

Gauteng Partnership Fund: Funding property dreams

Says Gauteng Partnership Fund (GPF) CEO, Boni Muvevi: "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. 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.

Boni Muvevi, GPF CEO

The Gauteng urban region represents the most dense concentration of economic activity, population, and poverty in South Africa today."

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 Gauteng to grow and establish mutually beneficial trade agreements and improve its foreign trade balance.
2. The demand for economic goods and services from Gauteng is anticipated to increase, which will create employment opportunities and will also require the utilisation of the province's available work force.
3. The economy of Gauteng is anticipated to experience robust growth over the coming decades, based on improving market demand conditions, the strategic position of the 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. Expanding migration flows are foreseen to be a significant factor in rapid population growth in Gauteng.
5. Cooperative governance and integrated planning will become increasingly complex as a result of rapidly expanding populations and local economies. The governing system of Gauteng requires a redesign where departments and spheres can work independently and collaboratively at the same time.
6. Highly fertile agricultural land in Gauteng 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.

Affordable housing contributes to addressing national issues such as the historical housing backlog; redresses the legacy of living apart (apartheid); contributes to capital redistribution and empowerment; leads to property ownership, as an asset and a means for creation of wealth; reduces unemployment; and affirms the constitutional right to housing for all SA citizens," concludes Muvevi.



According to Chris Moodley, GM:projects division, National Finance Housing Corporation (NHFC), the current demand for affordable urban housing is one million units, and the current delivery is at 20 000 units per annum. There are high levels of indebtedness in the affordable housing market, and a historically low appetite for mortgage lending to the affordable market by the big four banks. There is a shortage of affordable housing stock as the affordable markets are outperforming the normal markets; the rental market continues to provide growth opportunities due to the demand for housing close to amenities and work.

"While some people's housing needs are catered for by the private sector, the vast majority of South Africans still rely on some form of government assistance to access affordable, appropriate and secure housing. Government assistance is justified on the grounds of achieving the requirement of

Section 26 of the Constitution in enabling the right of citizens to adequate housing, and to arrest the inefficiencies & inequalities of settlement patterns resulting from the Apartheid spatial legacy," says Moodley. "Housing is a critical determinant of households' well-being, as well as labour market efficiency and social cohesion."

Government finances housing through direct investment in human settlements for affordable housing, and free housing through the reconstruction and development plan (RDP). Human settlement infrastructure is funded, amongst others, by the Urban Settlement Development Grant (USDG) and the Municipal Infrastructure Grant (MIG).

"Other government interventions include key housing policy and regulatory frameworks to enable delivery; addressing Infrastructure backlog; and facilitating the shortening of housing pre-development and development time frames. Government can also influence housing outcomes by changing the risk-return profile for potential private investors through fiscal regulations or incentives.

Regarding the challenges in the affordable housing industry, Moodley explains: "High property prices in the inner city and in urban areas makes the provision of affordable rental housing challenging. Inflation leads to the rising costs of materials and utilities. Rental boycotts and building hijackings, industrial strikes and high unemployment are additional factors. Over-indebtedness is a phenomenon of the market," he concludes.

Says Vinolia Mashiane: Acting Chief Investment Officer, GPF: "The rental housing fund provides equity funding that enhances the debt to equity ratio of projects, in order to leverage private sector funding at favourable terms. It is targeted at property developers with a recognised legal form, who aim to provide affordable housing accommodation to households with an income bracket below R15 000. The fund provides project funding for green and brown field developments.

"The rental housing fund's commitment can be up to 30% of the project cost depending on the developing organisation's BEE status, and projects with a total loan exposure of R10 million are completely funded by the GPF. Minimum pricing is based on a three month JIBAR (Johannesburg interbank agreed rate) plus a margin. The equity contribution can be up to 10% for established companies and less than 10% for non-established companies.

"Social housing projects are targeted at social housing companies that are accredited with the social housing regulatory authority (SHRA), for the provision of social housing units for households with an income bracket of below R7 500 in designated restructuring zones. Projects are highly subsidised, with capital grants and institutional subsidies, and should have a minimum of 100 units.

"The entrepreneur empowerment property fund programme (EPPFP) aims to assist historically disadvantaged individuals overcome some of the challenges and constraints to entry by providing capacity assistance.

"The GPF targets companies with 100% BEE ownership, with unencumbered and available equity of a minimum of R450 000,

Vinolia Mashiane, Acting Chief Investment Officer, GPF



and at least one shareholder that works full time on the business venture. Companies must be able to demonstrate the practical skills of developing a business case for a rental housing project," adds Mashiane.

"Student accommodation is a sub-sector of rental housing. Students compete for rental accommodation with GPF's target market and the demand for student accommodation outstrips the supply. Slum lords provide challenges to facilitating well managed and quality accommodation for students.

"GPF partners with the stakeholders in the student accommodation sector, ie universities, developers and other funders. Projects should have a minimum of 50 beds, be in close proximity to the targeted tertiary institution, be safe, clean, well controlled, and provide affordable student accommodation.

"GPF's mandate fit is that affordable housing projects should cater for households with an income of less than R15 000 per month; its strategic fit is that projects contribute to GPF strategic direction and its policy fit is a maximum of a 30% contribution by GPF with the balance funded by a senior funder.

"GPF is aligned to government planning ie integrated development plans and urban renewal initiatives. The organisation considers the socio-economic development strategy of each project with the end goals of job creation, poverty alleviation and an increase in the procurement of goods and services for small, medium and micro enterprises," concludes Mashiane.