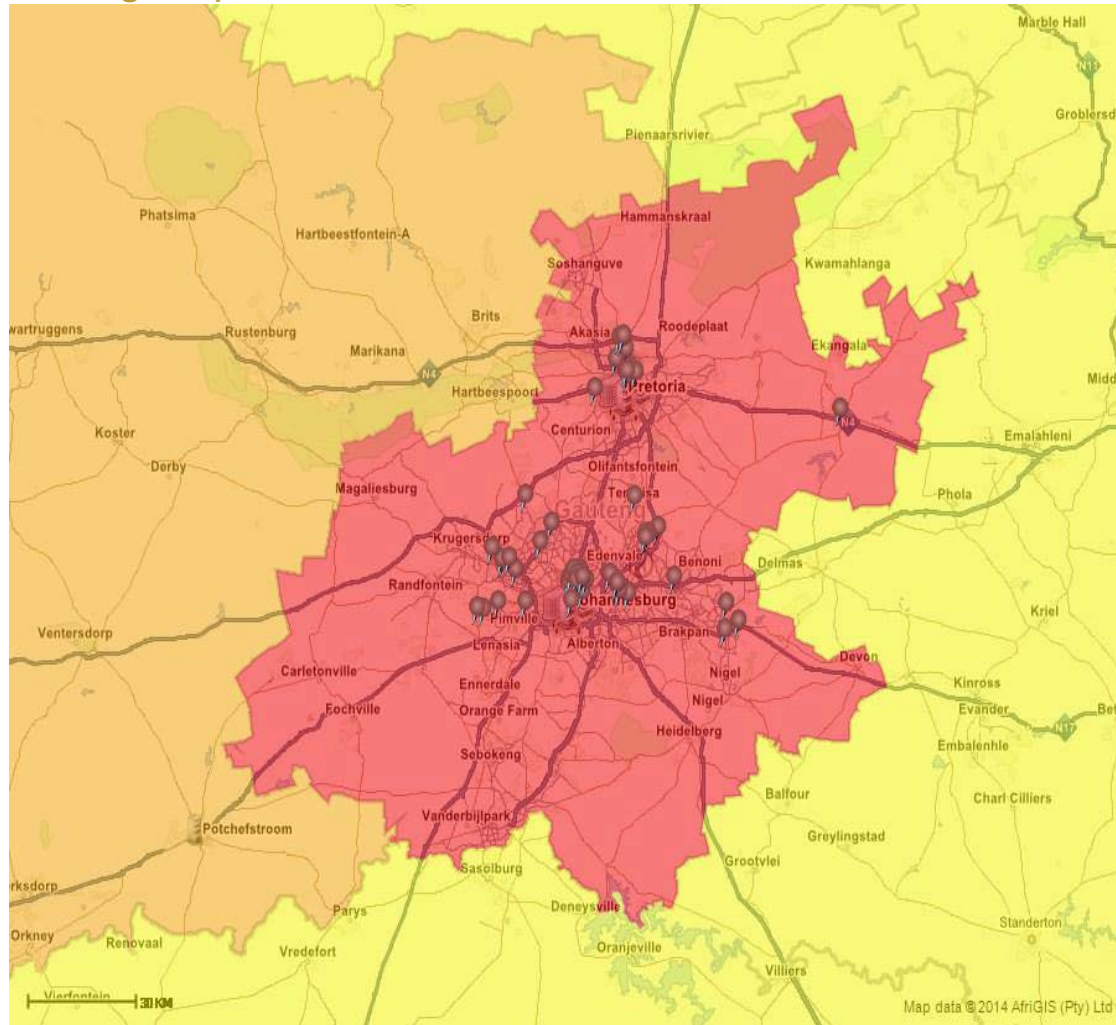


EXAMPLES : GPF FUNDED PROJECTS








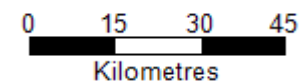
LOCATION OF GPF APPROVED PROJECTS

Gauteng Map



Legend

-  Gauteng Partnership Fund Projects
 -  Low
 -  Medium
 -  High
 -  Very High
- Housing Needs - Province



LEVERAGING AFFORDABLE HOUSING FINANCE

Jabulani CBD – Soweto

(Bolani Road – Soweto, Johannesburg)



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G P F
Gauteng Partnership Fund
Leveraging Affordable Housing Finance

Jabulani CBD – 4,199 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)

(parcel B)



Jabulani Mall

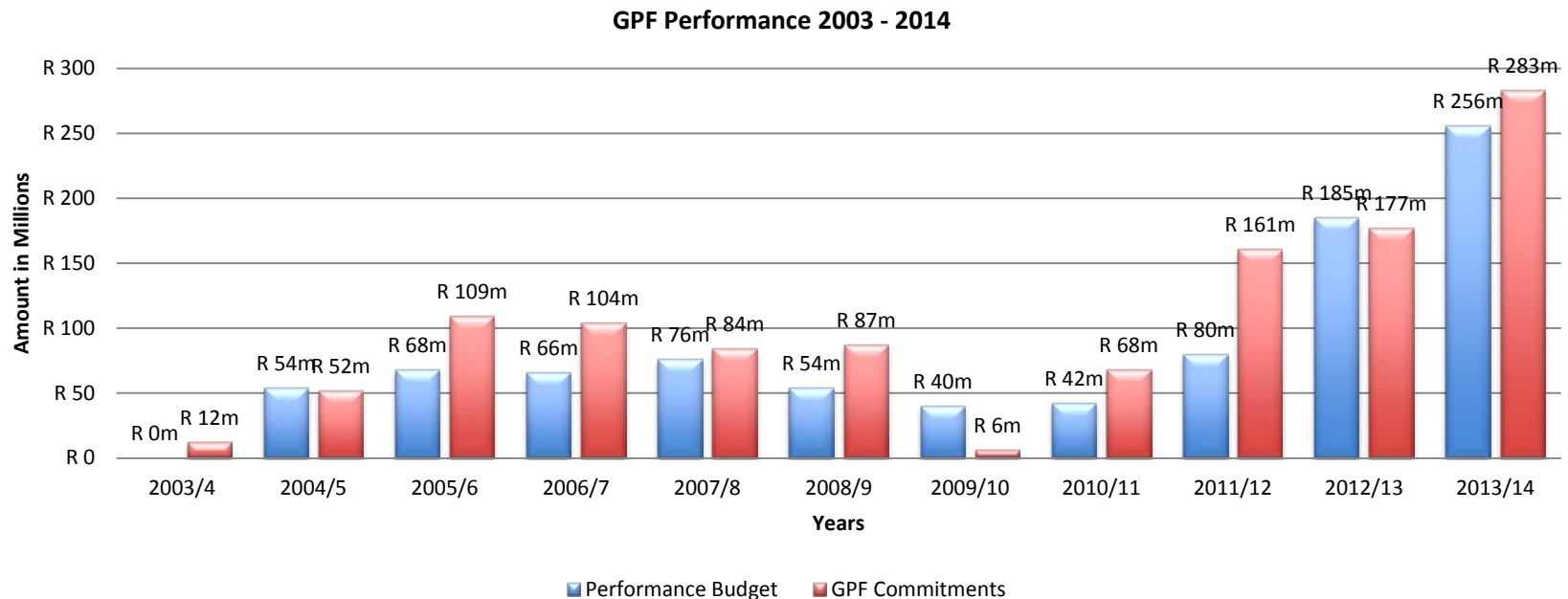
New 300 bed
hospital



LEVERAGING AFFORDABLE HOUSING FINANCE

GPF PERFORMANCE 2003 – 2014 (MARCH YEAR END)

- Over the past 11 years GPF has committed funding for projects to a value close to **R600million** leveraging over **R2.4 billion** of private funding in social rental housing projects.
- This has facilitated approximately **22 000** housing units and funded over **15 000** completed units.



GAUTENG PARTNERSHIP FUND - BUILDING SUSTAINABLE PARTNERSHIPS

Our slogan: ***“Leveraging Affordable Housing Finance”***

We have a culture of excellence in housing service delivery !

Thank you !

www.gpf.org.za

