

GAUTENG PARTNERSHIP FUND:

AFFORDABLE HOUSING INDABA - PRESENTATION

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Chief Executive Officer

Date: 25/03/2015

GAUTENG PARTNERSHIP FUND

LEVERAGING **AFFORDABLE** HOUSING FINANCE



GAUTENG PROVINCE
LOCAL GOVERNMENT AND HOUSING
REPUBLIC OF SOUTH AFRICA



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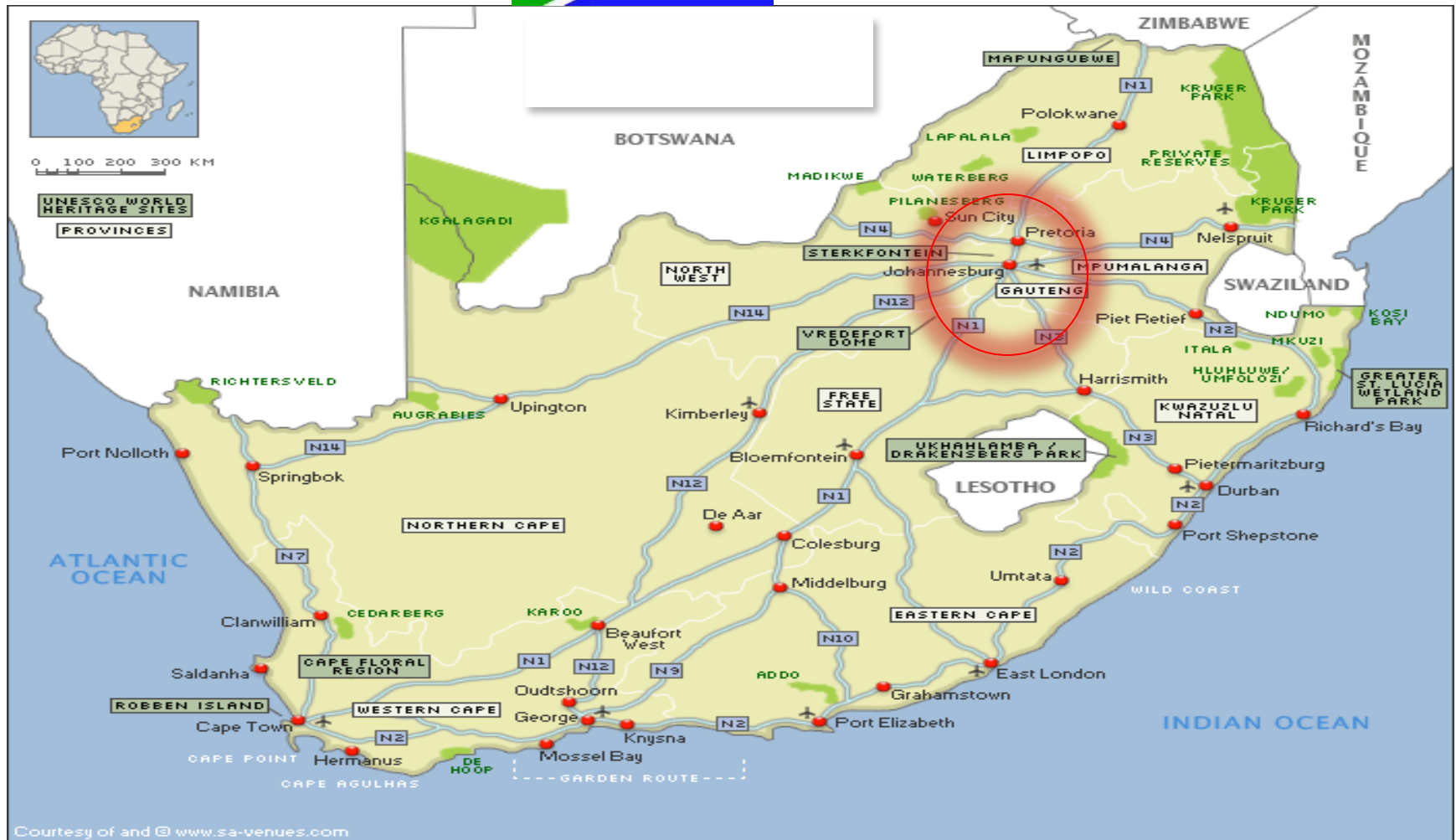
GAUTENG PROVINCE

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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 (7,019sq mi)

Population (2011) – 12,272,263

Capital City : (Pretoria) Tshwane

9 (nine) – Official Languages

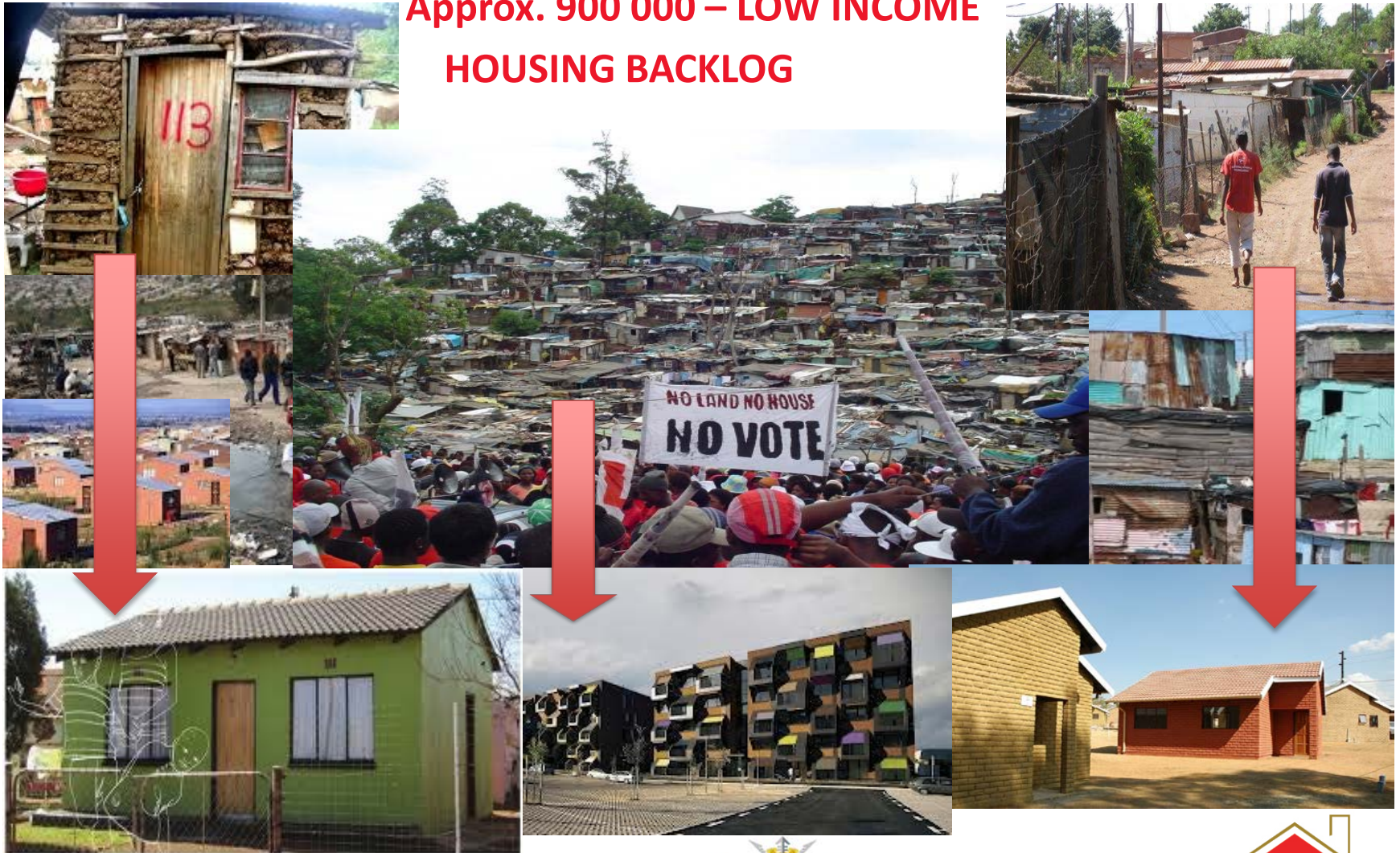
Six Districts:

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



GAUTENG PROVINCE – HOUSING CHALLENGE

Approx. 900 000 – LOW INCOME
HOUSING BACKLOG



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WHY HUMAN SETTLEMENTS (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 ?**

GPF BACKGROUND

GAUTENG PARTNERSHIP FUND

LEVERAGING AFFORDABLE HOUSING FINANCE



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** whose non-executive members are appointed by the Executive Authority; striving at all times to comply with the principles contained in the King Code on Corporate Governance in South Africa (King 3, 2009).
- **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.
- At the time of its establishment the GPF was given the **specific mandate to normalise the social housing market in Gauteng** through innovative funding interventions that would provide better gearing for private commercial funding, thus attracting private bank capital into this market.

GPF BACKGROUND

- In 2008, the interpretation of the mandate was expanded from the narrower focus on “**social housing**” to a definition that better enabled the GPF to operate across the whole affordable housing value-chain in Gauteng.
- In defining “**affordable housing**”, the GPF is governed by its trust deed - which defines its target beneficiary group as households earning monthly incomes of:
 - Between **R3 500 to R7 500 per month** for social housing interventions
 - Between **R7 500 to R15 000 per month** for other target rental beneficiaries.
- The fundamental business of the **GPF is to leverage funding from external senior funders**. This translates into a **value proposition** that has and continues to seek to offer the market innovative funding products designed to provide the first layer of capital, very favourably priced relative to market, to enable senior funders, particularly commercial banks and Development Finance Institutions (DFI's), to mitigate their financing risk.
- The **GPF's targeted gearing ratio is 30: 70 (GPF Funding: Leveraged Funding)**, although this ratio is extended to 40% GPF funding for certain products and up to 100% funding for projects of R10 million or less.

GPF BACKGROUND

- With a management track record exceeding 10-years, as at end 2013/14:
 - Over **R1billion in public risk capital to leverage in excess of R2 billion of external funding** from the private sector and other public sector institutions.
 - Cumulative output of **16,038 rental accommodation units delivered** to target beneficiaries
 - **A further pipeline of 1,214 housing units under construction.**
 - The GPF attained its 9th consecutive clean audit report in 2014.
- GPF Alignment to key national and provincial policies and strategic frameworks:
 - The **National Development Plan, Vision 2030**, the long term visionary roadmap towards a better South Africa. Particularly, alignment to Chapter 8 which relates to sustainable human settlements and improved quality of household life.
 - The GPG MTSF 2014–2019, formulated under **10-pillars and 3-themes of radical transformation, modernisation and re-industrialisation**. The programme calls for all of government in Gauteng, across all spheres and entities to adopt radically new approaches to conducting business for significantly improved outcomes.
 - The **8 strategic outcome goals of the Executive Authority, the GDHS.**

GPF BACKGROUND

- **GHS is the founder and executive authority.** GPF has been capitalised with **funding of approximately R1billion grant over the past 12yrs.** **GHS is committed to a further R1.7billion over the next 5yrs.**
- GPF is structured as a **social delivery vehicle** of the GHS 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.**

GPF MANDATE & PURPOSE

Based on the above, the GPF has a specific mandate to:

- **Form partnerships** to address funding blockages and bottlenecks within the sustainable human settlements sector;
- **Facilitate investment capital flows** into integrated developments as per the sustainable human settlements policy framework;
- **Facilitate equitable risk sharing project financing**;
- Participate in affordable housing projects through innovative funding interventions (as a **mechanism to entice capital market investment into this market**); and
- **Facilitate and implement** the delivery of affordable housing projects.

It is within this context then that the **GPF summarises its purpose and strategic intent** as follows:

“In partnership with stakeholders, to proactively catalyse and facilitate innovative financing solutions for the development of affordable housing within the framework of sustainable human settlements in Gauteng”

GPF VISION & MISSION

GPF has the following vision:

“The partner of choice in affordable housing delivery in Gauteng”

In achieving the above vision, the GPF defines its mission as follows:

As a public sector affordable housing delivery vehicle, we:

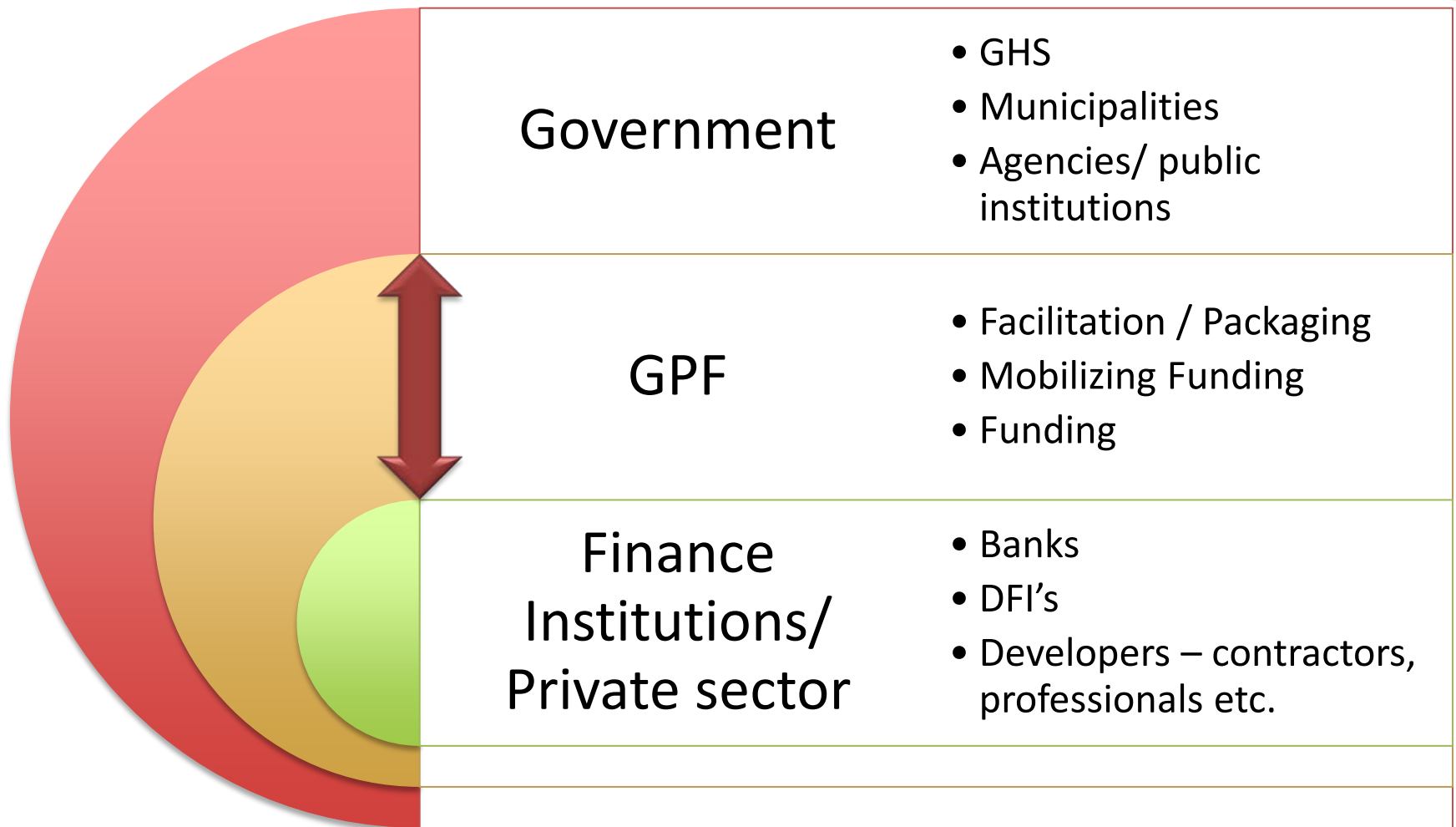
- ***Mobilise new and innovative funding streams for projects,***
- ***Leverage private and public sector finance to ensure better bankability of projects,***
- ***Facilitate collaboration between public and private sector partners,***
- ***Promote accountability, monitoring and efficiency in the implementation of projects;***
- ***thereby enabling coordinated effort by both the public and private sector in sustainable, integrated human settlements delivery”.***

GPF ORGANISATIONAL VALUES

At GPF, we have a culture of **Professionalism** and **Excellence** in execution of our housing mandate, our vision and mission – our daily work – meeting client's needs and ensuring housing service delivery. **Embedded in this culture are our core values**, abbreviated as “*TIIPP*” that are:

Value	What the value means for GPF in practice
Teamwork	We work in unison with each other and view our work as a collective effort to achieving a common goal. This means the building of productive relationships with each other as internal customers and service providers; the sharing of knowledge, experience and information; and the treatment of all with due respect and courtesy.
Innovative	Based on market demands and in pursuit of our mandate; we continually review and develop our product and service offerings, as well as the way in which we do our work. This ensures we remain the foremost and pre-eminent intervention in the affordable housing market.
Integrity	We execute our work in a transparent and ethical manner; taking responsibility for the achievement of our objectives and accountability for our performance and actions.
People	The people of GPF – managers and staff alike – are valued as core to our success. We are patriotic and loyal public servants, committed to creating value in pursuit of the mandate of the organisation.
Proactive	We actively seek opportunities, we take an active approach to addressing needs and gaps identified and seek to be fully involved across the value chain of affordable housing delivery.

GAUTENG PARTNERSHIP FUND ROLE



STRATEGIC OVERVIEW 2014/19

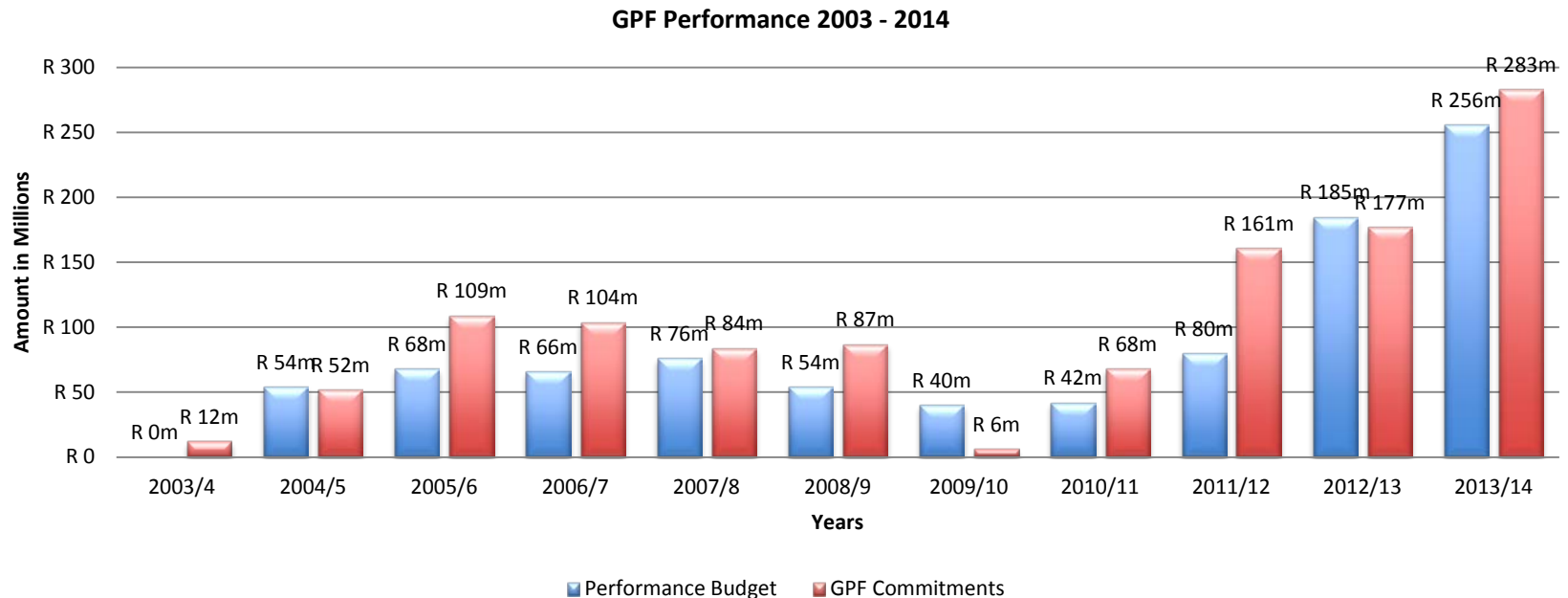
2014/19 (5- year) Key Targets (GPF MARCHING ORDERS)

Description	Facilitated	Completed
*Affordable Housing Units	10,452	6,000
Student Accommodation Beds	3,500	3,500
Low & Middle Income Homes Improved	1,400	1,400

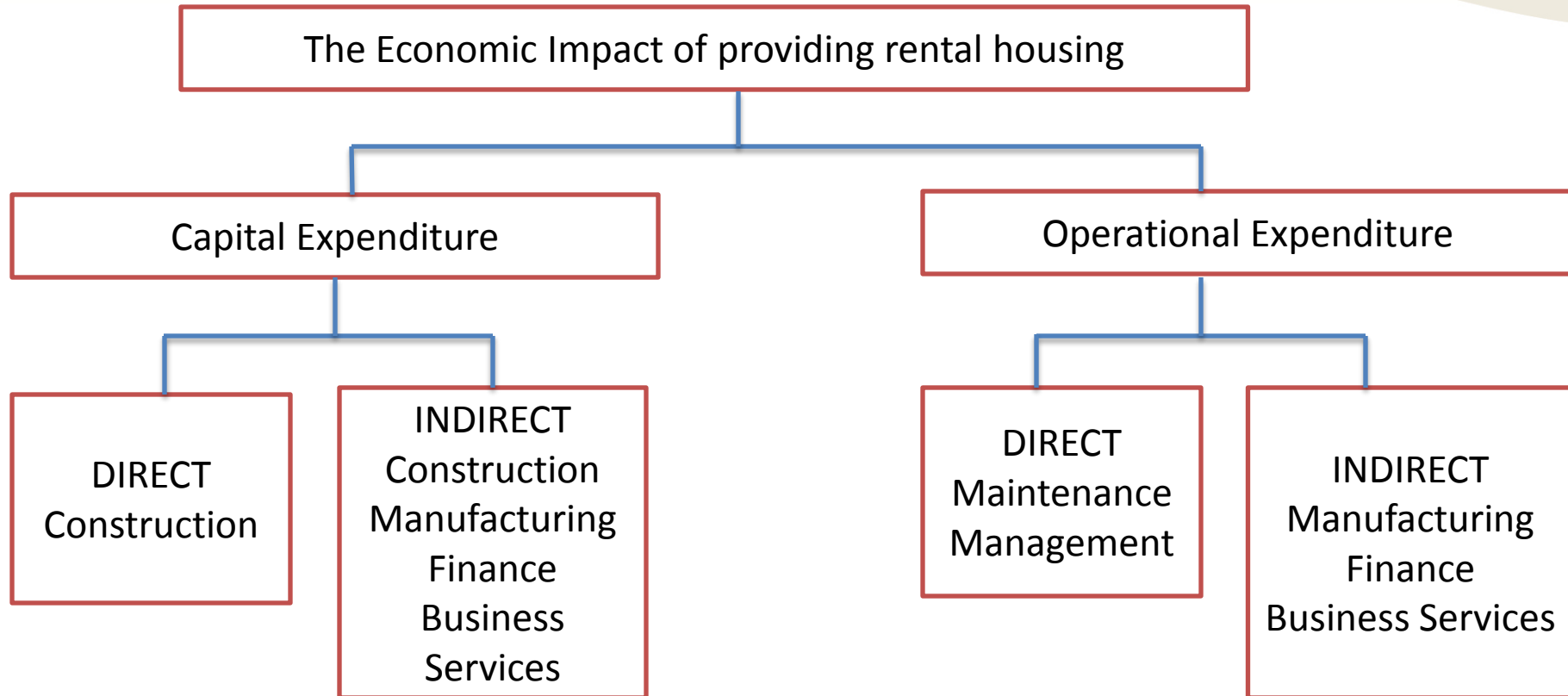
- To enable the achievement of the above mentioned targets:
 - A total capitalisation of **R1.7 billion** is required to leverage **R3.5 billion** of private sector and other public sector funding.

GPF PERFORMANCE 2003–2014 (MARCH YEAR END)

- Over the past 12 years GPF has committed funding for projects to a value close to R1 billion leveraging over R2 billion of private and public sector funding in social rental housing projects.
- This has facilitated approximately 22 000 housing units and funded over 16 000 completed units.



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]

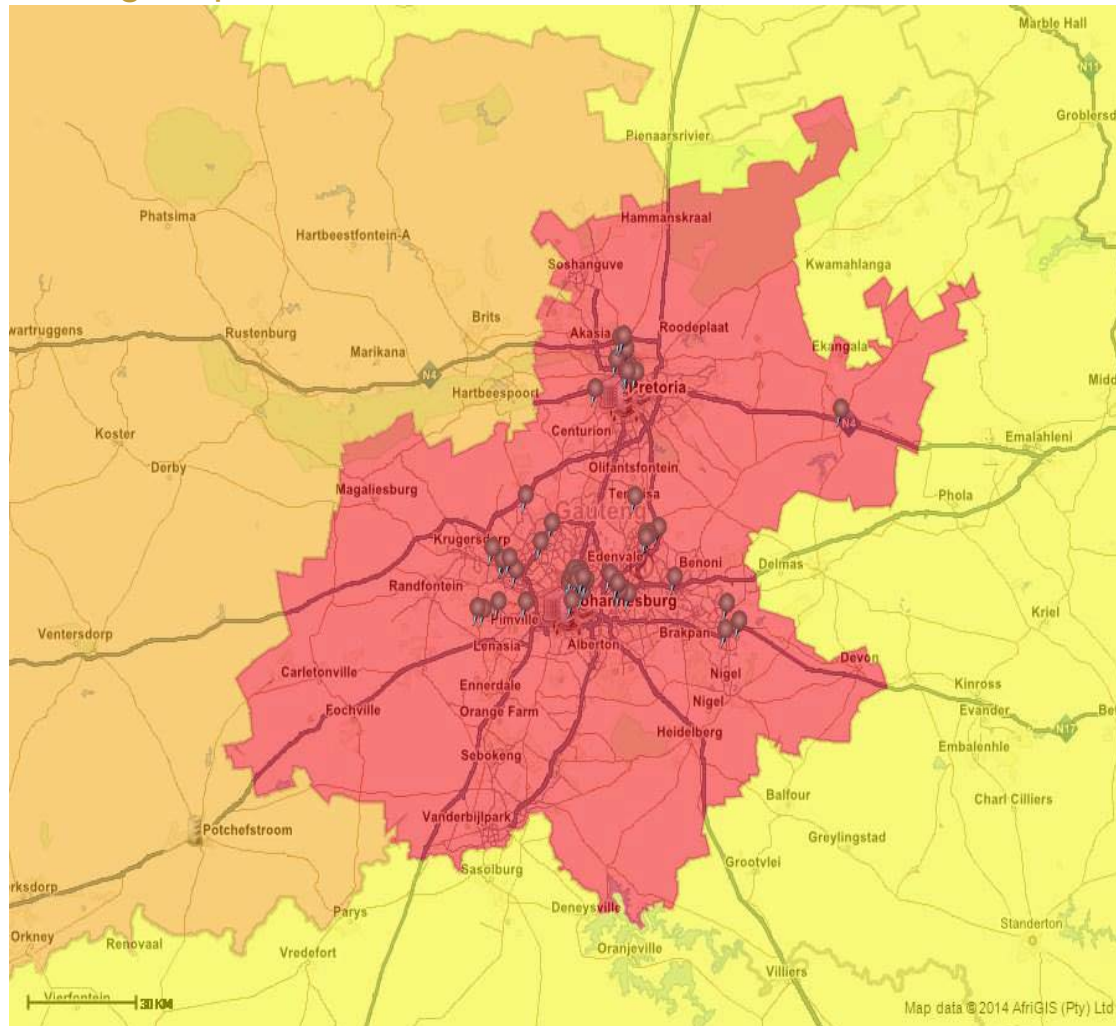
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LOCATION OF GPF APPROVED PROJECTS

Gauteng Map



Legend

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

0 15 30 45
Kilometres

LEVERAGING AFFORDABLE HOUSING FINANCE

2014 FINANCIAL YEAR

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GPF 2014 FINANCIAL YEAR

- We **commissioned a GPF 10yr Review**, findings and recommendations were:
 - Confirmed the need for GPF interventions in housing and the impact thereof
 - Corporate forum – Trust to a SOE (3C or 3D)
 - Completion of units (evaluation and monitoring)
 - Funding gaps – scenarios of financial sustainability
- **Leadership Changes :**
 - Political Leadership Changes – Honourable Primer, MEC and HOD
 - GPF CEO (Kutoane Kutoane) resigned;
 - My appointment (Boni Muvevi) as CEO in March 2014.
- Internal focus:
 - Alignment to new Political Leadership – Vision
 - House keeping matters
 - GPF repositioning - Vision

2019 SUSTAINABILTY DRIVE

SUSTAINABILITY DRIVE

The proposed **Sustainability Plan identifies GPF factors and indicators of sustainability – the roadmap to sustainability.** Based on the proposed **GPF Sustainability Model**, the three factors of sustainability are analysed, namely:

1. Funding Sustainability Factor

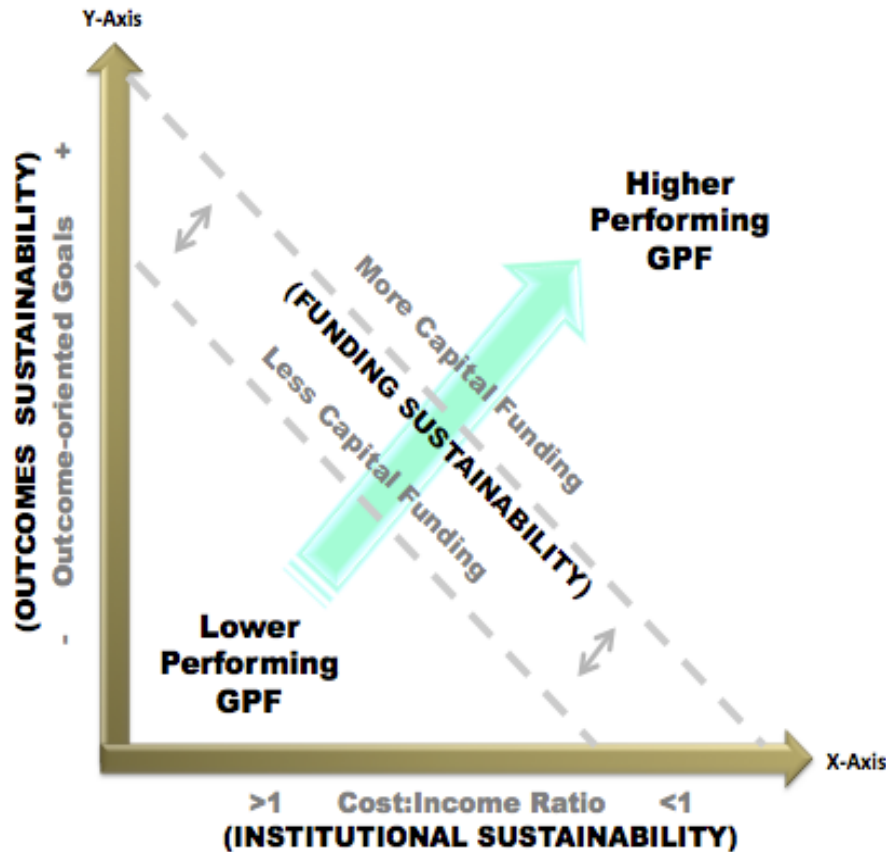
2. Institutional Sustainability Factor, consisting of two elements:

- Cost Effectiveness; and
- Income Generation

3. Outcomes Sustainability Factor

In the proposed plan, **each factor is discussed**, growth and improvement opportunities are presented, and **a range of sustainability indicators and targets are proposed.** These are then **consolidated and summarised in the form of sustainability scenarios**, culminating in a consolidated road map and action plan for GPF sustainability.

PROPOSED GPF SUSTAINABILITY MODEL



Sustainability Factor One:
FUNDING SUSTAINABILITY

+

Sustainability Factor Two:
INSTITUTIONAL SUSTAINABILITY
(Costs:Income Ratio)

+

Sustainability Factor Three:
OUTCOMES SUSTAINABILITY

=

A Sustainable and High Performing GPF

2015/19 GPF KEYS FOCUS AREAS

GPF KEYS FOCUS AREAS

External:

- **Alignment to GHS mega projects** requirements (ie. Fund raising, facilitation of finance (home loan/banks)
- Exploring **new opportunities** or product offering to support GDHS ie. **Sectional title units**.
- Exploring **alternative material and green opportunities** in Social Housing, (a **green guideline document is available on our website**).
- **Capital raising** for new and current products ie. quasi - equity fund student accommodation and Empowerment programme.
- Explore **Affordable Housing Fund Management opportunities**

Internal:

- **Integration of our business IT systems**
- **Enhancing our Fund management capacity**
- **Training and development of staff**, inline with essential skills for the job requirement
- **Improve on internal processes** especially ie. timeline of approved project to delivered units.
- **Implementation of a Sustainability Plan**
- Managing Senior Funding – PIC and Future growth (R600million)

GAUTENG PARTNERSHIP FUND

WHY PARTNERSHIP?

AFRICAN PROVERB:

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

[RMB advert quote]

WHO ARE OUR PARTNERS?

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LOCAL GOVERNMENT AND HOUSING
REPUBLIC OF SOUTH AFRICA



GPF CURRENT STRATEGIC PARTNERS



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LOCAL GOVERNMENT AND HOUSING
REPUBLIC OF SOUTH AFRICA



the dti
Department:
Trade and Industry
REPUBLIC OF SOUTH AFRICA



S A P O A

THE VOICE OF COMMERCIAL PROPERTY



a world class African city



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GPF FUNDED PROJECTS EXAMPLES



Brickfields – JHB CBD



JOSCHO – Krugersdorp



Kliptown – SOWETO



Tau Village – Tshwane



Jabulani – SOWETO



Hlanganani – Cosmo City

GAUTENG PARTNERSHIP FUND

Our slogan:

“Leveraging Affordable Housing Finance”

Thank you !

Contact: (011)6856600

www.gpf.org.za

