

BUILDING SUSTAINABLE FUNDING PARTNERSHIPS – The GPF Story

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GAUTENG PARTNERSHIP FUND

LEVERAGING AFFORDABLE HOUSING FINANCE



GAUTENG PROVINCE
LOCAL GOVERNMENT AND HOUSING
REPUBLIC OF SOUTH AFRICA



10th
Anniversary
Celebrating 10 Years of Excellence



Gauteng Partnership Fund at a Glance

Mandate

The Gauteng Partnership Trust, trading as the Gauteng Partnership Fund (GPF), is a trust which was established in 2002 by the then Gauteng Department of Housing.

On the GPF's inception in 2002, its mandate was to resuscitate the social-housing market, with a focus on rental housing in Gauteng.

In 2008, this mandate was expanded by the Board and the provincial government to enable the GPF to operate across the whole affordable-housing value chain, the goal being to facilitate, catalyse, secure and optimise investment in affordable housing within Gauteng.

The GPF's goal, therefore, is to facilitate and catalyse the development of affordable housing in Gauteng through leveraging key strategic partnerships with stakeholders, thereby innovating financial investment opportunities.

The GPF has a specific mandate to:

- Form partnerships to address funding blockages and bottlenecks across the affordable-housing service delivery value chain.
- Facilitate rental investment capital flows into integrated developments as per the sustainable human settlements policy framework.
- Facilitate equitable risk-sharing project financing.
- Participate in social-housing projects through innovative funding interventions with social-housing institutions as a mechanism to entice capital market investment into this market.



BACKGROUND

- The Gauteng Employment Growth and Development Strategy (GEGDS) is a multi-stakeholder strategy with a vision of creating an inclusive and sustainable Gauteng City –Region that promotes a developmental state and an equitable society.
- To achieve this, there is only one complex, long- term strategic objective for the province, which is to create decent work through endogenous growth by building a growing inclusive green and innovating economy.
- To achieve this, government must use the various drivers available to it to address the current challenges facing the economy and progressively, through phased strategies, transform the economy to improve efficiency.
- Development and provision of affordable housing on well located land to improve the quality of household life is one such driver.

GPF IN BRIEF

- GPF founded as a Trust – 2002 with a clear social delivery mandate.
- Takes mandate from GDLGH as the founder and executive authority
- Initial fund of R442 million in grant from DLGH towards operational budget and capital investment activities.
- Key objective to attract private sector capital into low income housing sector.
- Beneficiary criteria presently household monthly income of R3500 – R15000 for social housing and affordable rental
- Governed in terms of its founding trust deed and listed in schedule 3C under PFMA. Managed by Independent Board of Trustees.

BACKGROUND

The Vision of the GPF is

- To be the pre-eminent partner in the mobilisation and optimisation of new funding; and
- To be a leading catalyst in the development of affordable housing in Gauteng.

BACKGROUND

The Mission of the GPF is:

- Facilitating dynamic collaboration within a network of public and private sector partners,
- Securing new and innovative funding streams,
- Gearing private sector finance to ensure better viability of projects,
- Ensuring accountability, monitoring and efficiency in the long-term management of projects, thereby ensuring that housing financiers enter the affordable housing market on a sustainable basis in support of sustainable human settlements and quality household life objectives.

OUR STRATEGY

- Our strategy aligned to GDLGH strategy for sustainable human settlements
- Provincial strategic outcome 8 sees development of 20 000 rental housing units by 2014. GPF has committed to deliver 6000 of these.
- GPF is determined to be central to the government delivery mechanisms in realizing this outcome.
- We intend to work together with developers, investors, DFIs and private funding institutions to raise sufficient funding for affordable rental.
- Our role is to facilitate additional private funding streams and devise optimal win-win structures that guarantees a **balance between private and social returns.**

OUR STRATEGY CONT.

- Overarching strategic goal is to increase affordable housing stock by involving private sector funding.
- In order to realise this goal, the GPF seeks to enhance its visibility and credibility in the market through strategic collaboration with a well-informed stakeholder base (both internal and external);
- play a catalytic role in shaping the affordable housing agenda in Gauteng, and provide timely and accurate performance information and data on all aspects of our work.
- This enhanced recognition results from success in realizing our mandate, and building a robust service delivery orientated business model, which enables the GPF to speak authoritatively on the issues facing the affordable housing segment of the market.

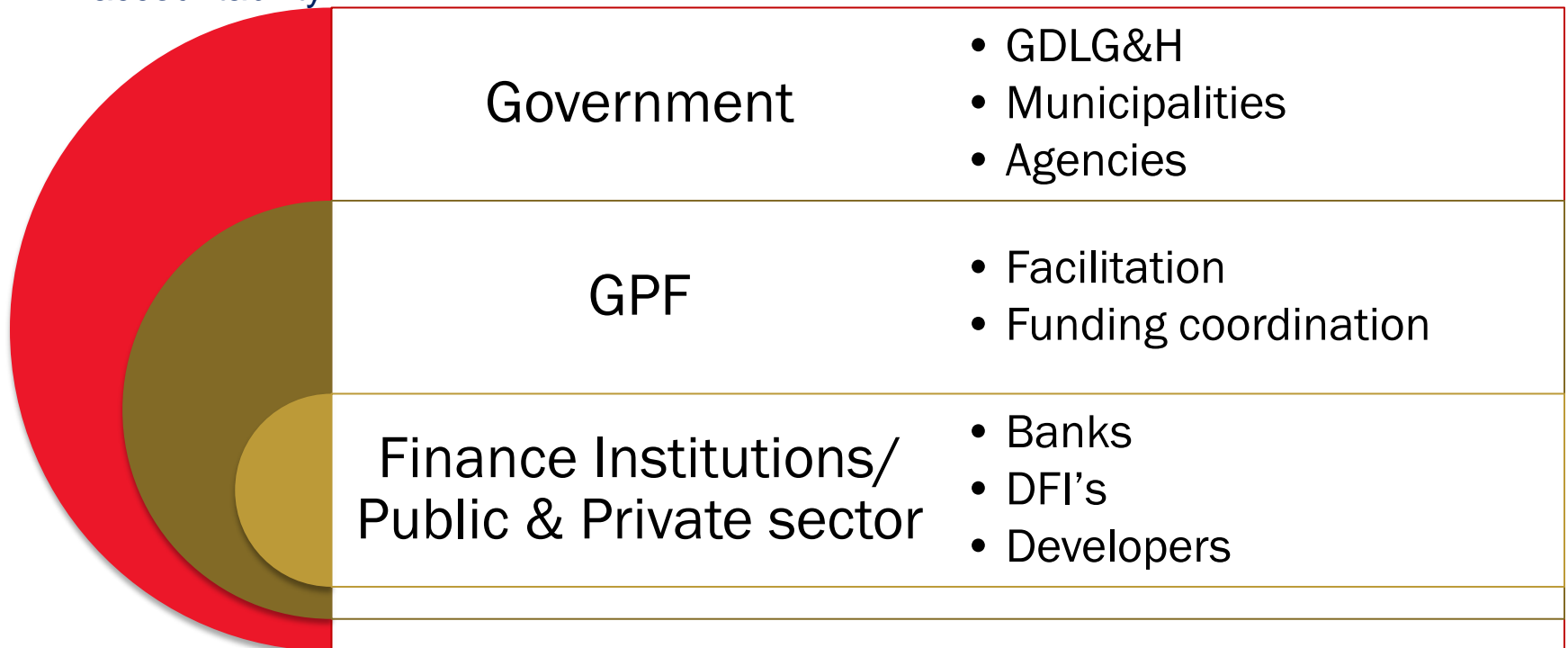
OUR STRATEGY CONT.

This strategy hinges on 5 key pillars:

1. To ensure the visibility and maintain the credibility of GPF
2. To ensure facilitation of optimal funding for affordable housing developments
3. To develop a credible and effective operating model for GPF
4. Ensure optimized financial and systems management, as well as good governance.
5. To attract high calibre skilled and committed personnel

GPF ROLE AND MARKET POSITIONING

- We seek to work within an **network of linked partners** across the public and private sectors.
- The **GPF's** role as a **galvaniser and a channel for funding** to ensure coordination and accountability.



GPF OPERATING MODEL

- GPF is structured as a social delivery vehicle of the DLGH
- We are a risk taker and operate on a cost efficiency basis
- We do not earn market returns on our funding but meet a social delivery objective of government - deep discount on cost of funds (presently priced off JIBAR).
- We put up first layer risk capital and thus take a subordinated first loss position in the funding structures of projects (up to 30%).
- We expect the investor/developer to put up some minimum equity to demonstrate seriousness and have a “skin in the game”. Security is shared with senior debt holders.
- Repayments are structured to match the cash flows with maximum term of 20 years.

GPF OPERATING MODEL CONT.

- Our funding model depends on availability of 3rd party funding from the market - (We entice senior debt providers to take advantage of our low priced risk instruments and increase their quantum of funding).
- We have formed co-funding partnership with banks, notably ABSA and SBSA in the past, wherein the cost of funds has been reduced by reducing market risk through GPF interventions
- Our clients have also benefited from various funding arrangements we have with TUHF and NHFC.
- Since we do not measure our returns in line with market but in terms of the generation of additional affordable housing stock, we balance return on capital with achievement of social delivery goals (Return of capital vs. Return on capital).

GPF MARKET INTERVENTIONS

Financial product	Purpose
Rental Housing Fund	To enhance the debt/equity ratio for entrepreneur driven projects to enable them to raise commercial funding.
Entrepreneur Empowerment Property Fund Programme	This is an incubator programme designed to promote participation of HDI owned companies in the affordable rental property market. <i>(The programme is limited to prospective participants invited on public tender annually).</i>
Social Housing Fund	To reduce the cost of capital for projects and is linked to government institutional subsidy funding.
Management of Social Housing Institutional subsidies	To reduce the cost of capital for projects, to allow for lower affordable rentals and assist SHI's to fund their growth.
Strategic Partnership Projects (Banks and DFI's)	To facilitate the sustainable entry of Banks through sharing financing risk. This is also open to other financial institutions.



Year 2002

Project name: Pharoe Park

Project sponsor: Greater Germiston Inner City Housing Company

Pharoe Park was constructed in 2006 at a cost of some R7.5-million in funding from the GPF. It is located on the outskirts of the Germiston central business district (CBD). The project consists of 9 bachelor, 142 one-bedroom, 221 two-bedroom and 65 three-bedroom units, numbering a total of 437 rental units.



Year 2002

Project name: Phase 2B

Project sponsor: Greater Germiston Inner City Housing Company

The project is located on stand 808 Germiston and stand 948 Delville in the Ekurhuleni metropolitan area. The project comprises 286 rental units with an average unit size of 44m². Phase 2B was also constructed in 2006 at a cost of R7.5-million to the GPF.





Year 2003

Project name: Brickfields

Project sponsor: Johannesburg Housing Company

Brickfields is located between West and Bezuidenhout streets, at the foot of the Nelson Mandela Bridge in the Johannesburg CBD. This project was constructed in two phases: the first phase comprised 631 units and the second phase comprised 178 units, totalling 809 mixed-use units. The project consists of low- to moderate-rise buildings, with most being three-storey walk-ups. Brickfields was constructed at a cost of some R120.3-million, with the GPF providing R24.3-million of this funding. Constructed in 2004, it has revitalised the entire region, providing a safe community environment for the families that inhabit the development. Just one of the spin-offs was the construction of a R400-million shopping centre in the area. Moreover, its bright colour scheme has contributed to the transformation of the area into a precinct popular with artists and tourists.



Year 2004

Project name: Kliptown

Project sponsor: Gauteng Department of Housing

The Kliptown project is located in Kliptown, Soweto. The project was split into two phases: the Walter Sisulu Square project, delivering 478 units, and the Golf Course project, delivering 932 units. Kliptown was developed at a total cost of R190.4-million, with the GPF funding amounting to some R34-million. Boni Muvevi, CIO of the GPF, maintains that this development changed the landscape of Kliptown, as it became a catalyst for several other developments and gave the people from this community hope, while providing young, mobile families with shelter.



Year 2005

Project name: Harmonie Hof

Project sponsor: Intuthuko Programme

The Harmonie Hof project is the result of a partnership between the GPF and the Trust for Urban Housing Finance (TUHF). The project is located in Hillbrow, Johannesburg, and consists of 70 units. The GPF granted a loan of R7.3-million for the programme. Worth noting is that the project applicant was a former building cleaner who now owns a building as a result of this initiative.



Year 2006

Project name: Manners Mansion

Project sponsor: Jozi Housing

Located on the corner of Pritchard and Sauer streets in the Johannesburg CBD, the Manners Mansion project entailed the acquisition and refurbishment of Manners Mansion building. The building comprises a 13-storey building and has a combination of 80 residential units averaging 60m² and nine retail tenants on the ground floor. Project development took place in 2006 at a total cost of R14.1-million, with GPF funding amounting to R2.8-million.

MANNERS MANSIONS

QUIETS & COVERS



Year 2007

Project name: Roodepoort

Project sponsor: Johannesburg Social Housing Company (JOSHCO)

The Roodepoort project is located within the Roodepoort CBD adjacent to the taxi rank and within walking distance to the CBD's retail sector. The project consists of 432 two-storey walk-up units which offer a mix of one- and two-bedroom units. It was constructed at a cost of R98.3-million, with the GPF's funding portion totalling just under R20-million.



Year 2008

Project name: Tau Village

Project sponsor: Yeast City Housing

The demand for quality, well-managed accommodation in Pretoria's CBD is high; hence this project, located in Struben Street, Pretoria, was timely. The Tau Village project entailed the reconstruction and refurbishment of a hotel as a mixed-use facility of 109 two-storey walk-up housing units. It is interesting to note that this development also includes accommodation for the aged and communal accommodation for girls at risk, and has upgraded commercial space on the ground floor. Moreover, the project has a drop-in centre and a childcare centre. Some R9-million in funding from the GPF and R21-million in cofunding saw the completion of the project in 2009.

Year 2009

Project name: Hlanganani

Project sponsor: Johannesburg Housing Company

The Hlanganani project is located to the northwest of Johannesburg's city centre in the first of the government's mega-integrated housing projects, Cosmo City. The project consists of 281 units in 21 blocks of two- and three-storey, walk-up, townhouse-type units with open parking bays. The entire development is fenced, with a central, security-controlled entrance for vehicles and pedestrians. The project has a mix of one-, two- and three-bedroom units. It cost R85-million to develop, of which the GPF contributed R20-million in funding.

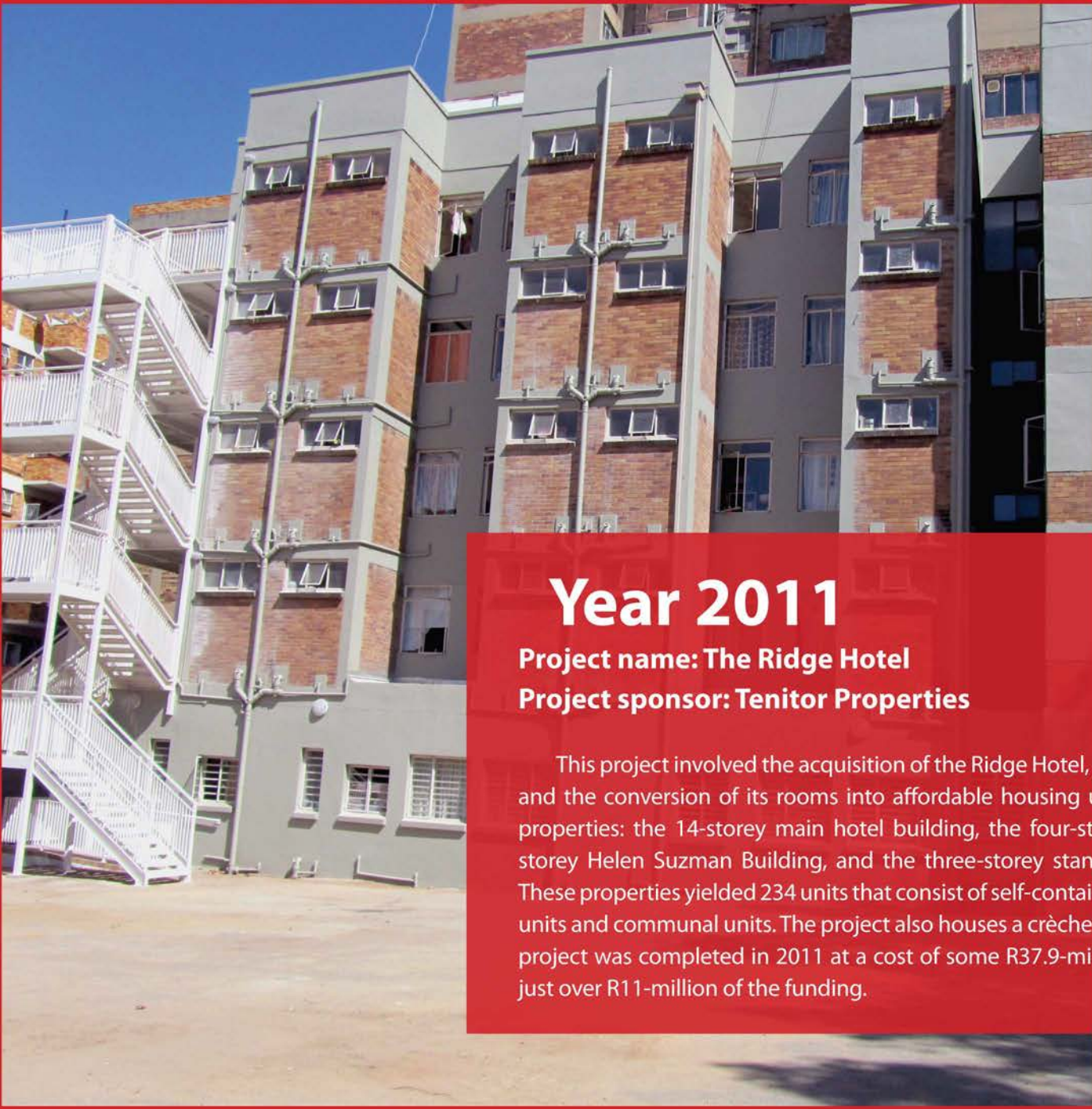


Year 2010

Project name: Olievenhoutbosch, Pretoria

Project sponsor: DFI facility with banks

The Olievenhoutbosch project is located in Pretoria and consists of 70 units that are for sale to our target market. This is as a result of our Development Finance Facility product that we have with the commercial bank, ABSA.



Year 2011

Project name: The Ridge Hotel

Project sponsor: Tenitor Properties

This project involved the acquisition of the Ridge Hotel, located in Berea, Johannesburg, and the conversion of its rooms into affordable housing units. The Ridge Hotel had four properties: the 14-storey main hotel building, the four-storey hotel extension, the two-storey Helen Suzman Building, and the three-storey standalone Kwa Ngombe Building. These properties yielded 234 units that consist of self-contained bachelor and one-bedroom units and communal units. The project also houses a crèche and other small businesses. The project was completed in 2011 at a cost of some R37.9-million, with the GPF contributing just over R11-million of the funding.



Year 2011

Project name: Fleurhof Views

Project sponsor: Madulamoho Housing Association

The Fleurhof Extension 2 residential development in which the Fleurhof Views project is located was strategic, because the development is the result of a partnership between the City of Johannesburg and Calgro M3, the landowner and turnkey contractor. The development is viewed as an infill project connecting Soweto with Florida via the proposed Westlake Road. Fleurhof Extension 2 is an integrated housing project consisting of fully subsidised housing, social housing (with rental opportunities) and bonded housing. It is anticipated that the development will unlock further land for development in the area owing to the infrastructure installed. The total cost of the project development was some R77.8-million, with the GPF funding the project to the amount of just over R23-million.



Year 2012

Project name: Jabulani Views

Project sponsor: Madulamoho Housing Association

The Jabulani residential development is a part of the larger Jabulani CBD development consisting of an amphitheatre, a retail centre and a commercial or office development. The proposed development is part of a greater development plan for the greater Soweto area. The project is adjacent to the Jabulani Mall, with several schools and clinics in a 3km radius. The development will consist of 140 single-bedroom units of 30m² each and 160 units of 40m² each, with two bedrooms and a bathroom.



PERFORMANCE TO DATE

- To date funded over R400 million and generated private sector funding of approx. R2.4 billion.
- 20 000 social and affordable rental housing units facilitated.
- Have consistently obtained clean audit opinion from AGSA with commendations
- GPF has established itself as a premier DLGH advocacy and funding agency promoting funding partnerships between government and private sector.
- Upholds highest standards of governance
- Boasts highly qualified financial structuring, technical, social transformation specialists and development practitioners.

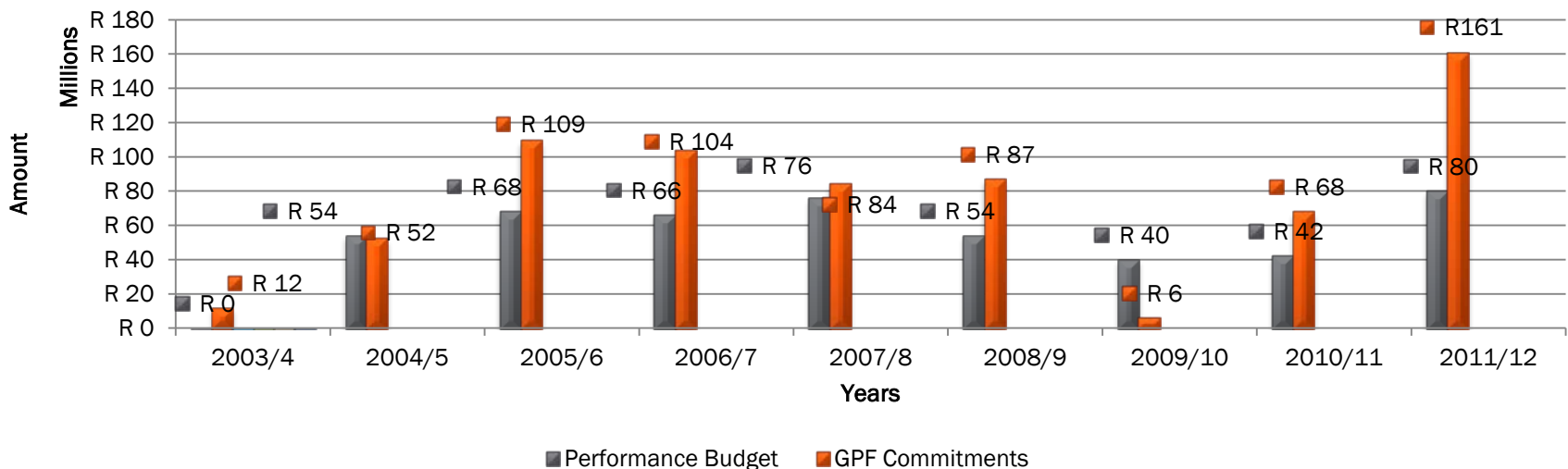
GPF PERFORMANCE

Funded projects to a value over to R400 million

Leveraging over R2.2 billion of private funding

Facilitated approximately 20 000 social housing units

GPF Performance 2003 - 2012



PERFORMANCE TO DATE

GPF defines success in three ways:

1. **Leveraging government capital resource**

GPF provides 30% of the project cost and has to date leveraged appx. R2.4 billion of private sector funding for affordable housing.

2. **Transformation of underdeveloped areas**

GPF has a focus on Gauteng only and especially its underdeveloped areas as demarcated in the municipal IDP's. These could be townships or areas requiring urban rejuvenation. GPF has had visible evidence of transformation from funded projects.

3. **The impact of GPF funded projects**

GPF projects are aligned to governments affordable housing mandate and to date we have facilitated the delivery of 20 000 rental units for low income households earning between R3 500 and R15 000 per month. The impact of accommodating people would be three to four people per unit that equals to approximately 70 000 people housed.

SOCIO-ECONOMIC BENEFITS

- The housing construction sector boasts one of the highest employment multipliers in South Africa and has the potential to significantly address unemployment in the country. A recent study by the University of Cape Town found that it takes between 1200 and 1500 man hours to build a 40m² house, with the average being approximately 1289 hours. This comprises 541 hours of skilled and 748 hours of unskilled work. This translates to 2.5 people employed continuously to complete a typical house in 13 weeks.
- A social housing project will have a positive impact on the neighbourhood safety and security. The overall conclusion is that social housing projects provide benefits that go well beyond the mere creation of housing but rather is playing an important role in creating sustainable human settlements. The social housing projects provide numerous indirect benefits which include improvement to accessibility and employment, leisure and social amenities.

SOCIO-ECONOMIC BENEFITS

- There is strong anecdotal evidence that social housing can act as a catalyst for urban rejuvenation. Social housing can resurrect property values in the area. Furthermore, jobs will be created through the maintenance and management of social housing units, the payment of rates and taxes and the expenditure on goods and services by households directly related to the social housing project.
- Social housing residents surveyed reported an improvement in the quality of life for their children, health and security.
- Social housing projects are designed to ensure healthy and integrated communities rather than just to provide shelter.

CURRENT CHALLENGES

- As I have indicated our funding model requires third party participation in the funding structure.
- The economic cycle factors invariably changes the portfolio risk-return configuration which affects the level of funding by GPF.
- The recent melt-down in the global financial markets is a case in point.
- We have seen our major local bank partners re-examining their appetite for affordable housing risk resulting in sharp retreat from the sector.
- This has created tremendous pressures as demand for housing continues unabated.
- There has also been a visible shortage of institutional subsidy funds from government, which has adversely affected delivery of social housing projects.
- What happened to the FSC low income housing commitments?

TOWARDS ENHANCED PARTNERSHIP MODEL

- We want to work within the network of linked partners across the public and private sectors.
- This network will involve GPF as a trusted facilitator and a channel for public development funds to ensure coordination with private sector funds and thus accountability.
- Social housing funded through government subsidies, restructuring capital grants and CSI funds from corporate SA.
- For most entrepreneur-driven affordable rental projects government will continue to provide risk instruments through GPF to reduce project risk.
- DFIs and other public funders will be involved by way of funding arrangements with GPF as their preferred funding vehicle in this market segment.

TOWARDS ENHANCED PARTNERSHIP MODEL

- Details of optimal funding arrangements are currently being explored with Pension Funds, DBSA, PIC, NHFC and other DFIs.
- We hope to achieve a better blending of return expectation and a win-win outcome through appropriate risk sharing with our funding partners.
- SA banks will continue to be critical partners in achieving government housing agenda and will continue to engage them.
- Primary objective for GPF is to work towards meeting GPG outcome of 20000 affordable rental units by 2014.

Let us work together to build more sustainable human settlements.

CELEBRATING *a Decade of* Housing Partnership Success



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