



# 500,000 Affordable Homes Program

Project delivery and finance framework overview

May 2018





# Abbreviations

<b>ABS</b>	Asset Backed Securities	<b>MoU</b>	Memorandum of Understanding
<b>AGPO</b>	Access to Government Procurement Opportunity	<b>NHC</b>	New National Housing Corporation
<b>ASK</b>	Agricultural Society of Kenya	<b>NHDF</b>	National Housing Development Fund
<b>CAPEX</b>	Capital Expenditure	<b>NLC</b>	National Land Commission
<b>CS</b>	Cabinet Secretary	<b>NSSF</b>	National Social Security Fund
<b>DFI</b>	Development Finance Institution	<b>NT</b>	National Treasury
<b>DP</b>	Deputy President	<b>NYS</b>	National Youth Service
<b>GoK</b>	Government of Kenya	<b>PPDA</b>	Public Procurement and Disposal of Assets Act
<b>HE</b>	His Excellency, the President	<b>PS</b>	Principal Secretary
<b>HQ</b>	Headquarters	<b>SACCOs</b>	Savings and Credit Cooperative Organizations
<b>HUD</b>	State Department of Housing and Urban Development	<b>SME</b>	Small and Medium Sized Enterprises
<b>IPDU</b>	Integrated Project Delivery Unit	<b>ToRs</b>	Terms of Reference
<b>JV</b>	Joint Venture	<b>TPS</b>	Tenant Purchase Scheme
<b>KMRC</b>	Kenya Mortgage Refinance Company	<b>WB</b>	World Bank
<b>MoITD</b>	Ministry of Industrialization and Trade Development		



# Background

- The process of conceptualizing the program began in August 2017
- Several meetings have been held with key stakeholders
  - ✓ Housing Cooperatives on 27 September 2017
  - ✓ KPDA in March 2018
  - ✓ Financial Institutions and Insurance Companies in April 2018
  - ✓ Pension scheme managers in April 2018
  - ✓ County Governments in April 2018 (Devolution Conference)
  - ✓ Relevant Government Ministries and Departments etc.
- Consequently we have been adjusting the development framework







# Big 4 Agenda

Over the next five years and founded on social impact, the Government of Kenya will implement the big four agenda targeting four priority initiatives

**500,000 affordable homes**



**20% of GDP from the manufacturing sector**



**100% Food and Nutrition Security**



**100% Universal Health Coverage (UHC)**



Job creation at scale

Infrastructure investment

Competitive utility costs

Governance

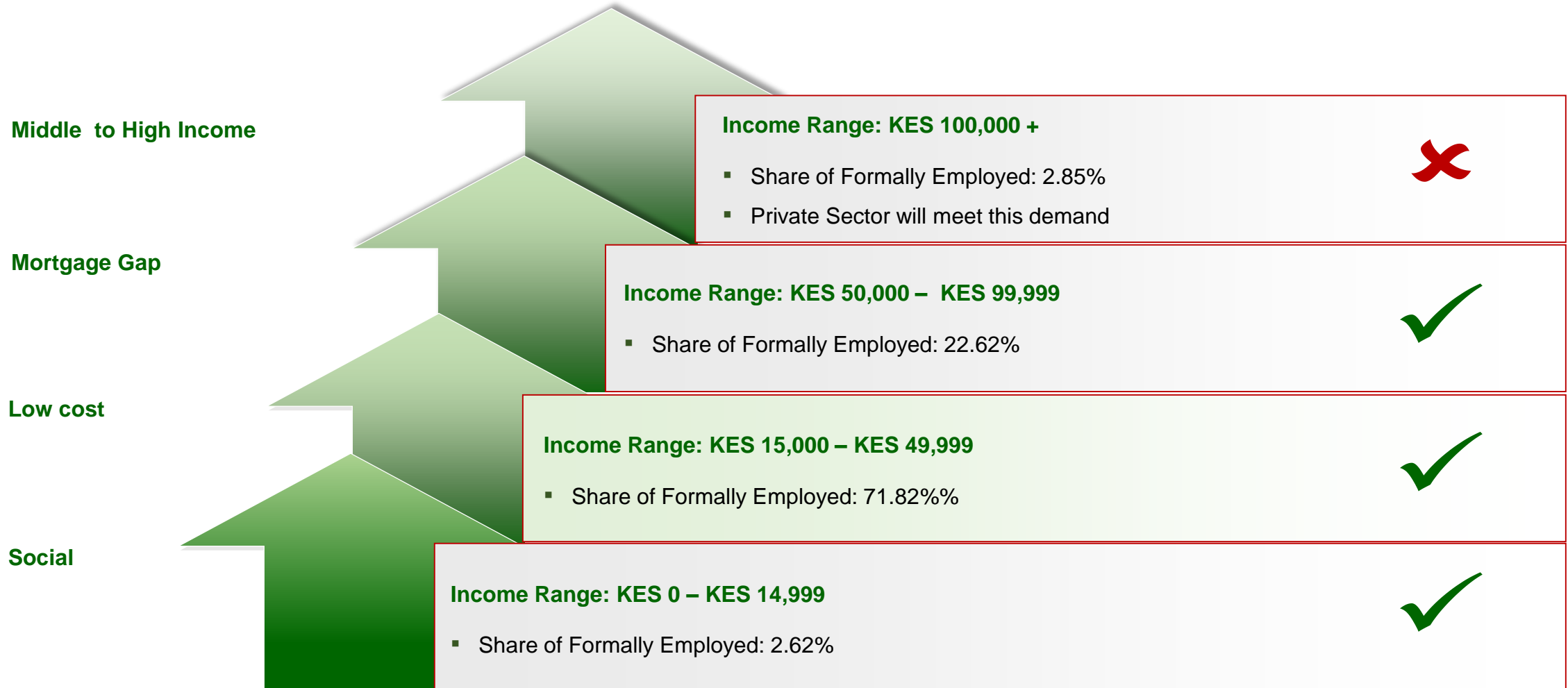
Security

Technology innovation



# Affordable housing program

To enhance program segmentation we have defined four levels of housing types with only three (3) being the focus of the program

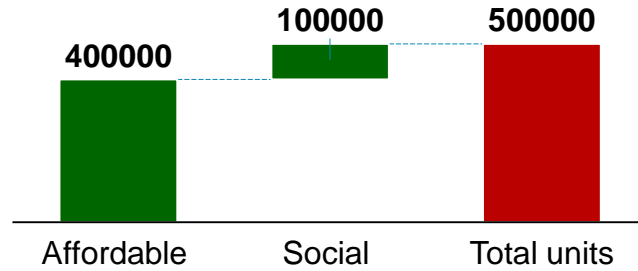




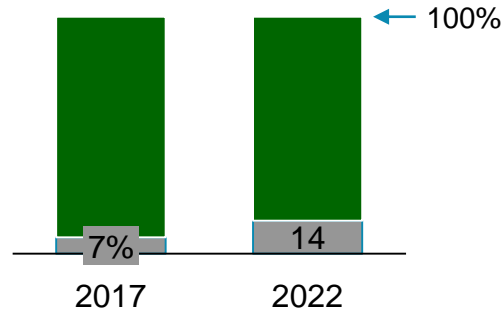
# Affordable housing program

To resolve the housing challenge in the low income segment, GoK will implement the 500,000 affordable homes programme which is part of the Big Four agenda

**500,000 homes**



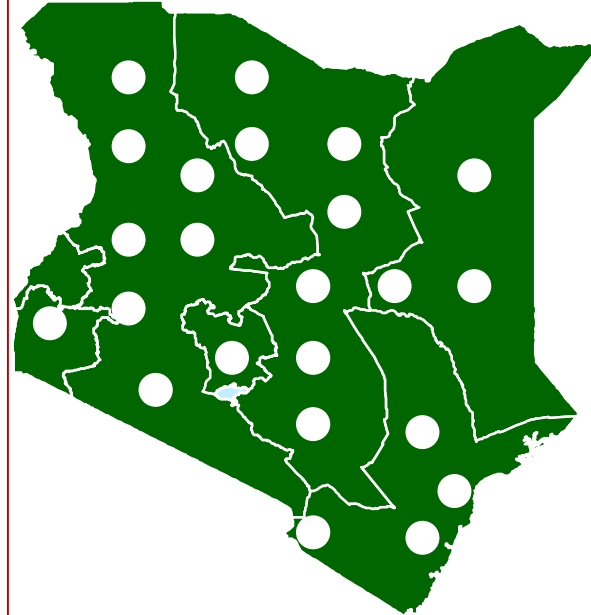
**Real estate & construction sector contribution to GDP**



**350,000 jobs**



**Country wide coverage**

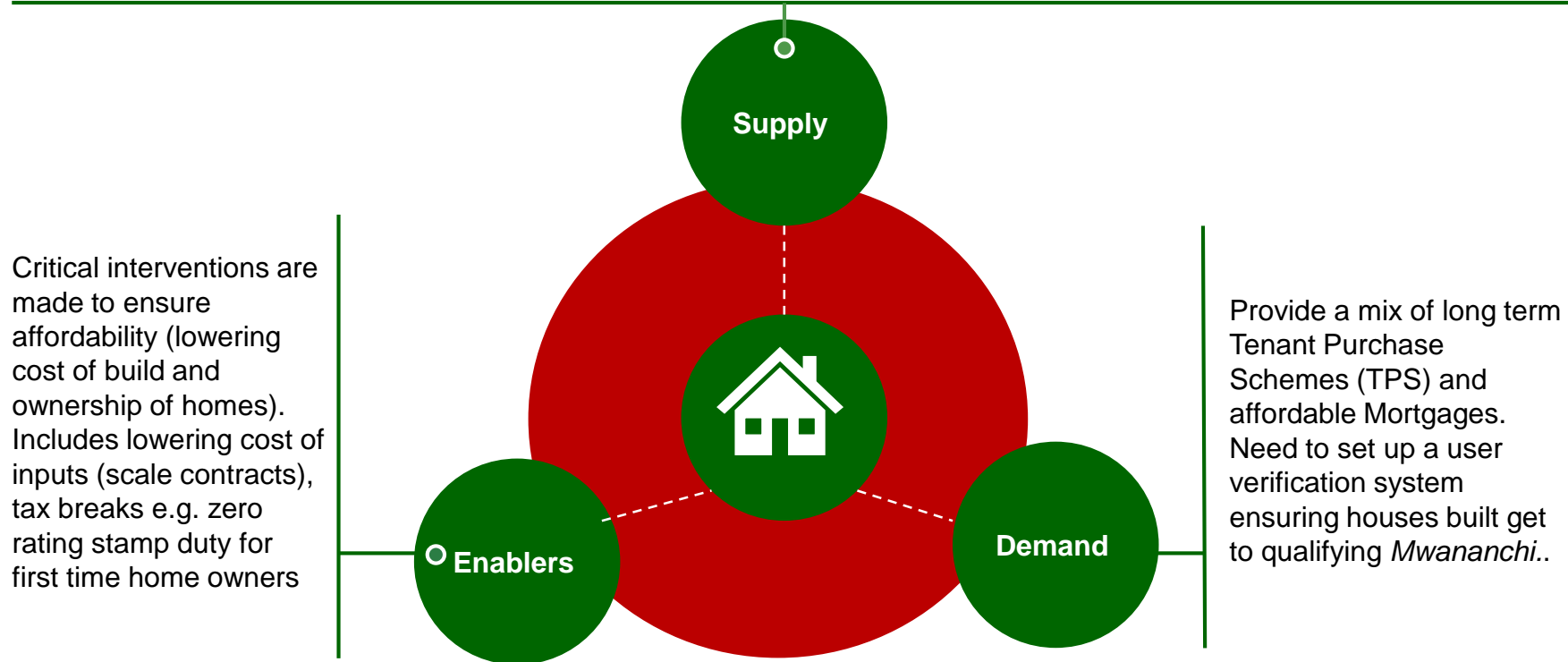




# Affordable housing program

Delivery of the 500,000 homes programme will be defined by supply, demand and an enabling environment

Ensuring that the houses are built based on a **proven demand master plan and mega city approach (along an identified segmentation) , mixed use developments with provision of social infrastructure, affordable developer financing, and in the right economic and political nodes (achieving equity)**. Maximise use of private-sector financing with government support on land, bulk infrastructure and other incentives.





# Achievements to date



We are crystallizing the development framework

The Kenya Mortgage Refinancing Company has been registered and currently the regulations are being drafted. It will be launched in February 2019

Discussions with the National Treasury are ongoing on the establishment of a National Housing Development Fund to address supply

Several sites have been identified for the flagship projects (Park Road, Starehe, Shauri Moyo and Mavoko) and lease documents are ready.

We are working with ICTA to develop a housing Portal where people register to buy houses

We are evaluating building materials and technology providers for a housing building materials and technologies exhibition( Coops can benefit from the exhibition)

We have signed MOUs with 7 County Govts for development of at least 2000 housing units in each county and are still pursuing the other Counties

The review of the Sectional Properties Act is now complete and awaiting tabling in Parliament



PROJECT PIPELINE



# Project pipeline

FY2017/2018

FY2018/2019

FY2019/2020

FY2020/2021

FY2021/2022

Master planner to support with identification of locations for the funnel projects and development of implementation schedule

Lot 1

- Park road (1,640)
- Makongeni (20,000)
- Muguga Green (900)
- Shauri Moyo (5,300)
- Starehe (3,500)
- Mavoko (5,500)
- Social housing (15,000)
- Counties (48,000)
- Nairobi County (67,800)

Lot 2

- NSSF Land Mavoko (50,000)
- Portlands Athi River 1 (50,000)
- Mombasa 1 (50,000)
- Eldoret 1 (30,000)
- Cooperatives 2 (20,000)
- Private developers 2 (20,000)
- Civil Servants 2 (10,000)
- Police 2 (10,000)
- Nairobi Regeneration (20,000)
- Other Counties (50,000)

Lot 3

- Nakuru 1 (30,000)
- Kisumu 1 (30,000)
- Eldoret 2 (30,000)
- Portlands Athi River 2 (50,000)
- Cooperatives 3 (20,000)
- Private Developers 3 (20,000)
- Civil Servants 3 (10,000)
- Police 3 (10,000)
- Redevelopment of Nairobi Old Estates 2 (20,000)
- Counties (50,000)

Lot 4

- Nakuru 2 (30,000)
- Kisumu 2 (30,000)
- Mavoko (12,500)
- Cooperatives 4 (20,000)
- Private Developers 4 (20,000)
- Civil Servants 4 (10,000)
- Police 4 (10,000)
- Redevelopment of Nairobi Old Estates 3 (20,000)
- Counties (50,000)

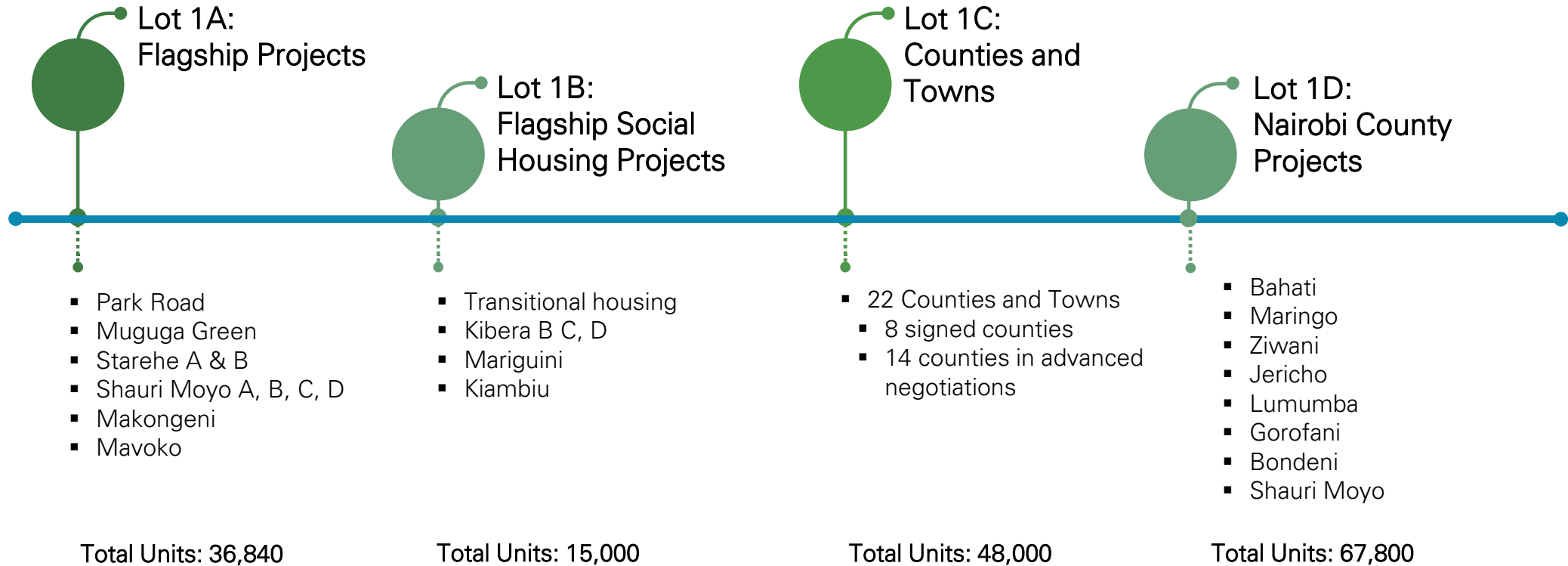
Lot 5

- Mombasa 2 (30,000)
- Cooperatives 5 (20,000)
- Private Developers 5 (20,000)
- Civil Servants 5 (10,000)
- Police 5 (10,000)
- Redevelopment of Nairobi Old Estates 4 (20,000)



# Project pipeline – Lot 1 projects

Lot 1 projects are further grouped into four categories representing a total development program of **167,640 units**





# Lot 1 details – National Government Initiatives

## Lot 1A: Flagship projects

These projects are intended to build investor confidence and create momentum for the program. These projects are at advanced stages of master planning and urban designing. Park Road will break ground in July 2018.

	Area	No. of units
1	Park Road	1,640
2	Makongeni	20,000
3	Mavoko	5,500
4	Shauri Moyo	5,300
5	Starehe	3,500
6	Muguga Green	900
	<b>TOTAL</b>	<b>36,840</b>

## Lot 1B: Flagship social housing projects

These projects are intended to improve informal settlements and slum upgrading.

	Area	No. of units
1	Kibera	4,300
2	Kiambiu	2,700
3	Mariguini	4,000
4	Transitional housing	4,000
	<b>TOTAL</b>	<b>15,000</b>

## Lot 1C: County projects

These projects are based on MoUs signed with Counties which will receive support from National Government on the development of infrastructure for land that will be made available for housing developments for 2,000 units per year. Signed counties have identified land and are awaiting master planning for urban centers. Counties in advanced negotiations are reviewing the agreement while identifying suitable land.

	Signed Counties	No. of units		Advanced Counties	No. of units
1	Kiambu	6,000	1	Kitui	2,000
2	Homa Bay	2,000	2	Makueni	2,000
3	Nyandarua	2,000	3	Taita Taveta	2,000
4	Meru	2,000	4	Bungoma	2,000
5	Nyeri	2,000	5	Murang'a	2,000
6	Tharaka Nithi	2,000	6	Laikipia	2,000
7	Uasin Gishu	2,000	7	Narok	2,000
8	West Pokot	2,000	8	Kirinyaga	2,000
			9	Embu	2,000
			10	Kisumu	2,000
			11	Kakamega	2,000
			12	Trans Nzoia	2,000
			13	Mandera	2,000
			14	Isiolo	2,000
	<b>TOTAL</b>	<b>20,000</b>		<b>TOTAL</b>	<b>28,000</b>



# Lot 1 details – Nairobi County Government Initiatives

## Lot 1D: Nairobi county projects

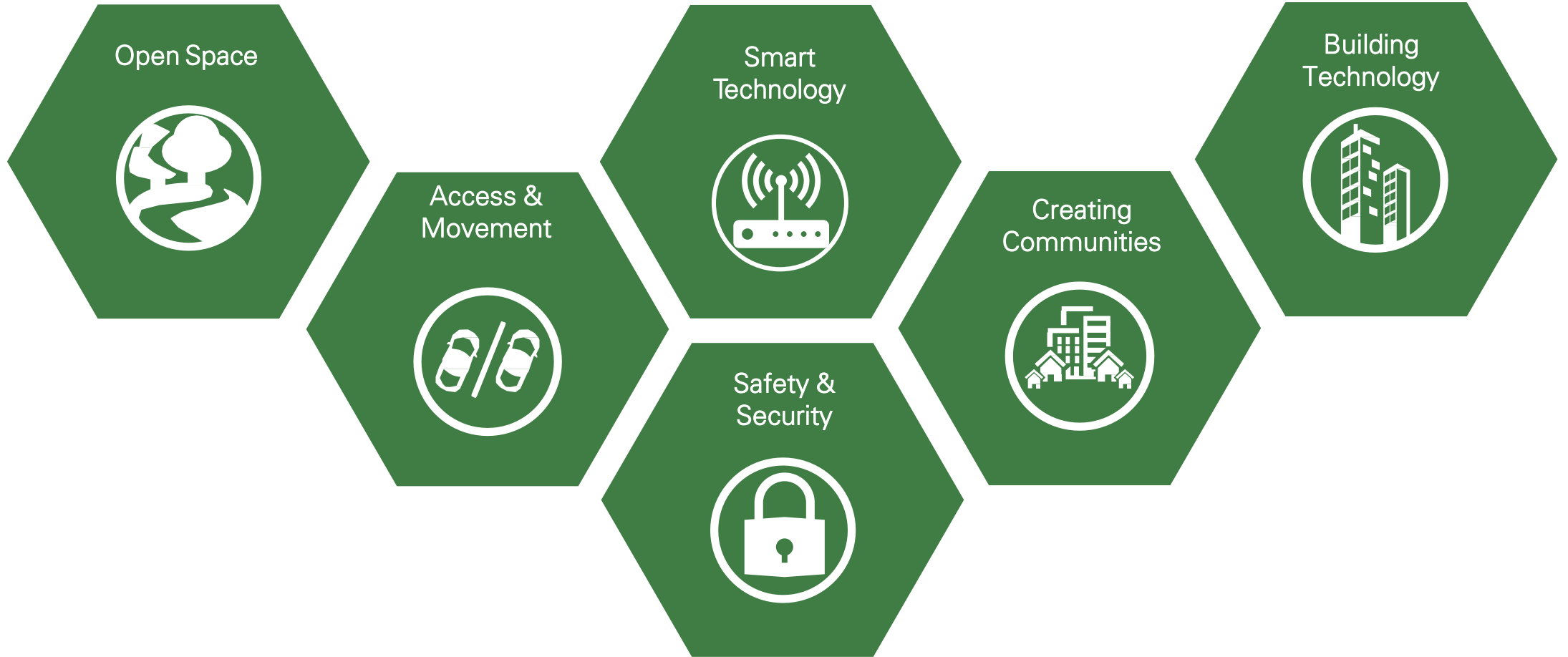
These projects initiated in Nairobi County Government using county land and represent primarily proposed re-development of county estates.

	Area	No. of units
1	Bahati	14,000
2	Maringo	13,400
3	Ziwani	5,100
4	Jericho	14,500
5	Lumumba	10,000
6	Gorofani	840
7	Bondeni	960
8	Shauri Moyo	9,000
	<b>TOTAL</b>	<b>67,800</b>

DEVELOPMENT FRAMEWORK



# Key design principles





# Design principle: open space



Open Space

Active Spaces



Sports Facility



Gathering Space



Playground

Public Realm Networks



Pocket Park





# Design principle: access and movement



Cycling Path



Green Verge



Treelined Avenue



Pedestrian Friendly



# Design principles: safety and security



Management



Community



Access Control



Safety & Security



Security



Perimeter





# Design principle: community facilities



Community Centre



Schools



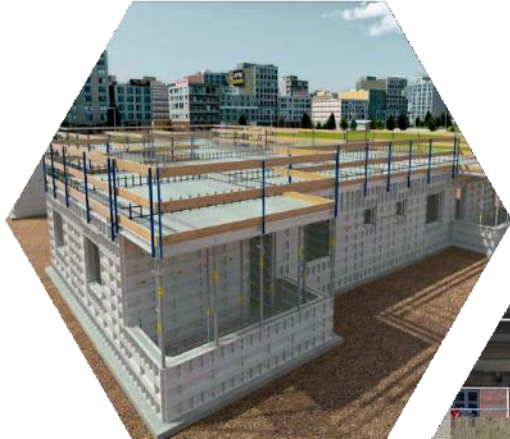
Retail Centre



Clinic



# Design principles: building technology



Frame & In-Fill



InSitu Formwork



Pre-cast Panel

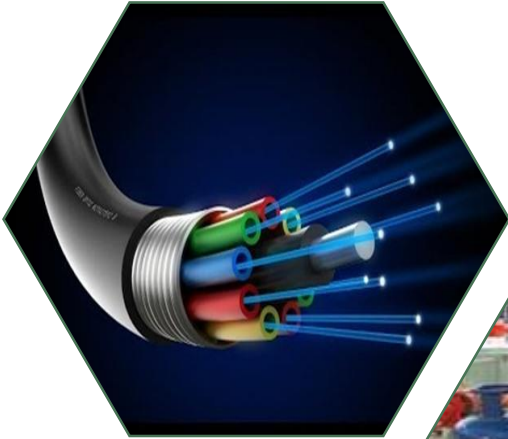






# Design principles: smart technology

Telecommunication



Gas Reticulation



Smart Technology



Payment System



Renewable Energy



Transportation



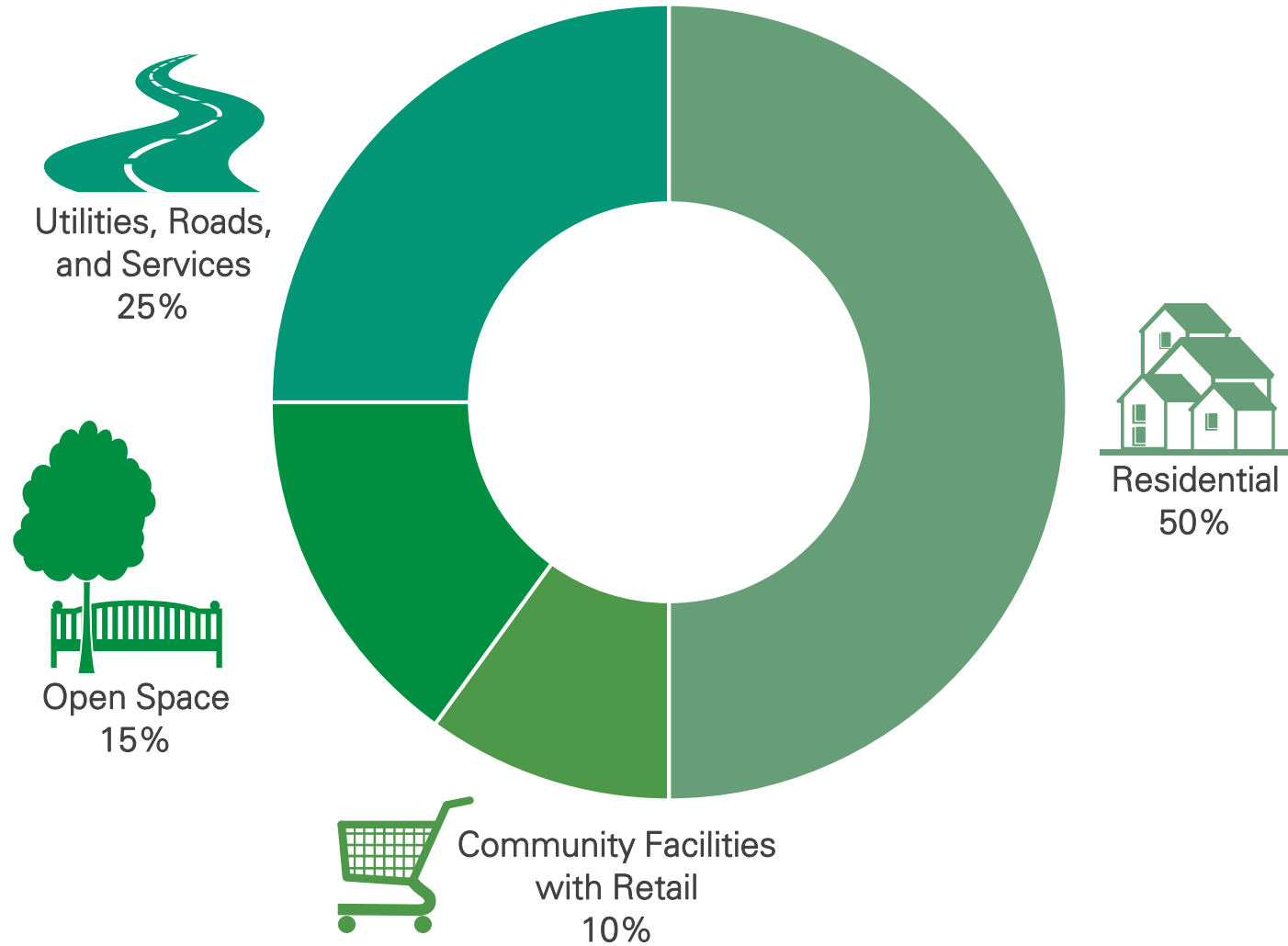
Waste Management



Water



# Typical land breakdown







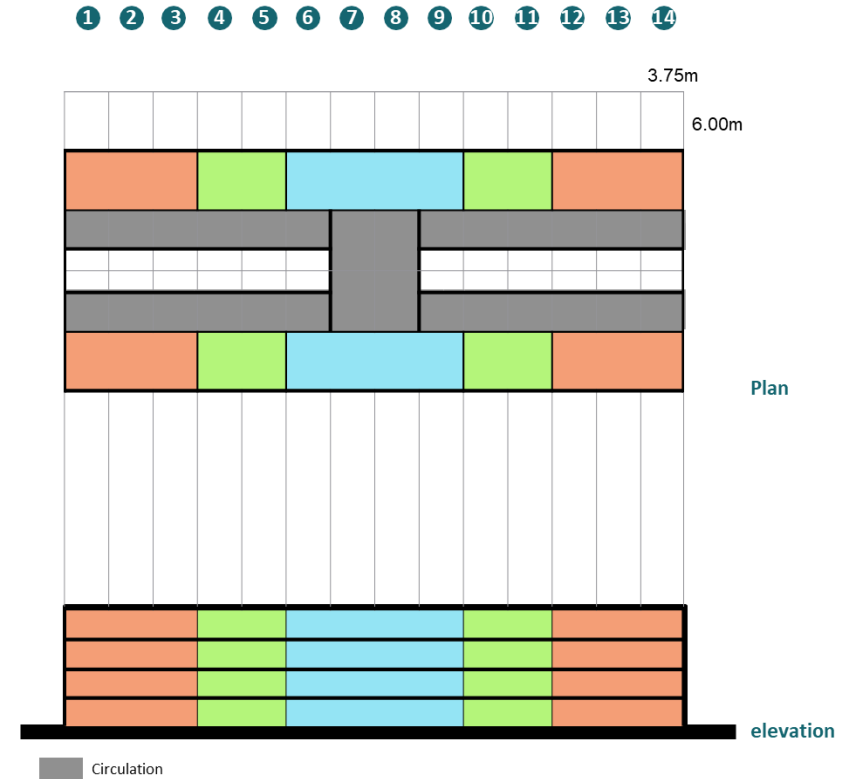
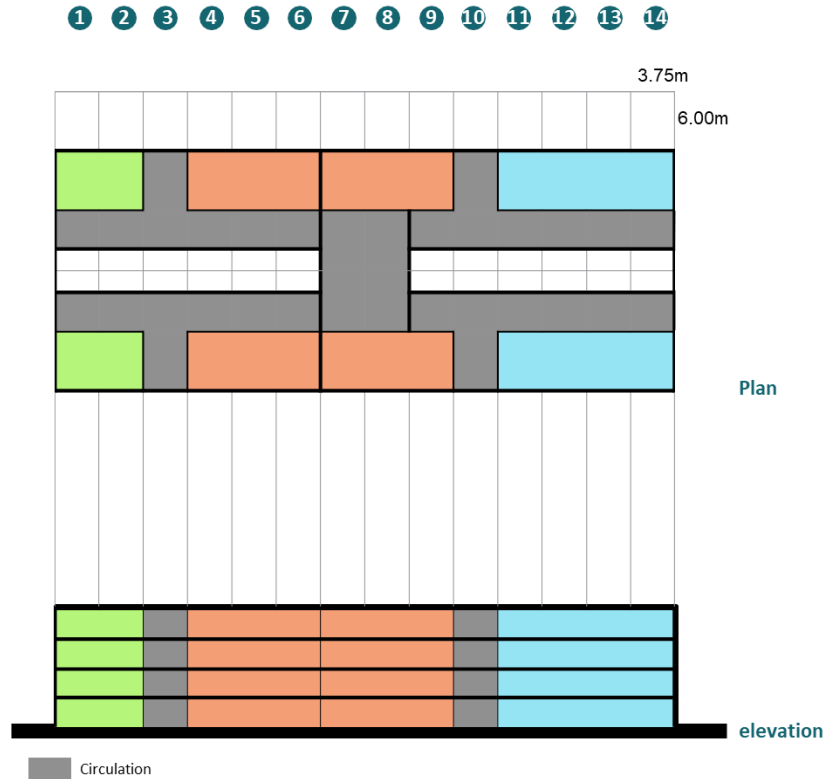
# Typical site master planning







# Modular design approach

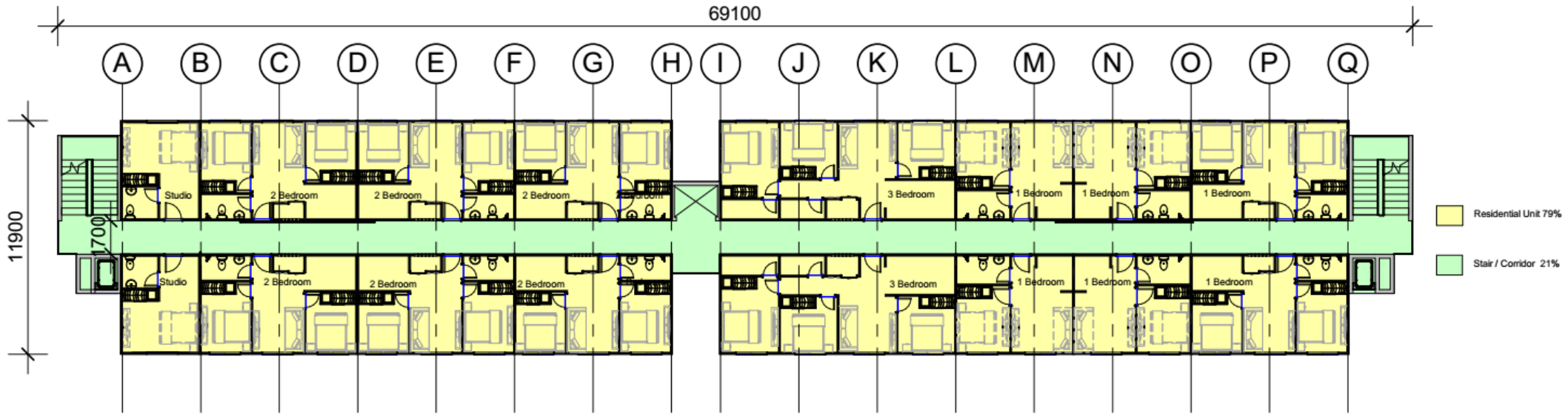
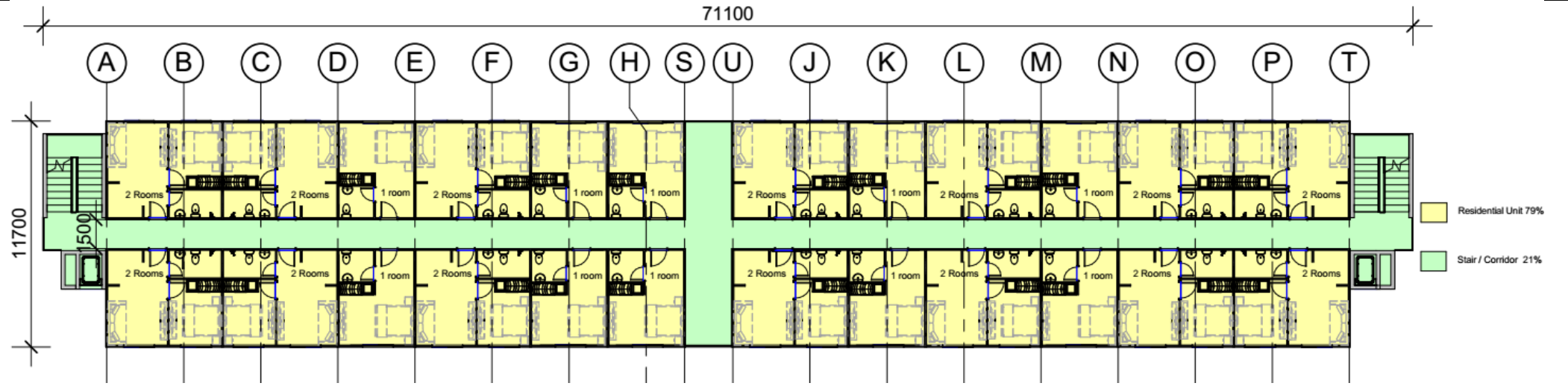


Type	1BED	2BED	3BED	TOTAL UNITS
G+2	6	12	6	24
G+3	8	16	8	32
G+4	10	20	10	40
G+5	12	24	12	48



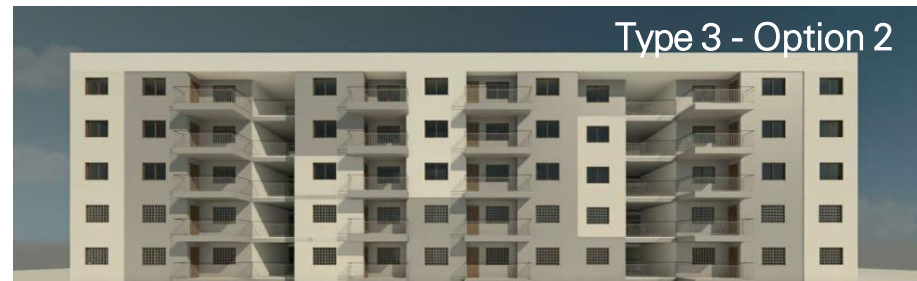
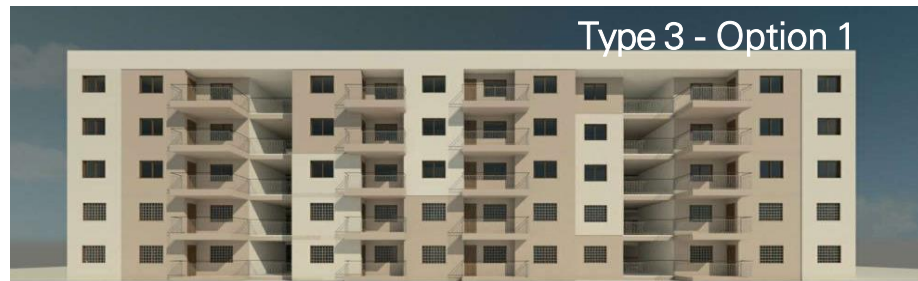


# Typical typology floor plans





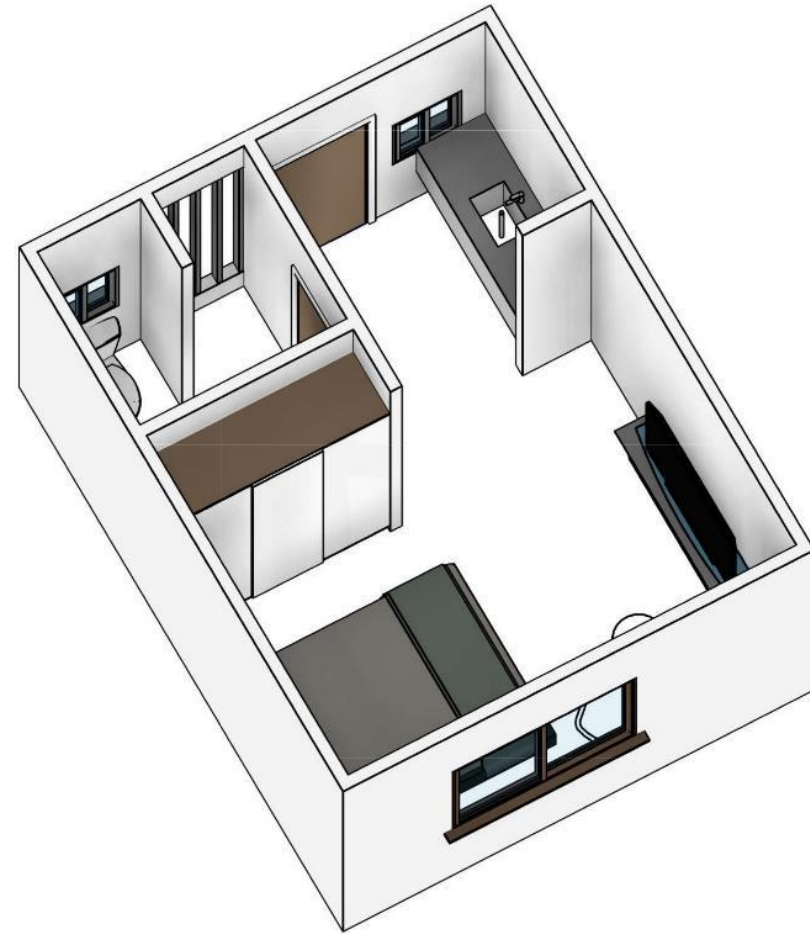
# Range of apartment building typologies





# Range of apartment finishes

Studio Unit  
GFA: 20 sqm  
Selling Price: KES 800,000





# Range of apartment finishes

One Bedroom Unit  
GFA: 30 sqm  
Selling Price: KES 1,000,000







# Range of apartment finishes

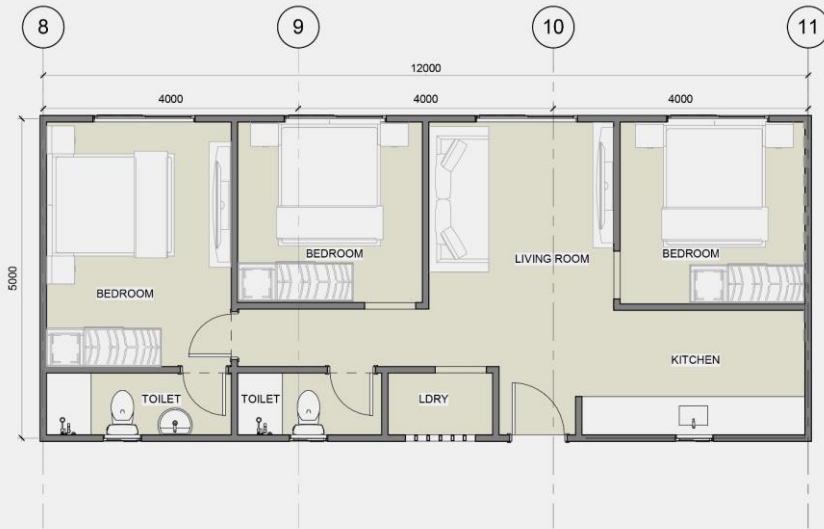
Two Bedroom Unit  
GFA: 40 sqm  
Selling Price: KES 2,000,000





# Range of apartment finishes

Three Bedroom Unit  
GFA: 60 sqm  
Selling Price: KES 3,000,000





# Modular and traditional construction

## Structural Frame & In-fill

- Structural slab, columns / beams;
- Block in-fill with traditional stone
- Mix of off-site and on-site construction methods
- Maximise local content and contractors engagement



## Pre-Cast Frame

- reduced wet works trades on site;
- created in factory conditions for increased quality;
- logistical opportunities through just in time principles;
- standardisation principles reflected in design



## In-Situ System

- Most widely used in current supply chain;
- relatively low skill labour required;
- Programme takes longer than alternatives;
- More demanding for on site logistics;
- Multiple trades linked on delivery



## FINANCING FRAMEWORK OVERVIEW



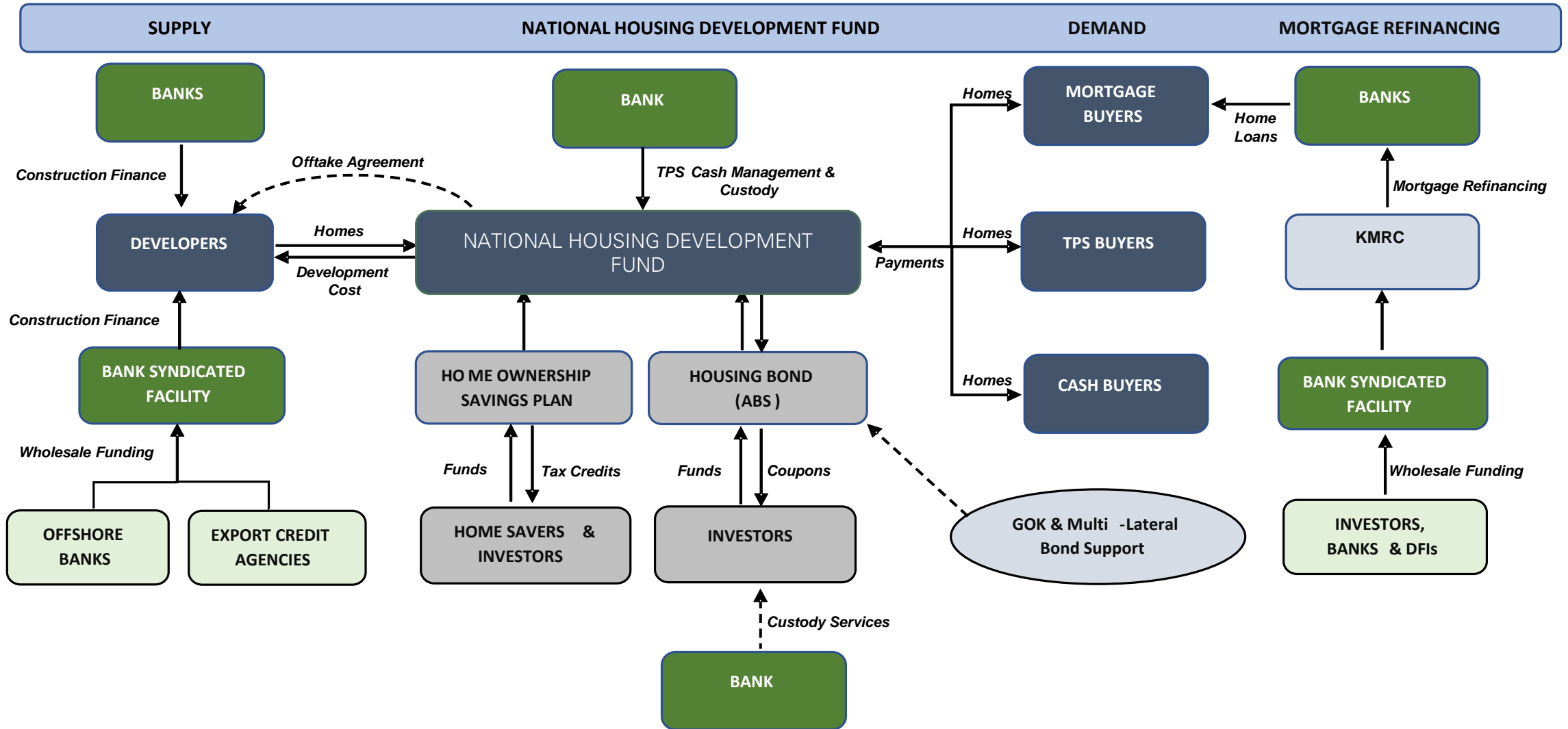


# Overview of the financing framework

Principle	Description
National Housing Development Fund (NHDF) as an aggregator	<ul style="list-style-type: none"><li>▪ The <b>National Housing Development Fund is the bulk housing aggregator and off-taker</b>. Undertaking for off-take will be provided by the NHDF</li><li>▪ <b>The online housing demand portal will mitigate developer market risk</b>, which would significantly boost the supply of housing units at scale and lower developer financing costs</li></ul>
Housing purchase options/developer exit	<ul style="list-style-type: none"><li>▪ <b>The sale of homes by the National Housing Development Fund to buyers will take three forms:</b> a tenant purchase scheme, cash and mortgage buyers.</li></ul>
Bulk housing off-take	<ul style="list-style-type: none"><li>▪ Through the NHDF, <b>pension funds and institutional investors will mobilize long term local and international pension funds and institutional financing</b> for bulk off-take of houses and/or investment in issued securities.</li></ul>
Off-shore lending for developer finance	<ul style="list-style-type: none"><li>▪ <b>Sizable construction finance from offshore lenders</b> for onward lending to project developers will be mobilized</li></ul>
Role of local banks	<ul style="list-style-type: none"><li>▪ Local banks will <b>maximize their development, home loan lending, construction finance and custodial services businesses and capabilities in the delivery</b> of affordable housing at scale.</li></ul>
Leverage limited government finance	<ul style="list-style-type: none"><li>▪ The programme will <b>leverage the Government's limited financial support without further increases to government debt</b>.</li></ul>



# Long term financing structure relies on the housing fund





# Flagship projects will rely on developer led financing

Financing model	Description	Precedent	Timelines	Preferred structure
<p><b>A</b> Developer led</p>	<ul style="list-style-type: none"> <li>▪ Select top 10 developers who are backed by a financing institution/own financing</li> <li>▪ Agree on delivery timeline for a project based on which payment milestones are met (year 2, year 4)</li> <li>▪ Governments assures essential off-take and gives undertaking to off-take houses</li> </ul>	<ul style="list-style-type: none"> <li>▪ South Africa where municipalities selected champion developers to build momentum for the programme</li> </ul>	<ul style="list-style-type: none"> <li>▪ 3 – 6 months</li> </ul>	<p><b>Rationale for developer led model</b></p> <ul style="list-style-type: none"> <li>• Speed of engagement with champion developers will allow for accelerated groundbreaking and delivery</li> <li>• Avoids long/protracted procurement processes</li> <li>• Speedy financial close for sites</li> <li>• Housing Bond development will be used in the financing of subsequent projects.</li> </ul>
<p><b>B</b> Housing Bond/TPS based</p>	<ul style="list-style-type: none"> <li>▪ Housing bond is raised in the capital markets targeted at patient capital investors (pension funds, insurance companies, etc)</li> <li>▪ Funds raised are used to finance TPS buyers through the NHF.</li> <li>▪ Investors are repaid via the monthly cashflows from TPS buyers (asset backed security).</li> <li>▪ GoK provides sinking fund for cases where rent collected falls below bond payment demands.</li> </ul>	<ul style="list-style-type: none"> <li>▪ USA where Mortgage Revenue Bonds (MRBs) and Multifamily Housing Bonds, have made first-time homeownership possible for over 3 million lower income families, approximately 100,000 every year.</li> </ul>	<ul style="list-style-type: none"> <li>▪ 6 – 9 months</li> </ul>	



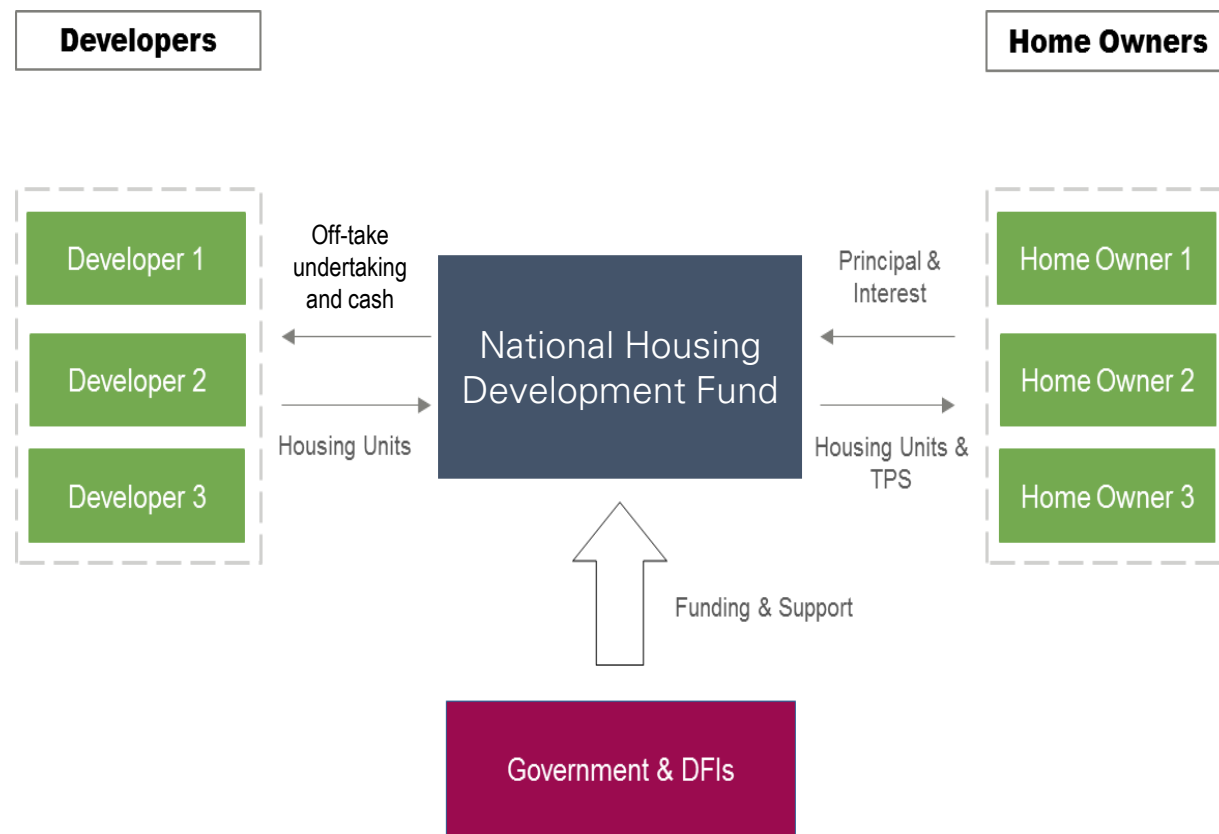
# National Housing Development Fund

The National Housing Development Fund will mobilize capital and offer certainty of sales in the form of an off-take undertaking

Principle
Capital mobilization
De-risking developers
Enabling homeowners

### Description

- The Housing Fund will mobilize capital from Government, Development Finance Institutions, Contributions from the Home Owners Saving Plan (HOSP) and Local Banks to fulfil its mandate.
- Offer certainty of sales in the form of an off-take undertaking that will allow the developers access construction financing.
- Purchase the housing units for cash once construction is complete to allow the developers to recycle their capital and develop more units.
- Allow ordinary Kenyans to save for an affordable home via and the Home Owners Savings Plan which they can use as a down payment towards their affordable house.
- Offer home buyers the ability to purchase their homes via an affordable 25-year Tenant Purchase Scheme.
- Allow home buyers the ability to purchase affordable houses nationwide through the Housing Fund.





# Kenya Mortgage Refinance Company

Principle
Objective of the company
Legal structure
Bulk housing off-take

## Description

- **KMRC's objective is to help Kenya grow its mortgage finance market** for affordable housing by providing medium and long-term liquidity to mortgage lenders.
- The KMRC has been incorporated as a Private Limited Company owned by commercial banks and Sacco's.
- Initially KMRC would be financed through the Multilateral investments, credit lines and Government of Kenya equity investment.
- Subsequently KMRC would combine the Multilateral investments with equity investments from local banks, and with market funding as the company starts to issue bonds.

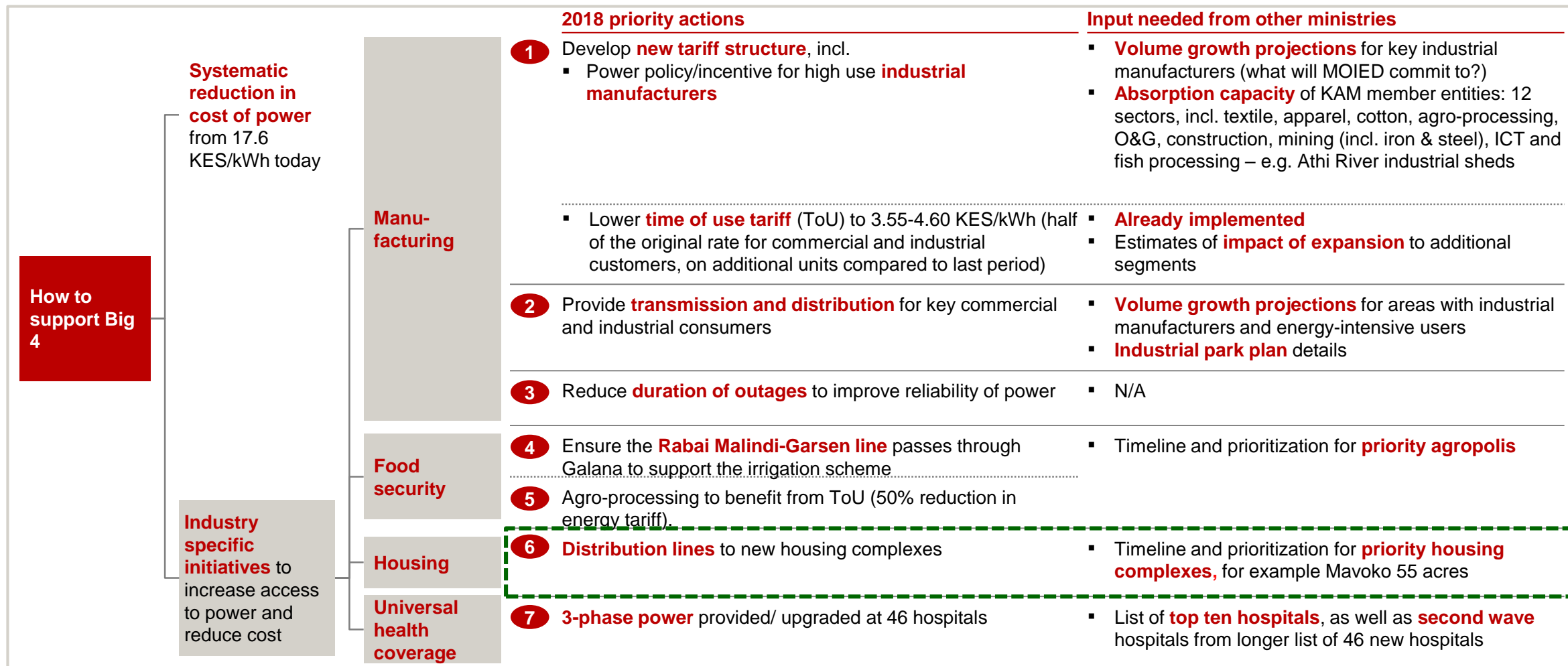




# Mobilizing government contribution

Government contribution will also be achieved through corresponding spend by enabler ministries

## ILLUSTRATIVE: ENERGY CONTRIBUTION TO HOUSING



LEGAL FRAMEWORK



# Principles of legal framework



## Framework Agreement (For Developers / Contractors)

- Shortlisting and prequalification of Developers/Contractors, subject to competitive tender under relevant procurement rules and regulations
- Agreement between SDHUD and the Contractor/Developer to govern the development of housing sites



## Off-take Agreement

- Ensure off-take of housing units constructed through the National Housing Development Fund



## Early Works Agreement

- For the performance of early works on selected sites in collaboration with suitable government agencies such as NYS, etc.



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Q&A

Thank you

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