



Empowerment for property entrepreneurs

GPF Entrepreneur Empowerment Property Fund (EPPF)

The Gauteng Partnership Fund has never taken a narrow view of its mandate; while it was established by the Gauteng Department of Housing to address funding challenges in the affordable housing sector, it is also doing its utmost to nurture a new generation of property entrepreneurs.

Despite the improvement in the quality of life of many South Africans since democracy, finding a quality, affordable place to live is still a challenge for many, especially those caught in the gap of not being poor enough to qualify for government housing, yet not being eligible for bank mortgages either.

For the last eleven years, the Gauteng Partnership Fund (GPF) has been addressing this issue by providing funding and assistance to companies involved in the affordable rental property market in order to help speed up the development of these housing projects. The housing backlog in the province has been pegged at about 2.1 million units, which translates into housing for some 12.5 million people. Aligned with the provincial government objective of delivering 20 000 rental residential units by 2014, the GPF aims to facilitate funding for 6 000 of these units by this date.

INCUBATING ENTREPRENEURS

To empower black property entrepreneurs who have, to date, been held back from entering the market owing to historical disadvantages, a lack of skill and equity, and insufficient cash flow, the GPF launched its Entrepreneur Empowerment Property Fund (EPPF) in July of 2010. This fund is essentially an incubator programme aimed at promoting participation by the previously disadvantaged in the affordable rental property market.

"The EPPF is aimed at entry-level black entrepreneurs and companies 100% owned by historically disadvantaged individuals that provide rental or delayed ownership schemes for households with monthly incomes of less than R15 000. Participating companies or entrepreneurs must demonstrate that they have the commitment and potential to grow and successfully complete the project," explains Vinolia Mashiane, Investment Officer at the GPF.

The types of projects funded are typically inner-city refurbishments or predominantly residential buildings, the conversion of offices to residential units, and greenfield developments for affordable housing. How the process works is that the GPF funds the total cost of acquisition up to R7.5 million, and co-finances renovations with other financing institutions.

FUNDING MILESTONE

In June last year, the GPF and the EEPF achieved a critical milestone by partnering with the National Housing Finance Corporation (NHFC) in a co-funding agreement for the programme.

"This agreement gives us greater capacity to assist with project funding, and companies should feel encouraged to apply, be they potential applicants or future co-funders," says Mashiane.

Every year, the GPF extends an open invitation for prospective participants to apply. The requirements are that candidates have to be 100% BEE (black economic empowerment), be a registered legal entity, have a valid tax clearance certificate, are shareholders and the company must have clean credit records.

"These applicants are expected to identify a project and submit a business plan based on the framework available from the GPF website. The plan must outline the potential of the property, the zoning rights, and preliminary costs. After a rigorous selection process, successful applicants enter into the incubation programme where the GPF, backed by four mentoring companies, then assists with funding and putting together a professional team," she elaborates.

PROJECT-SPECIFIC INFORMATION WOULD NEED TO BE INCLUDED IN THE BUSINESS PLAN, SUCH AS:

- Valid offer to purchase
- Type of development (medium- and high-density affordable residential rental units)
- Project name
- Location of building (city, town, precinct and erf number)
- Type of unit estimated construction start and end dates
- Mode of construction (greenfields, upgrade, conversion)
- Estimated project cost, including refurbishment and construction costs.

Worth noting is that potential projects must be in areas identified by municipalities for development, must have good access to amenities (including transport), must contain a minimum of 15 housing units, and must cater to people who earn between R3 500 and R15 000 per month.

Mashiane stresses that the GPF does not give grants, but facilitates loans up to 97.5% of the project cost. "What makes this programme attractive to prospective entrepreneurs is that funding is cheaper and conditions are a lot more flexible than funding through the private sector. The GPF can provide up to 40% of the funding and the NHFC up to 57.5%. The minimum equity contribution is 2.5% of total project cost; however, this percentage is determined by cash flow and project feasibility," she explains. "Candidates must also demonstrate commitment to the project, as the process from proposal to breaking ground is lengthy. Entrepreneurs must also understand that it can take up to five years before they start seeing a return on their investment."

GROWTH SPURT

Since commencement of the EEPF, 26 projects have been approved. Some projects are already under construction, such as the 22-unit residential complex in Kempton Park. This year alone, the GPF has identified 13 programme participants, bringing the total number to over 40 since inception. There will be two further intakes in the 2013/14 financial year, scheduled for September 2013 and February 2014.

"What this programme offers is facilitation of on-the-job skills development of property entrepreneurs who want to succeed, but who are held back by their circumstances. With our help, participants are guided through the approved project from start to finish, and are expected to be hands-on, involved and team players. Our ultimate aim is for the programme to equip individuals with the skills necessary to apply for future projects under their own steam, without assistance," says Mashiane.

In particular, it is hoped that the EEPF programme will assist more women to become involved, as there is a misconception that the construction industry is a male industry.

"The main aim of this project is to create property developers out of entrepreneurs, not contractors. Women can do this job. As a property developer, you have a team of professionals as well as a head contractor. You're not the one mixing cement," Mashiane concludes.

For more information on the EEPF Programme contact info@gpf.org.za or visit www.gpf.org.za.

