



500,000 Affordable Homes Program

Delivery framework overview

March 2019







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



15% 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



Why is housing a part of the Big 4 Agenda?



Maslow's hierarchy of needs

- 1 Housing ranks high after food as a fundamental human need.
- 2 Our Constitution in Article 43 (1)(b) recognizes the right to accessible and adequate housing, and to reasonable standards of sanitation.
- 3 Kenyans in urban area spend a considerable part of their income on rent, for instance, Nairobi residents spend more than 40% of their income on rent, well above the recommended 30%.
- 4 The cheapest home formally built by a developer in 2012 cost more than \$15,000, which is more than 10 times the average annual income of \$1,340.
- 5 Available lower income housing is not adequate and does not promote a quality of life that we want as evidenced by the fact that 6.4M Kenyans were living in slums representing about 56% of the country's urban population.



Affordable housing and economic development

The affordable housing program can have an impact on the broader economy beyond the delivery of homes

Impact on GDP



- Estimate that the contribution of real estate and construction to GDP will increase from the current 7% to 14% by 2022.
- Between USD 1.5 and USD 3 induced in the economy for every USD 1 invested
- Increased construction activity can become an important source of revenue through processing of permits, approvals, and other related activity

Job creation



- Construction of housing is labor intensive
- Labor can capture up to 10.5% of the value created by the spend on affordable housing
- We estimate that for every unit constructed, there are 3 – 5 new jobs created
- Up to 8 indirect jobs created per unit

Formalization of the informal sector



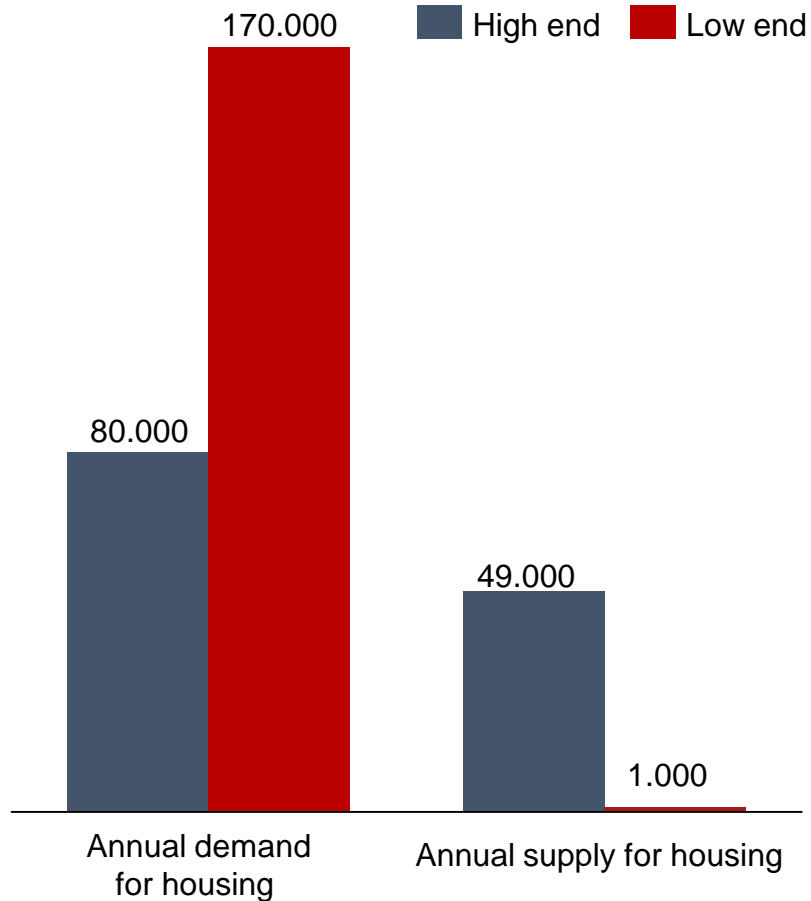
- Ringfencing strategies will ensure that the *Jua Kali* sector are able to supply inputs to the affordable housing program
- Light industries will also have the opportunity to provide construction materials such as cement



The current housing deficit is 1.9M and growing

Annual housing supply vs demand country wide

Number



- It is estimated that Kenya has an annual housing demand of 250,000 annually with an estimated supply of 50,000 p.a. (80% deficit) targeting the high-end market.
- In 2010 the demand for urban housing was estimated at around 80,000 units a year, with demand projected to increase to nearly 300,000 units a year by 2050. By comparison, in 2013 only 15,000 housing construction permits were issued in Nairobi, where most demand exists and most of these were for high-income apartments.
- Only 2 percent of formally constructed houses are targeted to the lower income segments of the market, which account for the largest share of demand.
- Furthermore, estimates of housing demand are for new housing only and do not speak to the high qualitative housing deficit in Kenya estimated at 1.8 mn.
- The high cost of formal housing means that home ownership is out of reach for most urban Kenyans with vast majority of this population finding housing through rental markets (91% in Nairobi)
- Kenya has an estimated 25,000 mortgages

SOURCE: State Department for Housing and Urban Development, World Bank



We require solutions to enhance supply and facilitate demand

SUPPLY SIDE

- Developers have limitations on the number of units they can build because there are no guarantees on who will buy
- Instead of building thousands of units, they limit their risks and build only limited numbers



- Buyers lack adequate funding to take up units
- They do not qualify for mortgages because of lumpy cash flows
- Existing mortgages are too costly due to high interest rates and short repayment periods

DEMAND SIDE

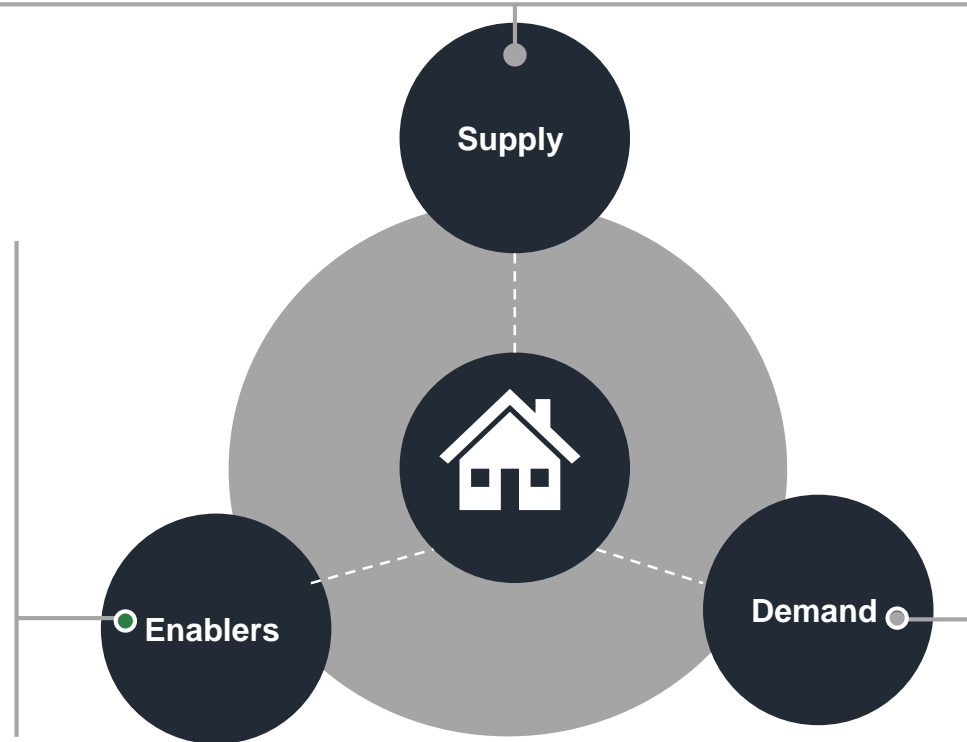


INTRODUCTION

The affordable housing program incorporates supply, demand, and enabling environment interventions

- ✓ **proven demand master plan and mega city approach**
- ✓ **mixed use developments with provision of social infrastructure and amenities**
- ✓ **affordable developer financing through provision of offtake undertaking**

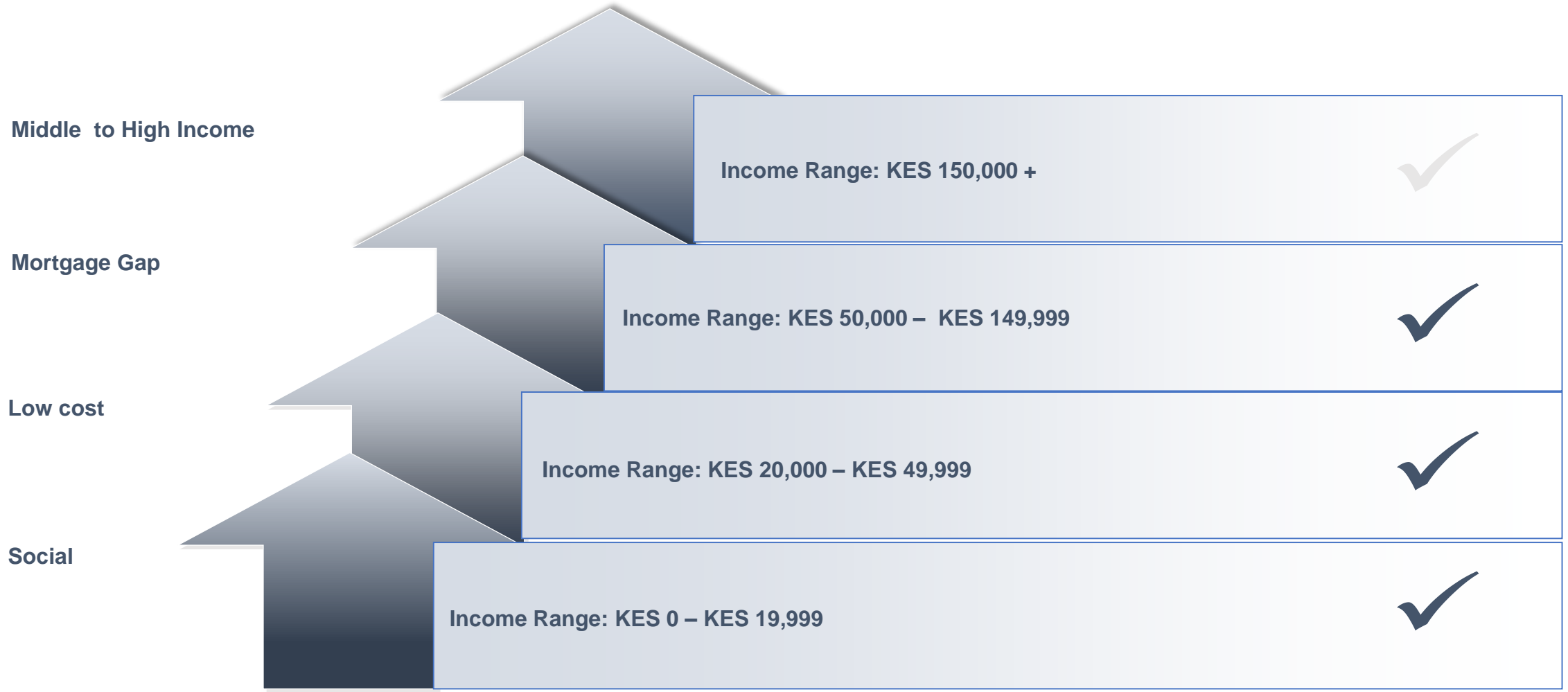
- ✓ **Provision of land and bulk infrastructure**
- ✓ **Infrastructure funding under K.U.S.P**
- ✓ **Tax incentives**
- ✓ **Tax breaks (Zero rating of Stamp duty for first time home owners**
- ✓ **Standardised designs and/or processes**
- ✓ **Legal and policy review and amendments**



- ✓ **Tenant Purchase Schemes (TPS)**
- ✓ **KMRC (extending Mortgages tenures)**
- ✓ **Housing Portal to assist in identifying the end buyer**



The affordable housing program currently targets three income segments

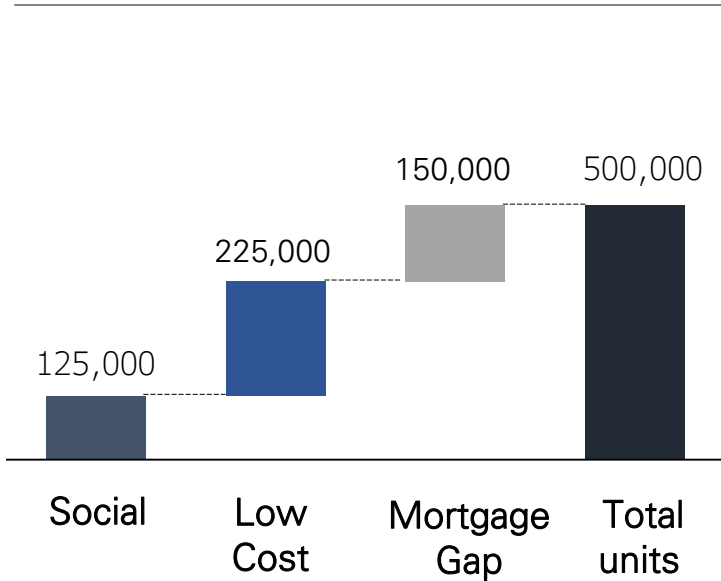




Key priority areas

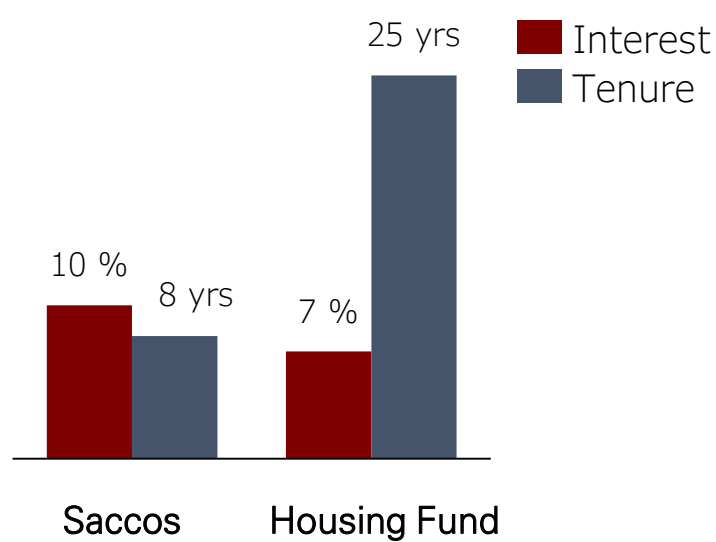
Housing spread for the affordable homes pillar by land ownership

Housing spread
Units



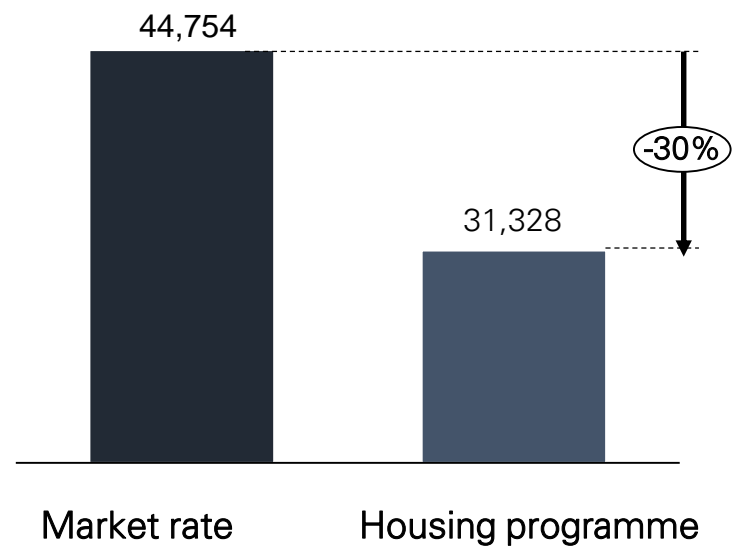
Enhance affordability of homes by addressing interest rate and tenure

Cost of home ownership
%/Years



Reduce cost of construction per square meter

Cost per square meter
KSh

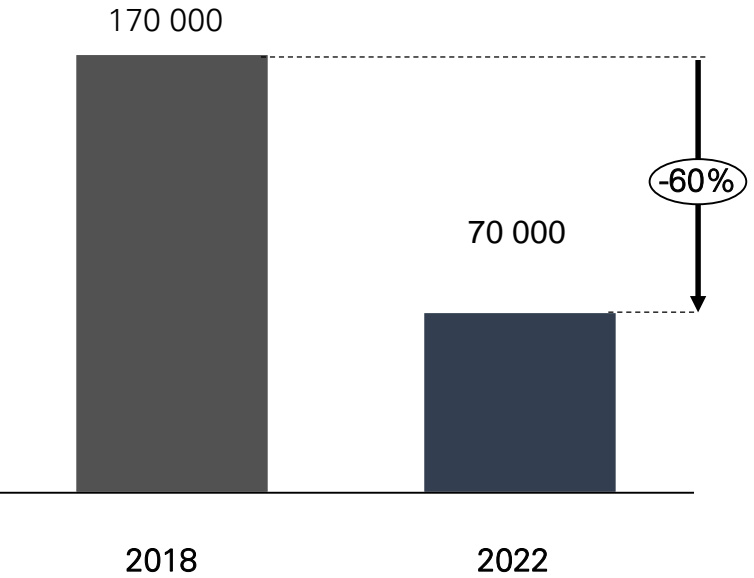




Key priority areas

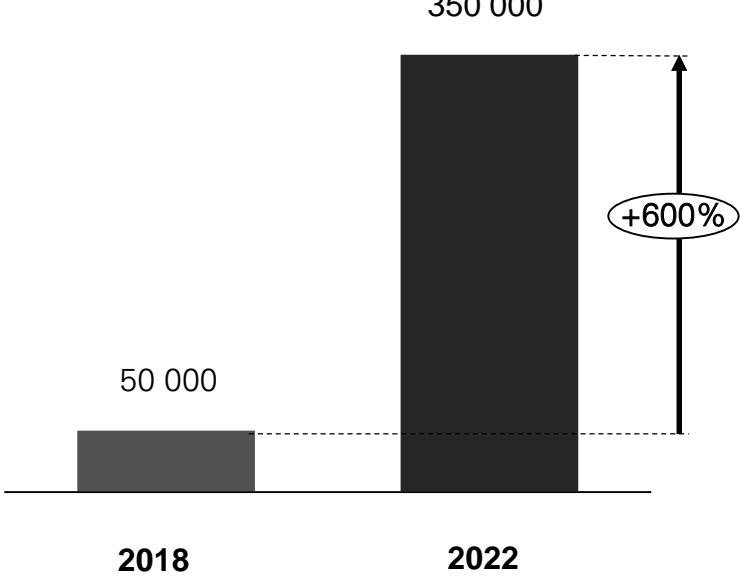
Close the annual low-income housing gap by 60%

Annual low income housing gap
Units



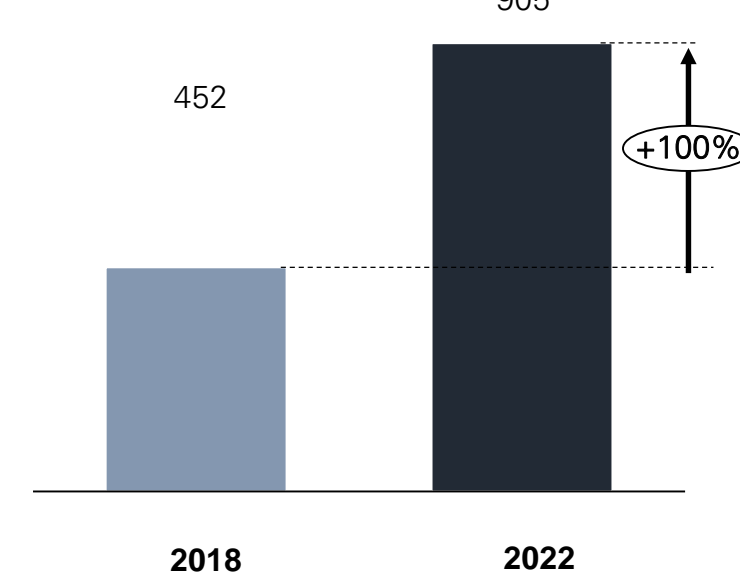
Create 350,000 jobs in the construction sector

Jobs created
Number



Increase construction sector contribution to GDP

Contribution to GDP
KSh Billions



HOUSE MODELS, CONSTRUCTION COSTS, AND SELLING PRICES



House models, construction costs, and selling prices

House Models

- AHP houses have are of three major typologies with the following minimum plinth/usable areas:
 - 1 bedroom – 30 m²
 - 2 bedroom – 40 m²
 - 3 bedroom – 60 m²
- Units must meet the AHP Development Framework Guidelines which have been summarized below
- AHP Strategic Partners are encouraged to innovate and proposed better typologies and other improvements

Selling Prices

- Generally the max. selling prices are:
 - 1 bedroom – KES 1 M
 - 2 bedroom – KES 2 M
 - 3 bedroom – KES 3 M
- The benefit of AHP for homebuyers, however, is in running a national tenant purchase scheme that will allow the home owners to spend current rent payments towards home ownership payment



Construction Costs

- The AHP delivery framework places the onus of brining the cost of construction down to the developer
- By capping the costs of the units at offtake, the developer is compelled to find innovative ways to reduce costs
- The DFGs give quality guidelines which ensures that developers will not compromise quality for cost
- Lastly, there are various incentives to further reduce costs:
 - Development split
 - Provision of land and bulk infrastructure
 - Tax incentives (e.g. corporate tax rate of 15% for building 100 units or more)



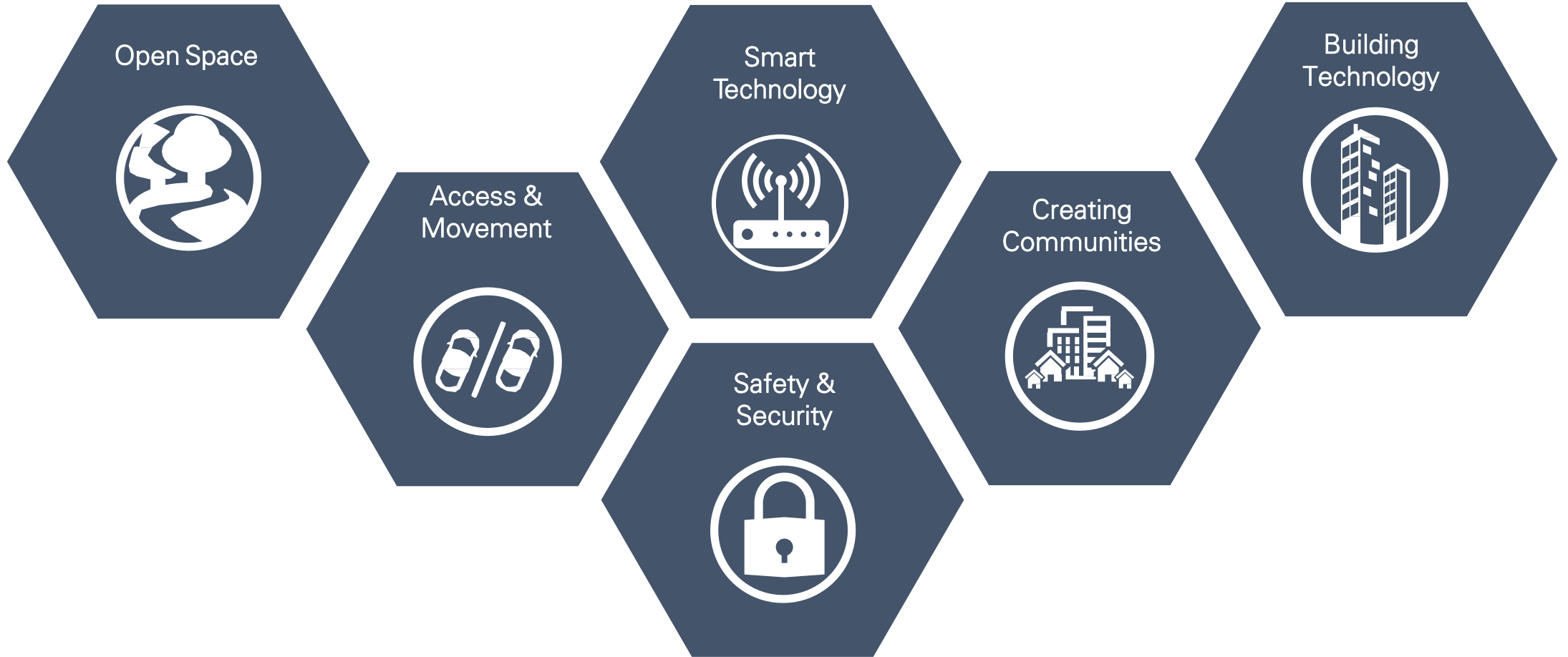
Affordable housing program max. unit costs

To enhance range of affordability, we have the maximum cost for each unit to be delivered under the program

	1 room KES	2 room KES	Bedsitter KES	1 bedroom KES	2 bedroom KES	3 bedroom KES
Social housing (Max. Selling Price)	• 600,000	• 1,000,000	• n/a	• n/a	• n/a	• n/a
Affordable Housing (Max. Selling Price)	• n/a	• n/a	• 800,000	• 1,000,000	• 2,000,000	• 3,000,000

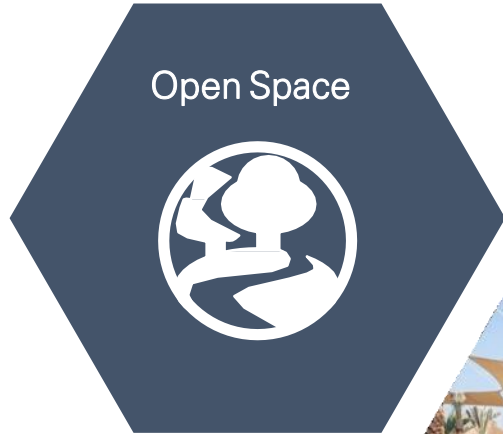


Key design principles





Design principle: 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



Community Facilities



Clinic



Design principles: building technology



Frame & In-Fill



InSitu Formwork



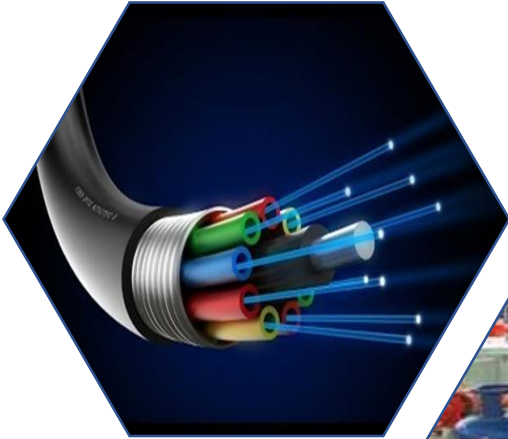
Pre-cast Panel





Design principles: smart technology

Telecommunication



Gas Reticulation



Smart Technology



Payment System



Renewable Energy



Transportation



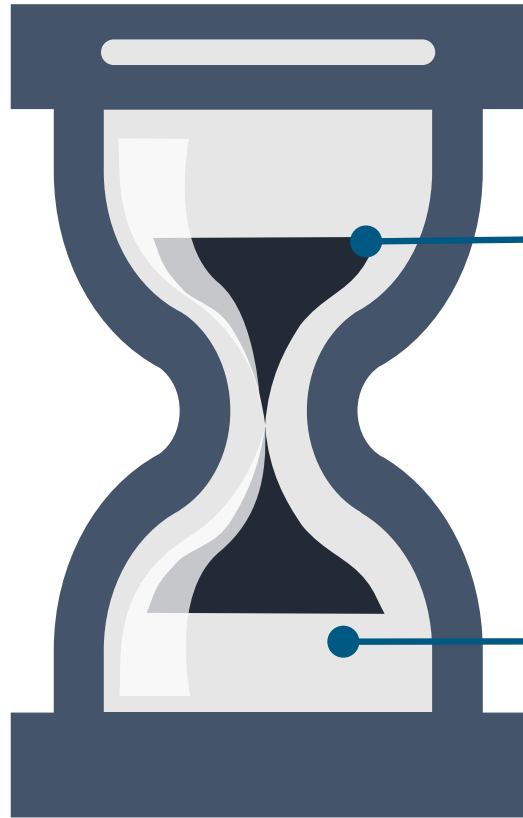
Waste Management



Water



Development split and development returns



Development Split

The preliminary target split under the AHP is a 70% - 30%, in favour of affordable housing, subject to review by SDHUD on a project-by-project basis.

Development Returns

Where the land contribution has been made by the GoK, the development returns above the hurdle will be allocated based on a pre-agreed split.



Typical land breakdown



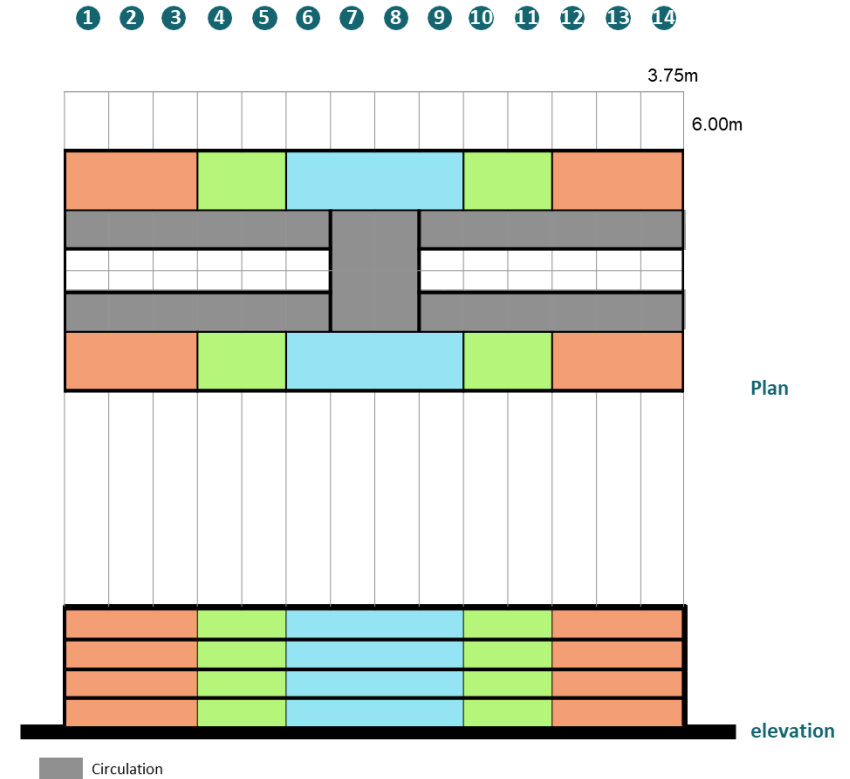
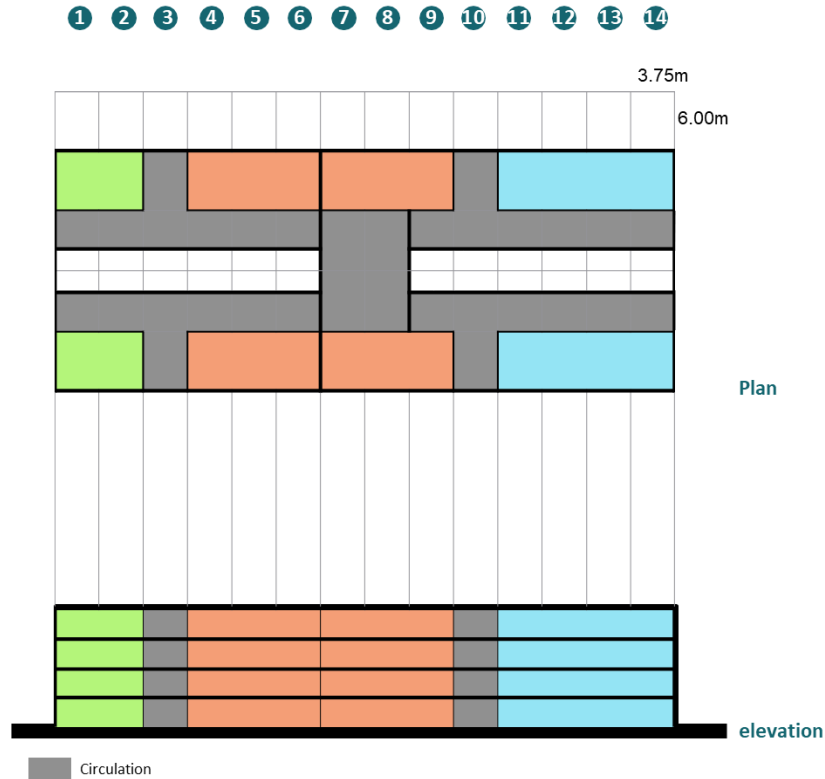


Typical site master planning





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



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



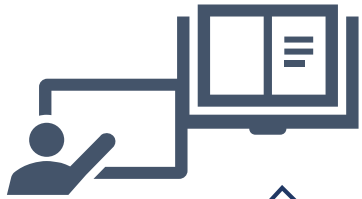


Rural housing



One of the major challenges of housing in rural areas is the quality of building materials. We have constructed 92 appropriate building technology (ABT) centres across the country to promote use of local materials in building construction.

Research and Training



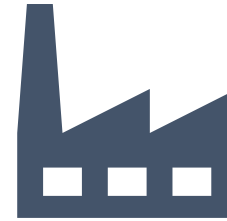
- Train youth, women, and children in use of building materials
- Conduct research on improving local materials for sustainable construction
- Modernizing construction practices while preserving cultural values

Region specific solutions



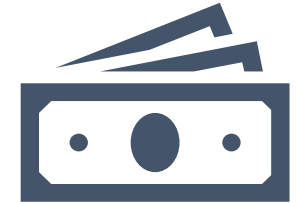
- Improving fire resistance on makuti roofing and use of coral stones in coast region
- Modernizing roofing in Masai land for water harvesting while maintaining cultural design
- Discouraging use of burning bricks in western region which deplete our forests

Matofali Machine



- Developed with Numerical Machining Complex
- Used for manufacture of stabilized soil blocks
- Improves walling construction
- Reduces construction cost by 30%
- Machines to be distributed to ABT centers

Funding



- Funding for rural housing to continue from NHC
- Offering funding at competitive interest rates of 7% from Housing Fund



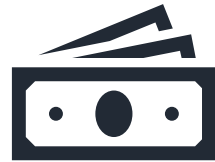
Slum upgrading and social housing



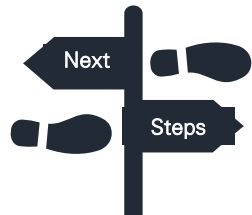
Case Study: Slum Upgrading



- In every community, we work with settlement executive committees which represent community interests and ensure that those living in the community are beneficiaries
- Completed 822 houses in Kibera Soweto A
- Sold to those living in the slum and were registered in 2005
- Enumeration was done to confirm and verify the right beneficiaries
- Occupancy in July 2016



- Homes were sold as rent-to-own with 25 years tenure and 3% interest rates
- One room sold at KES 600k – KES 2,500 per month
- Two rooms sold at KES 1M – KES 4,500 per month
- Three room sold at KES 1.35M – KES 6,500 per month



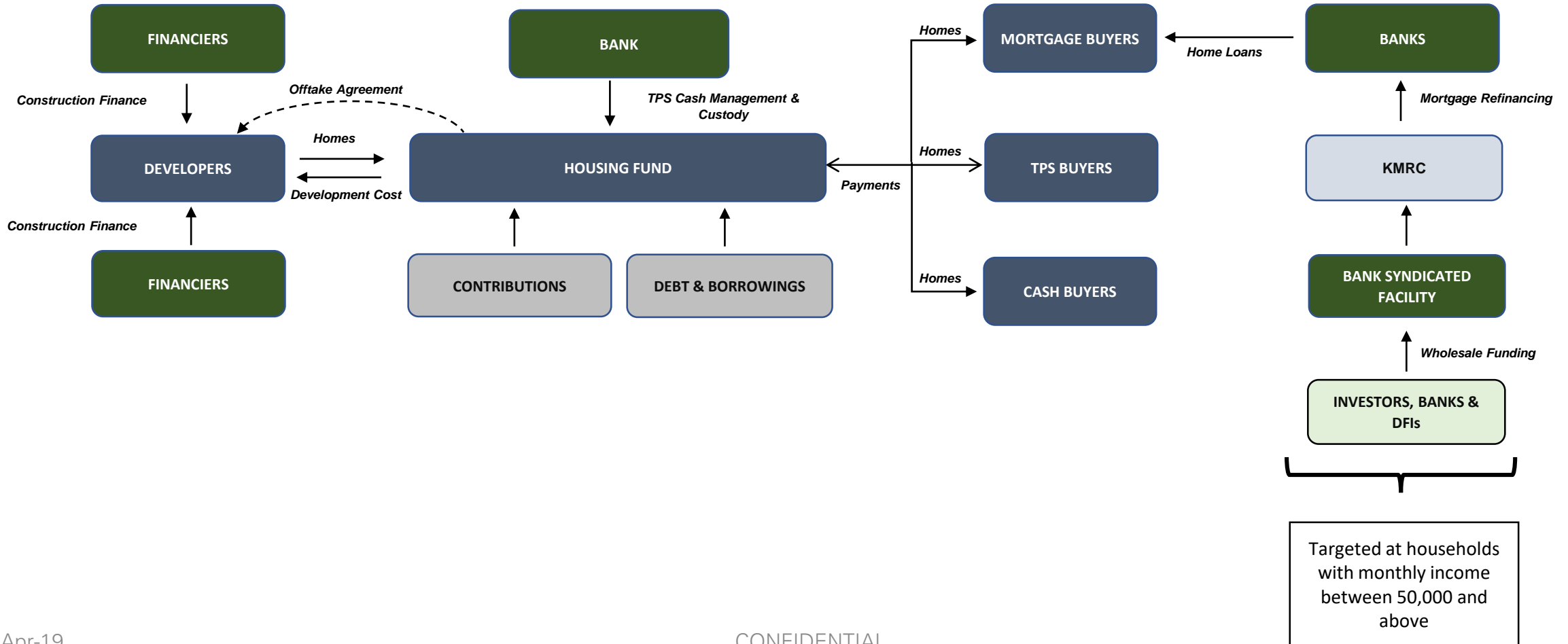
- Next projects include Kibera B, C, D followed by Mariguini and Kiambiu
- Enumeration for Kibera B is completed and verification is ongoing
- 498 slums in the country have been mapped and will work with County Governments to improve housing conditions
- The Housing Fund will be consolidating financing solutions to ensure social housing projects are delivered

FINANCING FRAMEWORK OVERVIEW



FINANCING FRAMEWORK

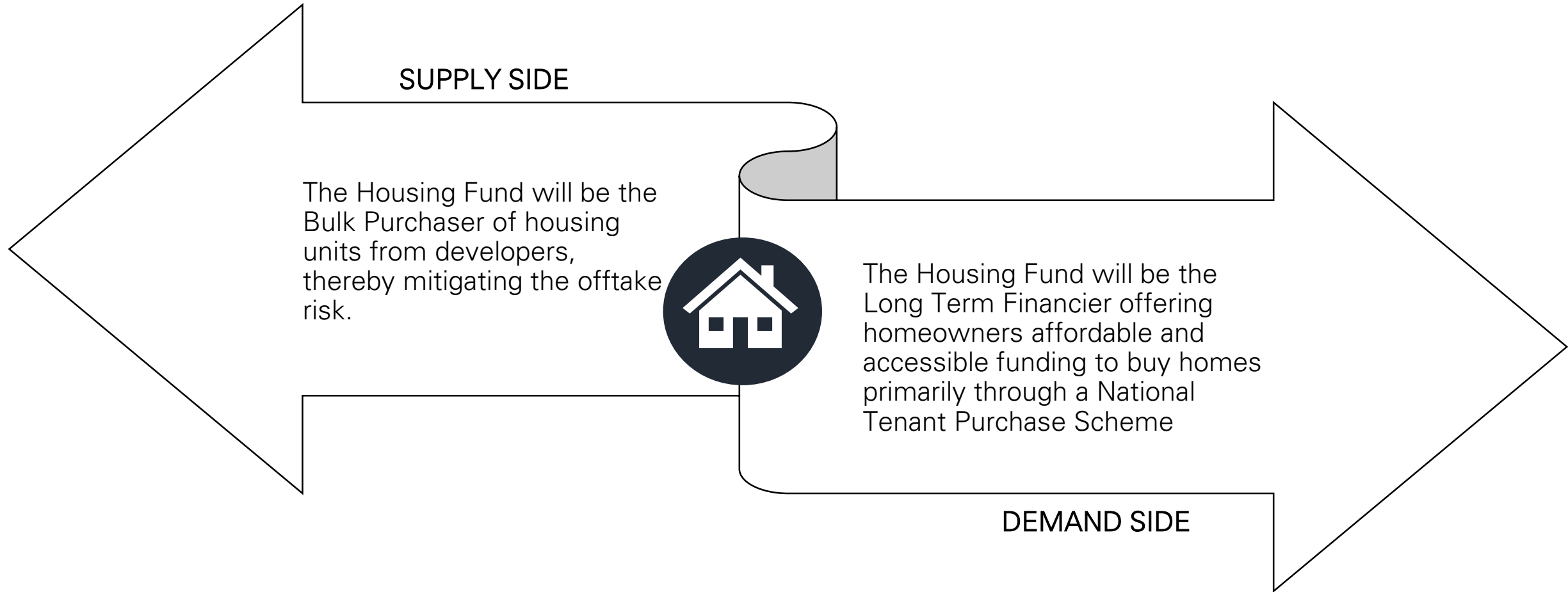
The financing framework for affordable housing supports both the supply and demand side





PROPOSED SOLUTION

The Housing Fund is the suitable mechanism for providing funding support for both developers and home owners





Mandate and primary functions

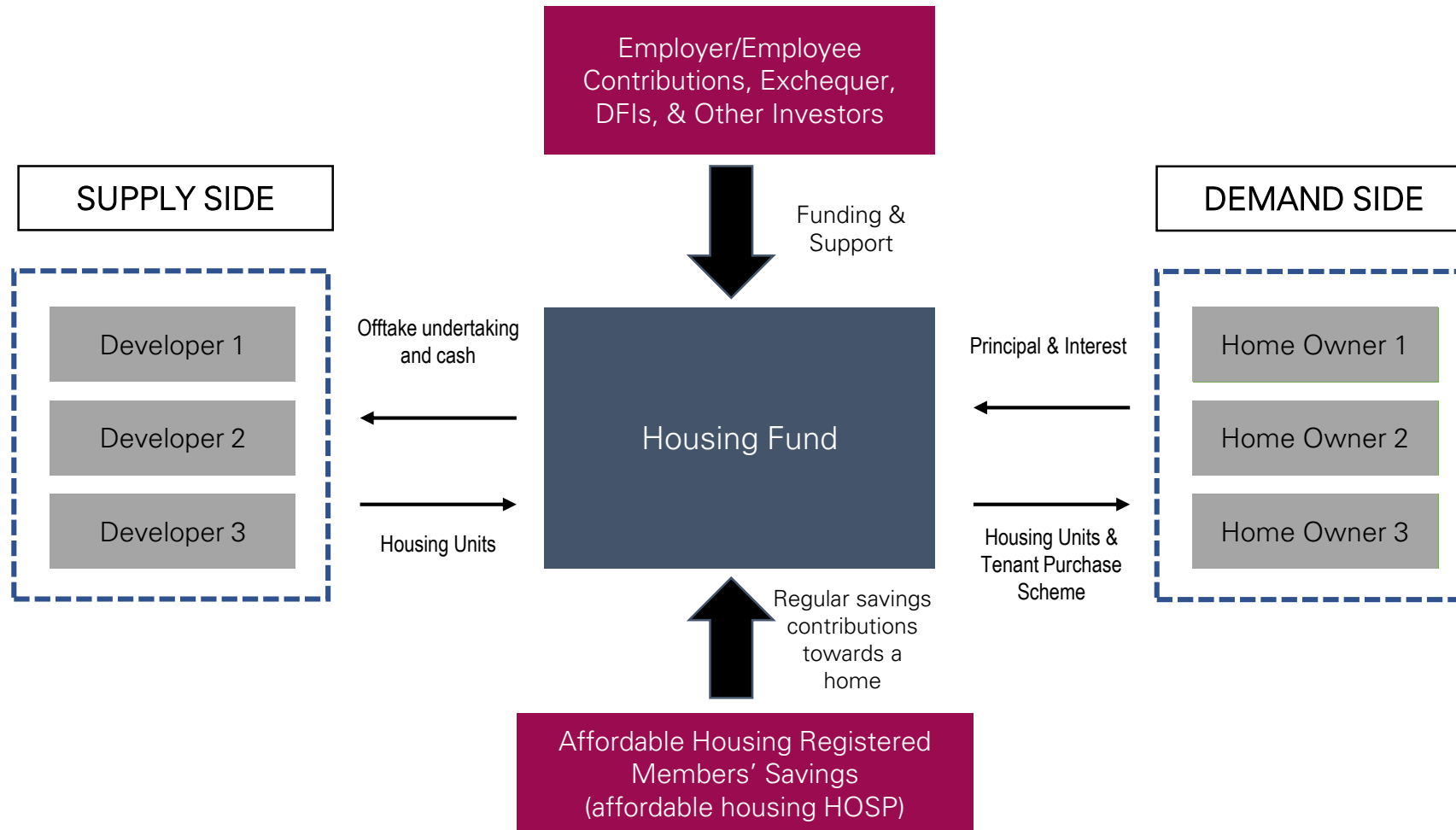
The Housing Fund will mobilize capital, offer certainty of sales in the form of an off-take undertaking to developers, and provide accessible finance for home buyers through a National Tenant Purchase Scheme

Principle	Description
Capital mobilization	<ul style="list-style-type: none">▪ The Housing Fund will mobilize capital from Government (through 3% employer/employee contribution, Development Finance Institutions, Affordable Housing Home Owners Savings Plans from the Home Owners and Local Banks to fulfil its mandate.
Bulk Purchaser (<i>De-risking developers</i>)	<ul style="list-style-type: none">▪ 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.
Long-Term Financier (<i>Enabling homeowners</i>)	<ul style="list-style-type: none">▪ Allow ordinary Kenyans to save for an affordable home via a 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.▪ Target interest rates between 3% and 7%▪ Allow Kenyans to purchase affordable houses nationwide through the Housing Fund while paying a monthly rate nearly equal to their current rental expense



Mandate and primary functions

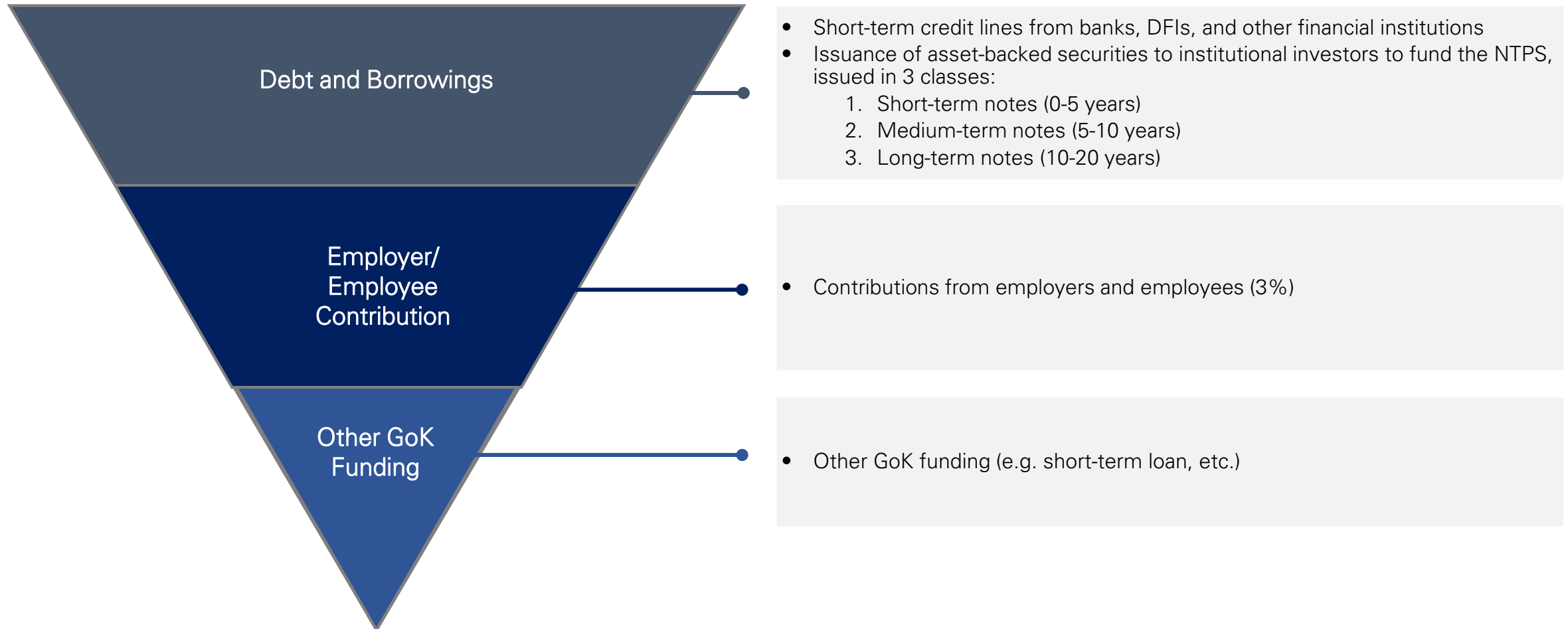
The Housing Fund will mobilize capital, offer certainty of sales in the form of an off-take undertaking to developers, and provide accessible finance for home buyers through a National Tenant Purchase Scheme





Funding sources

The Housing Fund will have funding from various sources



HOUSING PORTAL



Overview – Demand consolidation



- The Housing Portal is a platform that connects individuals to the Affordable Housing Program & Housing Fund
- It will provide real live evidence of demand aggregation to strategic partners of the AHP
- It will allow individuals to see progress towards and a real connection to the dream of home ownership
- Ultimately, the portal will make the National Tenant Purchase Scheme more accessible online
- Provides potential home owners ability to share information to facilitate allocation of homes through a ballot-based system
- It will accept payments from mobile money, bank accounts, credit and debit cards
- Will be accessible through a variety of platforms including: USSD, mobile app, mobile web, and web portal



Individual Registration

- The system registers aspiring home owners and allows them to make contributions into their savings' wallets in the Housing Fund
- Registration Options:
 - Mobile – USSD
 - Dial *500# to Register Details
 - Mobile & Web-based
 - Visit www.bomayangu.go.ke
 - Huduma Centres – with web-enabled stations that allow:
 - Registration
 - Update of Details
 - Upload of KYC documents

Individual Registration

First Name
Your First Name

Last Name
Your Last Name

National ID Number
Your National ID Number

Mobile Phone
+254 0712345678

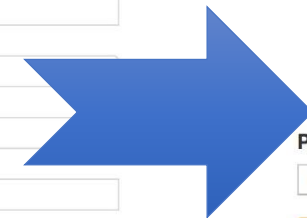
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Choose...

Password
Your Password

Confirm Password
Confirm Your Password

I'm not a robot

CREA



PERSONAL INFORMATION

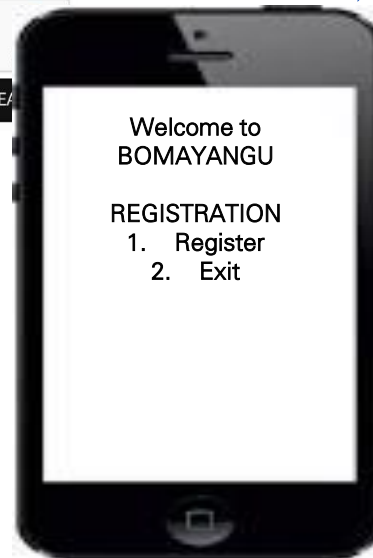


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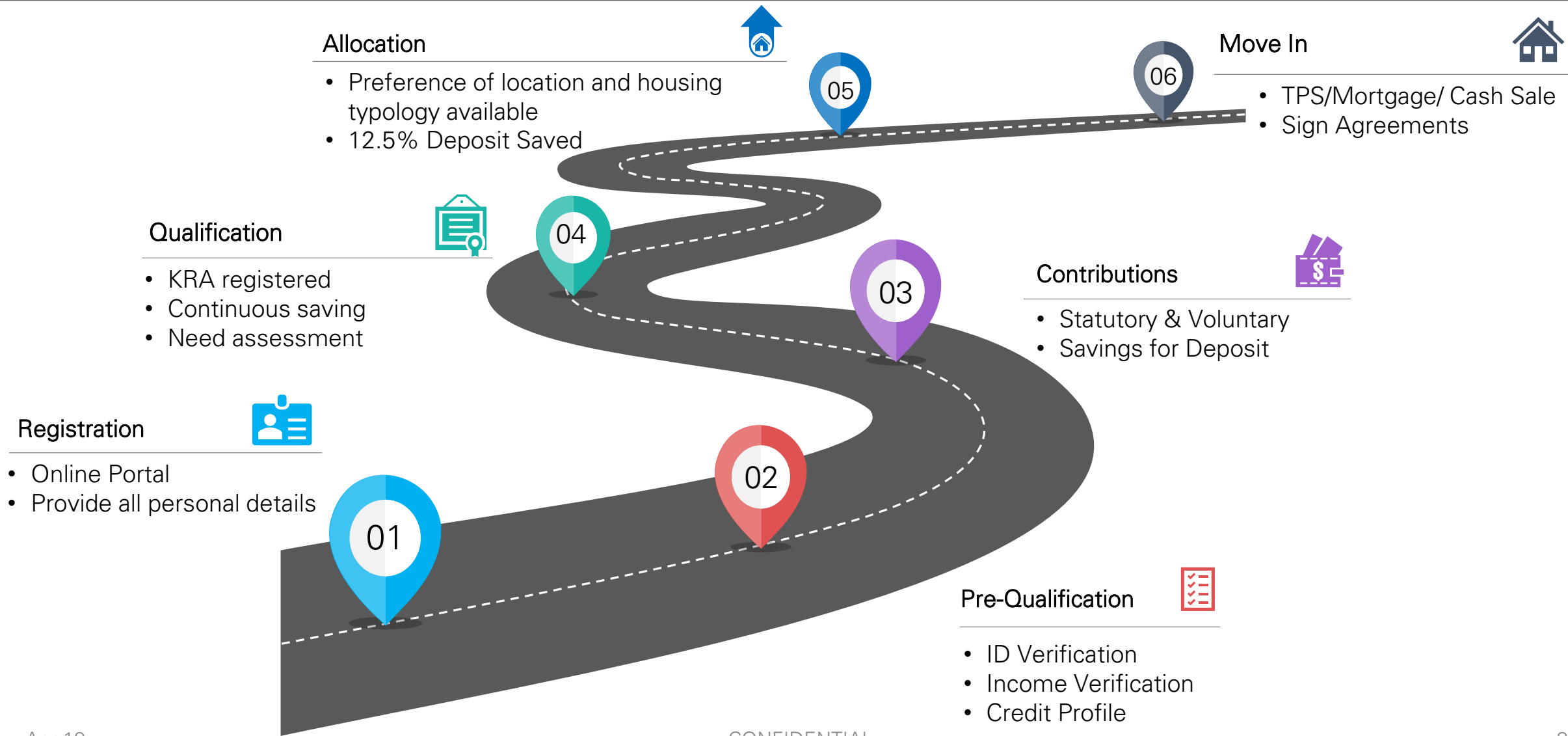
UPDATE PASSPORT PHOTO

FIRST NAME:	test
LAST NAME:	tester
DATE OF BIRTH:	01-01-1970
ID NUMBER:	123456
PHONE NUMBER:	0700783124
EMAIL ADDRESS:	tlenneiye@syntaxafrica.com
COUNTY OF RESIDENCE:	Nairobi
APPROVAL STATUS:	APPROVED





Fair and Transparent Allocation







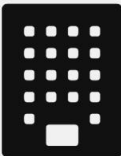

Allocation procedure and process

- Potential home buyers will be required to register on the housing portal
- Allocation will be conducted through a transparent and unbiased process with no human interference
- During registration, the online form will ask questions that will allow for profiling of individuals e.g. are users married, do they have children, etc.
- These markers will be used to determine the most comprehensive grouping to place individuals
- The groupings will then have draws from which individuals will be awarded the homes
- The objective of separating individuals into groups is to ensure that housing projects have minimum attributes of diversity
 - This will avoid selection of only one type of family or that only very vulnerable families are selected in a particular neighborhood
- It also allows for balancing of scales among those who have the most need (e.g. single parent with four children in the social housing bracket vs single lady in the middle- to high-income bracket)
- It allows for housing projects to cater to special groups such as police officers, nurses, doctors, etc. who contribute essential services that can be useful in creating sustainable communities
- In order to be eligible and considered for a draw, a registered user must have:
 - a full profile on the Housing Portal
 - Been making contributions to their online wallets for at least six months
 - Accumulated 2.5% of the value of the home they wish to purchase, they will be eligible for the allocation process



Strategic Partners

- Online registration
 - Property Developers
 - Financial Institutions/Investors
 - Land owners
- User access
- Ability to upload:
 - Descriptions of Projects
 - Breakdown of housing typologies
 - Price points per type
 - GIS/Mapped locations
 - Images – incl. renderings, floor plans
 - Financial Products offering
- Access to
 - Overview of demand
 - Customer profiles by category

 <p>Individual This account is for those that are applying for home allocation. You MUST be a Kenyan citizen</p> <p>Create an Account</p>	 <p>Employer This account is for employers registered in the Republic of Kenya.</p> <p>Create an Account</p>
 <p>Property Developer This account is for property developers operating in the Republic of Kenya.</p> <p>Create an Account</p>	 <p>Financial Institution This account is for financial institutions registered and operating in the Republic of Kenya.</p> <p>Create an Account</p>

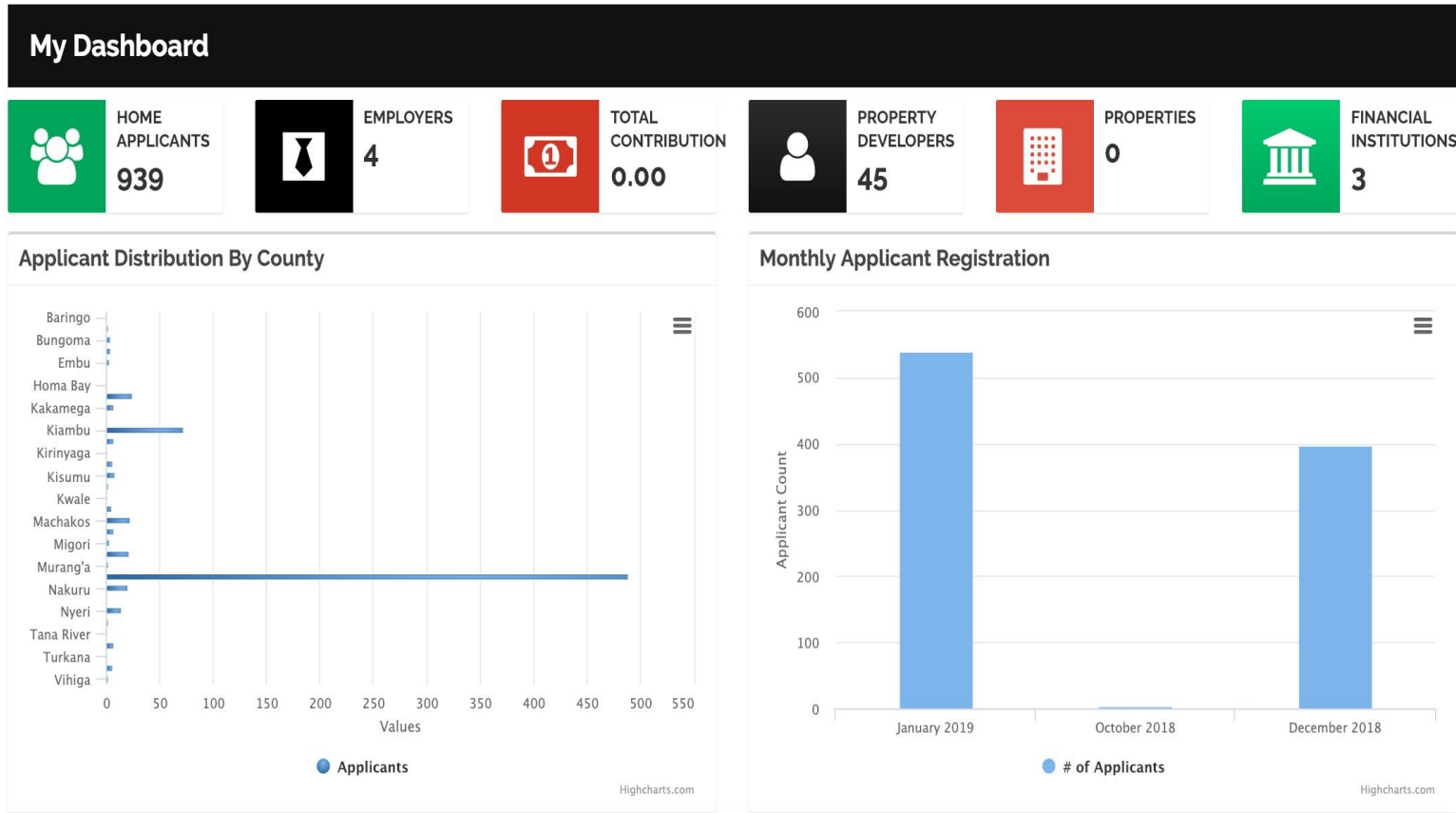


Basic Allocation Criteria

	Social Housing	Low Cost Housing	Mortgage Gap	Mortgage Market
Income Range (monthly)	KES 0 – 20,000	KES 21,000 – 59,999	KES 60,000 – 149,999	KES +150,000
Tax Registration	Unlikely to have tax registration	Some probability of tax registration	Likely to have tax registration	More likely to be tax registered
Banked	Unbanked or solely on mobile money	Mix of traditionally banked and mobile banking only users	Banked	Banked
Transaction History	Less visible transaction history	Somewhat visible transaction history	Visible transaction history	Highly visible transaction history
Capacity for Savings	Low capacity for savings	Some capacity for savings towards housing contributions	Decent to good capacity to save towards housing contributions	Better capacity to save towards housing
Purchase Profile	Best candidates for TPS	Mixed candidates: TPS & Mortgage	Good candidate for low interest mortgage	Best candidate for low interest mortgage



Analytics for Transparency



- Analytics to support decision making
- Demand assessments
- Registration visibility
- Savings & Contributions Transparency
- Partners visibility

LEGAL FRAMEWORK



Principles of legal framework



Commitment Agreement

This agreement governs the provision requiring a commitment fee of up to 10% of the project cost of a particular development to be deposited by the developer into a designated escrow account as advised by SDHUD.



Development Framework Agreement

This agreement provides a guideline of the fundamental **heads of terms** to be addressed and provided in the Project Agreement as project details emerge. It works as an “interim Agreement” for urgent works to commence pending final negotiations and execution of the Project Agreement.



Escrow Agreement

This governs the use of the commitment fee which the successful developer, private investor or contractor shall provide, pending negotiations and signing of the Project Agreement.



Project Agreement

This agreement governs the relationship between the GoK and the developer, private investor, or contractor, and sets out in detail the terms and conditions for the development and delivery of each Project.



Letter of Support

This is a letter that may be issued by GoK through the National Treasury, in favour of the developer, private investor, or contractor and its financiers to provide that the GoK will ensure that the Housing Fund is not wound up so long as it has continuing outstanding obligations. The Letter of Support will only be issued in appropriate circumstances.



Offtake Agreement

This agreement is issued by the GoK in favour of the developer, private investor, or contractor as an undertaking for the purchase on behalf of the GoK of the completed housing units within a specified period from the date of construction completion, this time period being determined on a project-by-project basis.

ENVIRONMENT AND SOCIAL SAFEGUARDS



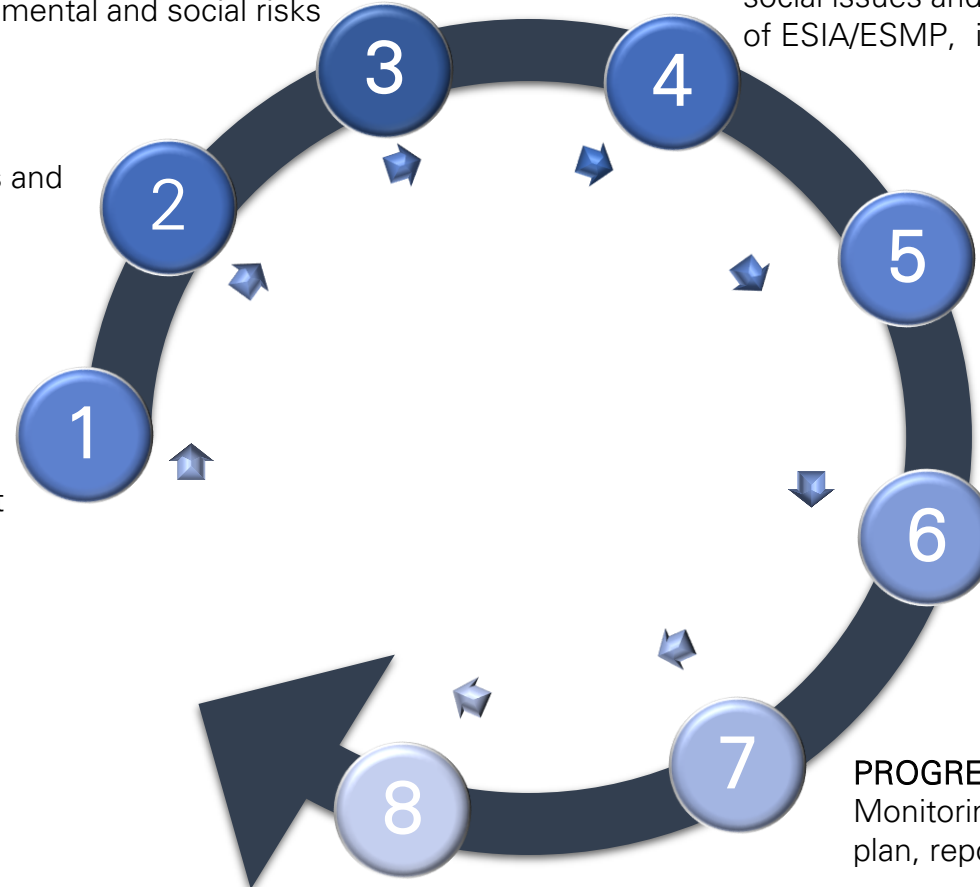
Principles of environment and social safeguards

ELIGIBILITY SCREENING OF PROPOSALS
Review of eligibility of proposal, excluding any with high environmental and social risks

EVALUATION/SELECTION OF PROPOSALS
ESA screening, evaluation of environmental & social issues and proposed mitigations; scope of ESIA/ESMP, if required

SUBMISSION OF PROPOSALS
Identify potential environmental issues and proposed mitigation measures

PROGRAM ADVERTISEMENT
Advice to prospective applicants on eligible/ineligible activities, potential environmental and social issues; potential impacts and mitigation measures for different types of sub-projects



PROJECT APPROVAL
Environmental & social mitigation measures included in project contract; includes specific provisions for environmentally sound procurement, contracting

NEGOTIATION AND AGREEMENT ON WORK PLAN, CONTRACT SIGNING
Procurement include environmental & social provisions in bidding documents, specifications, contracts (including penalties for non-compliance)

PROGRESS REPORT, ACCOUNTING, VERIFICATION
Monitoring according to environmental monitoring plan, reports to IPDU and other relevant authorities

FINAL REPORTING AND ACCOUNTING
Final reports, on EMP compliance and environmental/social impacts

Thank you

Disclaimer:

The purpose of this Presentation is to provide recipients with information on proposed program approach for the 500,000 Affordable Homes Program. This presentation is subject to change as the development framework is challenged and subjected to stakeholder engagement and market sounding.
