



GAUTENG PARTNERSHIP FUND

LEVERAGING AFFORDABLE HOUSING FINANCE

STRATEGIC PARTNERSHIPS WITH FINANCIAL INSTITUTIONS

GAUTENG PARTNERSHIP FUND BACKGROUND

The Gauteng Partnership Fund (GPF) was established by the Gauteng Department of Human Settlements to address funding challenges in the affordable housing sector.

The GPF assists the affordable housing sector by:

- Providing public risk capital.
- Providing prospective funders with sustainable entry into rental housing financing market by means of various products.

On a project-by-project basis, GPF will assist the rental or social housing institutions to procure finance at the most favourable terms in order to promote affordable, quality accommodation that is well managed for the target market.

STRATEGIC PARTNERSHIPS

In order to address housing challenges GPF seeks strategic partnerships with financial institutions for funding affordable housing projects. The aim is to share project financing risks between private and public sector. We have to date secured partnerships with ABSA, Standard Bank, Trust For Urban Housing Foundation (TUHF) and National Housing Finance Co-Operation (NHFC).

STRATEGIC PARTNERSHIP WITH TUHF

BRIDGING FINANCE FACILITY

Together with GPF, TUHF has set up the bridging finance facility, which enables investors to cover temporary needs, where a quick decision is required. TUHF offers bridging finances for:

The balance of purchase price:

- Clients who have bought a property and have a short time to raise the necessary balance e.g. at an auction.
- Clients who have sold property and require their share of the purchase price before registration of transfer.

Rate Clearance Certificates:

- Where the seller cannot pay the Rate Clearance Certificate (RCC).
- Where the purchaser wishes to offset the RCC payment against the purchase price of the building.

Construction loans:

- Specifically for refurbishments or conversions.
- Long-Term loans can be raised once the construction risk is over.

Sectional Title Body Corporate loans:



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- Refurbishment loans.
- Consolidation of debt loans.

TUHF's Bridging Finance has been designed to provide solutions to problems that investor's face when raising loan term finance for the purchase of an inner city building. TUHF's Bridging Finance is competitively priced and, depending on the requirements of the particular problem, quickly available.

Cost to client is based on the level of security available with the highest price being for unsecured loans.

TUHF's ideal is to work with people who:

- Know the neighbourhood in which they're investing i.e. the city centre.
- Have the right property management skills and property development skills.
- Have the right network of contacts.
- Are proud of owning well-maintained, clean buildings.
- Are confident they will make sufficient profit from their business to keep going.
- Are competent rental housing entrepreneurs.

TUHF finances transactions not wishes. Prospective clients should already own a building, be in possession of a signed deed of sale or have a clear strategy to obtain property.

For more information on the Bridging Finance Facility please contact TUHF on 011 276 1440.

Intuthuko Equity Fund

Together with the Gauteng Partnership Fund, TUHF, has set up the Intuthuko Equity Fund (IEF). It provides equity to assist in the financial leverage of projects. It helps previously disadvantaged South Africans in selected occupations and lower income groups enter into the residential market.

The fund acts as a partner, helping the entrepreneur by contributing to the deposit or equity requirements necessary for loan approval from TUHF.

This fund targets caretakers, property managers and artisans in the construction industry, as well as members of the police force, firemen and women, and nurses who live or work in the inner city.

The fund will only finance a deal that makes business sense. The business should generate enough money to repay TUHF and the IEF loan with interest, and also make a profit for the entrepreneur. In return, the IEF offers flexible and structured repayment terms. The entrepreneur has the option to cancel the IEF loan at any time by either settling the loan in cash or refinancing the loan through TUHF.

The IEF seeks to empower entrepreneurs who are:

- Mature and have business flair;
- Prepared to contribute their own money;
- Hard working and solution oriented;
- Familiar with the inner city and neighbourhood in which they plan to buy;



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- Determined to make a better life for themselves; and
- Proud to own a clean and well-run building.

What makes the IEF unique?

The IEF aims to help new investors enter the inner city residential property market, boosting new business and supporting emerging entrepreneurs.

To be considered for the IEF:

- Applicants must display entrepreneurial flair. The entrepreneur should have identified the building they hope to purchase and have already approached the seller.
- The project must be financially viable from day one.

To get started, the entrepreneur will need:

1. A signed deed of sale;
2. To arrange an appointment;
3. Completed TUHF application forms – the forms are available on our website and include all the relevant documentation that TUHF requires for your loan application. Simply fill in the forms, forward them to us, and one of our representatives will contact you; and
4. All FICA-related documentation.

For more information on Intuthuko Fund please contact TUHF on 011 276 1440.

STRATEGIC PARTNERSHIP WITH BANKS

RISK PARTICIPATION FACILITY

The Risk Participation Facility was developed for the established entrepreneurial rental housing sub-sector, offering rental accommodation to the low income target market. This facility is made available via commercial funders to entrepreneurs, supports development of new submarkets within the social housing sector by allowing for blending of interest rates between Banks and GPF. This results in a reduced interest rate and indirectly provides access to housing units for lower income tenants due to reduced project costs.

Who Qualifies

Any company or project Special Purpose Vehicle (SPV) with a recognised legal form that provides rental or delayed ownership schemes to families with a monthly household income less than R15 000. (The income band is linked to CPI and adjusted annually).

Types of Projects

- Inner-city residential refurbishments.
- Conversion of offices to residential units.
- Greenfield developments.



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Investment Term

Term ranges between 10 and 15 years depending on project cash flows.

Investment Pricing

Prime (blended rate).

Security

- 1st Covering Mortgage Bond (CMB).
- Cession of loan accounts.
- Personal surety ships.
- Cession of rental income and bank accounts.
- Cession of insurance.

Exposure

GPF investment up to 20% of the total project costs.

Documentation Required

- Comprehensive Business Plan.
- Company registration documents.
- Essential project information.
- Copy of latest Audited Financial Statements.
- Equity contribution.
- Any additional information that the banks require.

For more information on Risk Participation Facility please contact ABSA on 011 350 4000 or Standard Bank on 011 770 8000.

DEVELOPMENT FINANCE FACILITY

The Development Finance Facility was established for developers in the Affordable Housing Sector, to assist in financing developments for sale of stands and housing units. The purpose of the facility is to provide a favourable priced mix of public and private sector funding to developers for housing projects to the gap market. This facility is made available via commercial funders to developers and supports creation of new affordable housing units by allowing for blending of interest rates between Banks and GPF. This results in a reduced interest rate and indirectly provides access to housing units for lower income beneficiaries due to reduced project costs.

Who Qualifies

Any company or project Special Purpose Vehicle (SPV) with a recognised legal form that provides rental or delayed ownership schemes to families with a monthly household income less than R15 000. (The income band is linked to CPI and adjusted annually).

Types of Projects

- Greenfield developments.



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Investment Term

- Maximum 36 months.

Investment Pricing

Prime (blended rate).

Security

- 1st Covering Mortgage Bond (CMB).
- Cession of loan accounts.
- Personal surety ships.
- Cession of rental income and bank accounts.
- Cession of insurance.

Exposure

GPF investment up to 20% of the total project costs.

Documentation Required

- Comprehensive Business Plan.
- Company registration documents.
- Essential project information.
- Copy of latest Audited Financial Statements.
- Equity contribution.
- Any additional information that the banks require.

For more information on Development Finance Facility please contact ABSA on 011 350 4000.