



Innovative Public-Private Solutions for Property Development

BUFFALO CITY METROPLITAN MUNICIPALITY

INVESTMENT CONFERENCE

28 Nov 2019



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Overview of GPF



WHO WE ARE

Background

- GPF is a schedule 3C Public Entity founded in 2002.
- 100% owned by the Gauteng Department of Human Settlements.
- Initial mandate focused on social housing market and over the years evolved to include affordable housing.
- Key GPF mandate is to attract public and private sector capital into low income housing sector.
- The GPF offers innovative funding products designed to share project risk with the private sector.

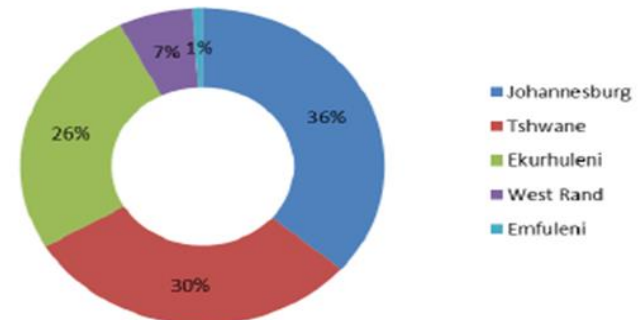
Focus Areas

- Social Housing
- Student Housing
- Affordable Housing
- Mixed-use developments (mega projects)

Track Record

- GPF has played a critical role in the delivery of housing in Gauteng and has solid track record.
- Approx. R1,9bn GPF funding committed towards affordable and social housing.
- Approx. R3bn leveraged from private and public sector.
- More than 20 000 units completed through GPF funding .
- Job creation, local economic development and SME support.

Portfolio Distribution by Metro



1 Overview

- The GPF seeks to continually develop products aimed at addressing housing funding challenges.
- GPF products are reviewed annually to determine their effectiveness.

2 Products

- Subordinated long term debt to reduce cost of capital and de-risk projects.
- Equity finance serving as a catalyst to ensure that other funding sources are enticed to participate in funding of projects.

3 Services

- **Capital Raising:** Use of public sector funding to leverage additional funding ;
- **Project Management:** To provide an oversight and monitoring role for mega projects;
- **Project Preparation:** Development of bankable feasibility studies and innovative funding; and
- **Property Development:** To develop and leverage the value of the land.

4 Stakeholders

- Developers;
- GDHS;
- Financial Institutions;
- Municipalities; and
- Municipal Owned Entities.

	Financial product	Purpose
Affordable Housing Rental Accomodation	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	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.

Strategic partnerships with finance institutions

Entrepreneur Empowerment Property Fund Programme (EPPFP)

- ◆ The Entrepreneur Empowerment Property Fund Programme (EPPFP) was established to focus exclusively on promoting HDI participation in the affordable rental property market.

- ◆ The EPPFP aims to assist HDI participants overcome some of the challenges and constraints to entry.

- ◆ Challenges
 - ◆ Inability to secure funding
 - ◆ Inability to identify feasible property opportunities
 - ◆ Lack of equity to compete with established companies
 - ◆ Lack of capacity to package a bankable business plan.

EEPF - PROJECT FUNDING STRUCTURE

- ◆ Interest Free Loan
 - ◆ The purpose of the Interest Free Loan is to enhance the project viability. Participants can access up to R2million within this facility.
 - ◆ The loan is repayable, with flexible terms depending on the financial feasibility of the project.

- ◆ Interest Bearing Loan
 - ◆ Interest charged is Jibar plus 0.5%;
 - ◆ The loan term is up to 20 years inclusive of up to 24 months moratorium period.

- ◆ Participating companies must contribute a minimum of 5% equity which can be structured in accordance of client cashflow.
- ◆ Loan exposure is limited to 40% of project cost and the difference will be funded by the Senior funder.
- ◆ Projects up to R8Million are funded 100% by the GPF.

EEPF - PROJECTS



SOCIAL HOUSING - PROJECT FUNDING STRUCTURE

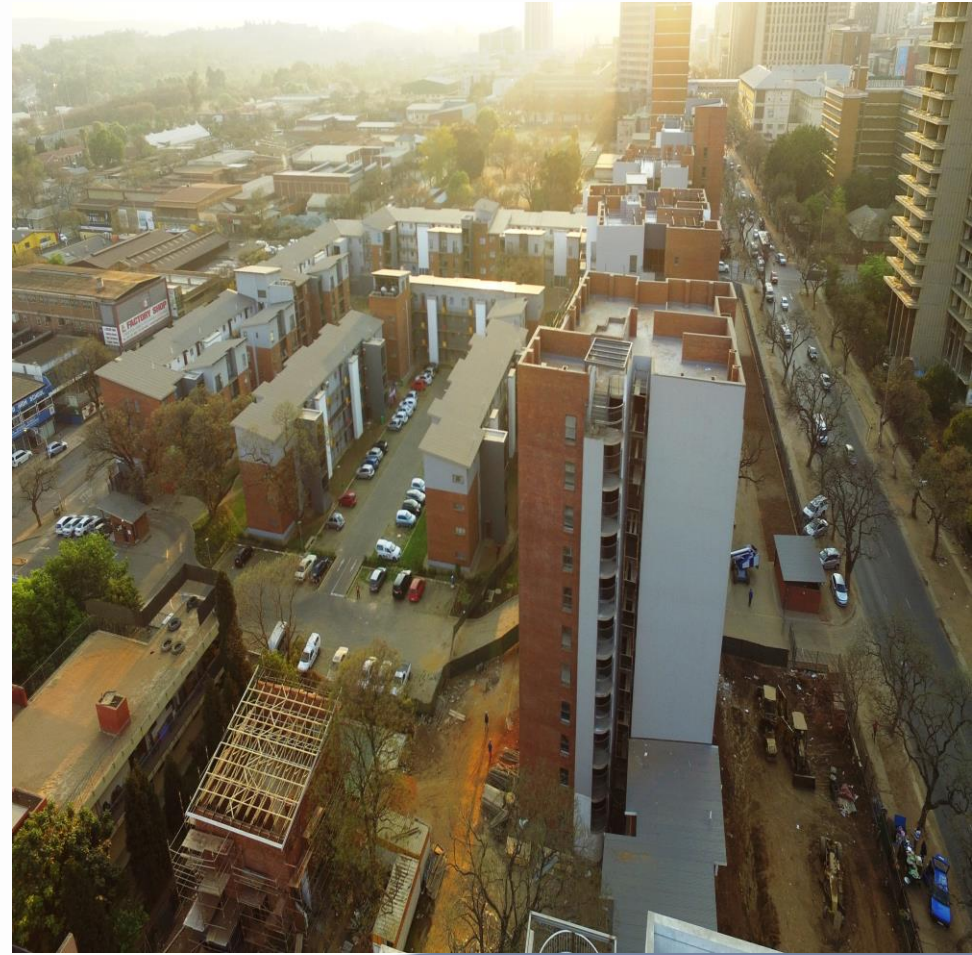
- **Purpose** - Provide equity funding that enhances the debt to equity ratio of projects to leverage private sector funding at favourable terms
- **Target** - Social Housing companies that are accredited with SHRA for the provision of social housing units for households with income bracket of below R7500 in designated restructuring zones.
- **Projects funded** - green and brown fields developments with minimum of 100 units
 - Projects are highly subsidised with the capital grants and the institutional subsidies
- **Exposure limit** - up to 30% of project cost
- **Pricing** - 3-month JIBAR plus a margin
- **Loan term** – 15-20 years
- **LTV**: less than 100%
- **Equity contribution** – Min 2,5%
- **Security**: Second Mortgage Bond, Cession on sale proceeds

SOCIAL HOUSING - PROJECT FUNDING STRUCTURE

Cost per unit breakdown

Cost of unit	R380 000
Equity	<u>R 00 000</u>
	R380 000
Restructuring Capital Grant	<u>R125 000</u>
	R255 000
Institutional Subsidy	<u>R 110 000</u>
	R145 000
GPF Funding 30%	<u>R 43 500</u>
	R 101 500
Other funding	R 101 500

SOCIAL HOUSING - PROJECTS



GPF Strategic Partners

GPF
GAUTENG
PARTNERSHIP
FUND



GAUTENG PROVINCE
LOCAL GOVERNMENT AND HOUSING
REPUBLIC OF SOUTH AFRICA

Futuregrowth

ASSET MANAGEMENT
RETURNING THAT MATTER



**PUBLIC INVESTMENT
CORPORATION™**
100 YEARS



the dti

Department:
Trade and Industry
REPUBLIC OF SOUTH AFRICA



S A P O A

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**CITY OF
TSHWANE**
IGNITING EXCELLENCE



SAIBPP

SOUTH AFRICAN INSTITUTE OF
BLACK PROPERTY PRACTITIONERS



**JOBURG
PROPERTY COMPANY**



Ekurhuleni
METROPOLITAN MUNICIPALITY



NCF
NATIONAL COUNCIL FOR
COMMUNITY DEVELOPMENT



a world class African city



GAUTENG PROVINCE
HUMAN SETTLEMENTS
REPUBLIC OF SOUTH AFRICA

Lending Criteria and Pricing

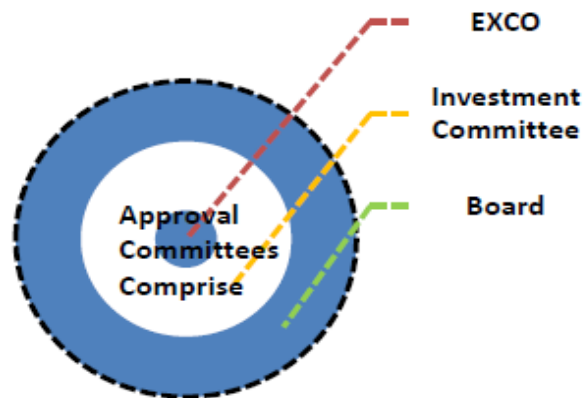
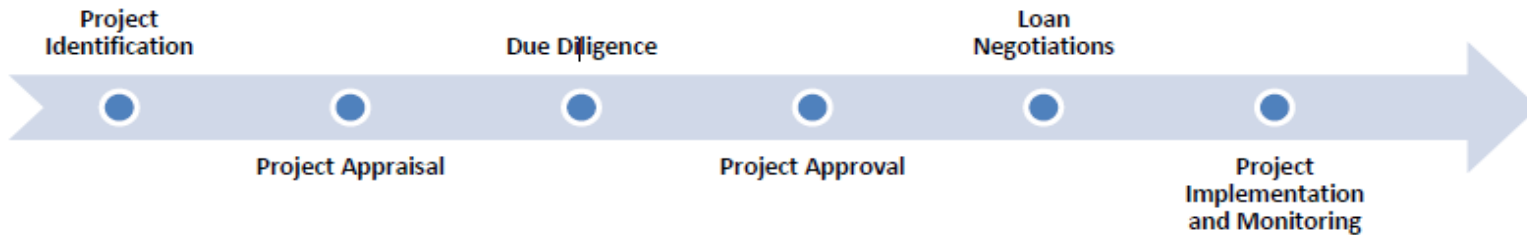
Lending Criteria

- A project must be aligned with the GPF's sectoral and geographic mandate.
- Project must be financially viable and clearly demonstrate that it can generate sufficient cash flows to service and repay the debt.
- Project must demonstrate social impact (i.e. job creation etc.).
- Project should be technically viable in terms of designs and specifications.
- Project must be aligned with government's development and spatial plans (i.e. IDP).
- The applicant must have the institutional capacity to plan, implement and manage the project.
- Minimum 2.5% client equity contribution.

Pricing

- Pricing is risk based and relatively cheap.
- Client risk profile is determined as part of the GPF credit evaluation process
- Variable interest rate based on JIBAR. Maximum of 200 bcps credit margin.
- In addition to the interest charged on loans, financing fees such as upfront and commitment fees are charged.

- All transactions are subject to various policies, aligned with best practice and applicable legislation.
- The DoA also outlines the powers of the Board, as well as the committees of the Board and those of the Executive Management.



Mega Projects

- A new housing delivery model that seeks to transform spatial patterns and create sustainable communities.
- The concept born out of the desire to break away from sporadic, small, isolated and monolithic housing projects.
- Aim is to deliver well planned projects, located within economically active areas linked to transport infrastructure.
- Minimum delivery target of 10,000 units.
- 31 projects have been approved, of which 12 are in implementation.
- The GPF has been appointed as implementation agent by the department.

KEY FEATURES OF MEGA PROJECTS

Mixed INCOME

Housing (BNG, Gap Market and Bonded Housing)

Mixed USE

Development (houses, social, open spaces, commercial, industrial and economic amenities)

Mixed TENTURE

Housing (ownership, rental stock and social housing)

Mixed TYPOLOGY

Houses (free-standing, multi-story walk-ups)

Modernised, smart, environmentally sustainable and eco-friendly cities



Mega Projects *(continued)*

- Housing
- Schools
- Health Facilities
- Recreational facilities
- Transport Infrastructure
- Bulk Infrastructure
- Energy and Electrifications
- Roads
- Filling Stations
- Commercial and Retail Property
- Water Treatment Plants



Work-outside of Gauteng Province

- Funding facilitation
- Project packaging, feasibility studies and bankability
- Turn-key Property Developer

CONCLUSION

- Challenges in housing delivery are complex and thus require collaboration between public and private sector.
- Innovative funding models required to address the development and funding challenges.
- GPF open to engage with all stakeholders to find viable solutions.



GPF CONTACT DETAILS

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PARTNERSHIP
FUND



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Thank you



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