



Centre for Affordable
Housing Finance
in Africa

Terms of Reference

CASE STUDY: TRUST FOR URBAN HOUSING FINANCE (TUHF)

Proposals due by 12 noon, 13 February 2019, by email to david@housingfinanceafrica.org

For more information, contact David Chiwetu

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1. About the Centre for Affordable Housing Finance in Africa

The Centre for Affordable Housing Finance in Africa (CAHF) has been operating as an independent think tank in South Africa since May 2014, pursuing its mission of making Africa's housing finance markets work. It grew out of the housing finance theme of the FinMark Trust, where its research and advocacy programme began in 2003. CAHF's work extends across the continent, and it is supported by and collaborates with a range of funders and partners.

CAHF brings information to the marketplace to enable stakeholders in the public and private sectors to make policy and investment decisions in favour of improved access to affordable housing. Our emphasis is on the role that finance plays in realising this, and we champion market intelligence—data, market analytics and research—to stimulate investor interest and to support better policy. We are highly networked and engage with stakeholders at the local, national, regional, continental and global levels to support the realisation of investment towards affordable housing in Africa.

All of CAHF's work is directed at shifting investor interest towards the much larger market of the emerging middle class in urban areas across Africa, and using this to champion both improved housing conditions and economic growth, while also addressing inequality with the asset potential that housing offers.

As part of its series of case studies, CAHF is commissioning a case study on TUHF Pty Ltd, a specialised commercial property financier in South Africa. TUHF drives inner city investment by providing access to finance for entrepreneurs to purchase and subsequently convert or refurbish existing buildings, delivering affordable residential units available for rental. To better understand how finance can play an innovative role in the provision of affordable housing and the rehabilitation of inner city buildings in African cities, this case study will unpack TUHF's approach to financing inner city rental housing which targets emerging entrepreneurs that deliver rental units towards the low to middle income population. The study will describe TUHF's origins, and track the development of its approach over the course of the past fifteen years, highlighting its performance and successes, and describing in detail, the challenges it has faced. It will consider TUHF's operational approach, its product offerings and lending methodology, and its funding model. The aim of the case study is to present a detailed analysis of TUHF's experience and track record into the market with a view to considering its application in other African cities, while also highlighting for investors the very real potential of the niche rental market that TUHF targets.

2. Project Background

Globally, urban decay and economic shifts over the last few decades have seen the decline of many commercial and industrial precincts and central business districts and subsequently prompted urban regeneration projects across many inner cities. By 2030, it is estimated that Africa will host six of the world's 41 megacities which are namely Cairo, Dar es Salaam, Johannesburg, Kinshasa, Luanda and Lagos.¹ By 2050, it is estimated that 65 percent of the population in Sub-Saharan Africa will live in urban areas where currently, between 30–50 percent of urban populations rent.²

¹ Bello-Schünemann and Aucoin (2016). *African Urban Futures*. African Futures Paper 20, Institute for Security Studies. Available at <https://issafrica.org/iss-today/africas-future-is-urban/>

² UN Habitat (2011). *Affordable land and housing in Africa Volume 3 – United Nations Human Settlements Programme*.

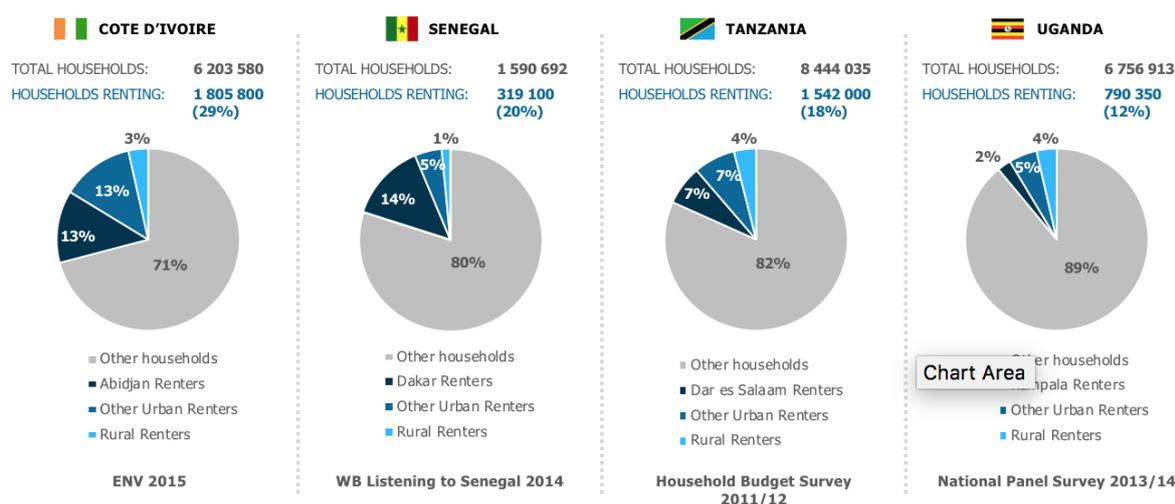


Figure 1: Rental Market across four African countries and their capital cities. ³

Rental is a significant form of tenure in major African cities; upwards of 78 percent of households in Abidjan , Côte d'Ivoire rent their dwellings, with similarly high proportions in Dar es Salaam, Tanzania (over 50 percent) and in Dakar, Senegal (47 percent).⁴ Key challenges faced in major African inner cities include the lack of adequate recognition of the rental market in policy and urban management, which has resulted in residential rental stock that is of poor condition and in insufficient supply to cater for the lower ends of the market.

It is argued that there is relatively little data available on the key aspects of the rental market and a serious challenge to market growth is the difficulty in accessing information on the product offerings and operating models of finance providers, estate agents, credit bureaus and property management companies that typically support the sector.⁵ In understanding the rental market, it is important to uncover the players delivering rental housing, the strategies being utilised to maintain it, and the target market. There are examples of innovative lenders increasing access to mortgage finance by targeting emerging entrepreneurs for inner city rental housing.

TUHF is a specialised commercial property financier based in South Africa that drives inner city investment by providing access to finance for entrepreneurs from all walks of life, to purchase and subsequently convert or refurbish buildings in the inner cities of South Africa to deliver affordable residential units available for rental.⁶ TUHF has been in operation for 15 years and is building a strong track record in how to build and finance rental housing in inner cities through emerging entrepreneurs who do not have an existing portfolio or track record in property development .⁷

TUHF currently has five offices across South Africa and has financed over four billion rand in inner city residential rental property that holds over 40 000 units. To date, TUHF has a portfolio of 598 buildings which are

³ CAHF (2018). *Rental Housing in Africa*. Available at <http://housingfinanceafrica.org/projects/rental-housing-in-africa/>

⁴ Rust, K. (2018). *Presentation on Housing finance markets in Africa: Current trends and new instruments*. Available at <http://housingfinanceafrica.org/documents/housing-finance-markets-in-africa-current-trends-new-instruments/>

⁵ Colli et al. (2018). *Understanding and quantifying rental markets in Africa* . Report commissioned by Centre for Affordable Housing Finance in Africa. Available at <http://housingfinanceafrica.org/documents/understanding-quantifying-rental-markets-in-africa-senegal/>

⁶ TUHF. (2018) . *Financing property entrepreneurs* . Available at <http://www.tuhf.co.za>

⁷ Ibid

registered with local city councils, pay rates and taxes and are managed by 350 entrepreneurs.⁸ To date, TUHF has financed the delivery of more residential rental units, targeted primarily at lower income earners, than have been financed by the social housing subsidy programme – and this, without any subsidy⁹.

With regard to commercial growth, TUHF has experienced a net growth of 9,5 percent of its loan book to R2.7 billion (USD\$ 198 800 165). In 2018, TUHF has raised finance from a R1 billion (USD\$ 72 890 500) domestic medium term note programme (DMTN) over three years and has raised R 800 million (USD\$58 308 952) via a warehouse facility agreement entered into with Futuregrowth Asset Management.¹⁰ TUHF has also leveraged public funding through National Treasury's Job Fund Programme for a grant of R200 million. Ashburton Investments, Cadiz Asset Management, Development Bank of Southern Africa (DBSA), Gauteng Partnership Fund, Merger Investment Managers, National Housing Finance Corporation (NHFC), Public Investment Corporation, Stanlib and the New Housing Company (NEWHCO) are among the institutional investors that have provided long-term financing to TUHF.¹¹

A challenge that has been widely recognised and experienced by TUHF has been the lack of funding available for emerging entrepreneurs seeking to enter the property sector particularly, the inner city rental market. In response, TUHF launched the Inthuthuko Equity Fund which supports previously disadvantaged individuals in selected low income occupations and groups who have never owned investment property before to enter the residential property market. The Fund acts as a partner by contributing to the deposit or equity necessary for loan approval of a business in the residential property sector. The Fund requires the interested entrepreneur to contribute their own equity towards the transaction which is calculated on an individual basis with a loan contribution of over 15 years.

CAHF is interested in exploring the investment story of TUHF in the inner cities of South Africa and the extent to which their financing approach can be replicated in declining African inner cities that have been redlined by investors. The purpose of this case study is therefore to tell the story of TUHF's development, its financing approach, performance, challenges and successes. By sharing the experience of TUHF's efforts to contribute to the urban regeneration of South African inner cities by raising long-term capital that targets emerging entrepreneurs focused on delivering affordable rental housing, the case study will contribute to the aim of the CAHF case study series¹² which seeks to support professional development and inform a broader research and dialogue process.

3. Project Scope

The case study is intended to be an exploration of a particular issue, similar to other cases that CAHF has published, which are available on the CAHF website. We are not looking for a long, detailed academic report— Instead the case study must be a readable document (20-30 pages) that provides an overview of the case and highlights key issues for moving forward.

⁸ TUHF (2017). *Integrated Annual Report 2017*. Available at <http://www.tuhf.co.za/investor-relations/integrated-annual-reports/>

⁹ SHRA has delivered 8165 housing units within the MTSF period of 2014-2019 and their expected target is delivery of 27000 units by the end of 2019. Available at [http://www.shra.org.za/images/PDFs/Annual%20Reports/SHRA%20Annual%20Report%20FA%20web%20\(1\).pdf](http://www.shra.org.za/images/PDFs/Annual%20Reports/SHRA%20Annual%20Report%20FA%20web%20(1).pdf)

¹⁰ Ibid.

¹¹ TUHF (2018). *Current Investors*. Available at <http://www.tuhf.co.za/investor-relations/#current-investors/>

¹² CAHF (2018). *Case studies in innovation*. <http://housingfinanceafrica.org/projects/case-studies/>

The case study should address:

- The **investment story** of TUHF and its experiences in raising funding (including key challenges facing lenders focused on the inner city in raising capital to support their mortgage books)
- **TUHF's overall financing approach** and operational arrangements and how these contribute towards its overall objectives.
- The **TUHF model** of lending commercial property finance to entrepreneurs who convert, refurbish and develop inner city residential accommodation.
- **TUHF's product offerings** which target the inner city rental market and its perspective of the opportunities and risks that exist in the inner city housing context. This includes assessing how TUHF mitigates and addresses the perceived risks of lending in inner cities and the performance of its various products and programmes.
- **Considerations and recommendations regarding replication of TUHF's financing approach:** Learning from the experiences of TUHF, the case should begin to explore the extent to which their approach to financing emerging property entrepreneurs can be applied to other African cities . This includes highlighting the advantages and disadvantages of their financing approach and to identify the necessary preconditions and/or considerations pertaining to the application of the approach to different contexts.

4. Methodology

This is expected to be a desktop study, including a review of published and financial documents, as well as interviews with key respondents from TUHF and limited number of government officials (e.g. national departments and local or provincial government). It is expected that the research methodology will be outlined in the proposals submitted in response to this terms of reference, and that the final methodology will be determined in consultation with the appointed consultant. It is foreseen that the research will involve:

- A comprehensive literature review of all publication on TUHF, addressing the opportunities which have been seized by TUHF in the South African inner city rental market, its perceived development impact on the urban landscape and the residential rental market;
- An analysis of available data, particularly that concerning portfolio performance and capital funding that begins to unpack the technicalities of TUHF's financing; and
- Semi-structured interviews with key informants from TUHF preferably including the Development Impact Consultant , specifically chosen for their insight and in-depth knowledge of the business processes and product offerings of TUHF.

After the final report has been drafted , it is anticipated that the TUHF respondents will be invited to the preliminary presentation of findings for their verification and input before finalisation of the report.

CAHF understands that some of the data that may be needed in undertaking the research may be confidential and it is expected that the consultant will work collaboratively with TUHF in determining and assessing the extent to which the research findings can be entered into the public domain.

5. Deliverables

Outputs from the project include :

- An **inception report**, that covers:
 - Comprehensive but succinct literature review;
 - An overview of key issues that the case study should tackle and proposed structure for the report;
 - Detailed workplan and proposed methodology, including identification of TUHF respondents for interviewing; and
- A **draft** and then **final Case Study**, in accordance with the CAHF Style Sheet with full citations of sources, which includes, among others:
 - An executive summary of the report;
 - A report that addresses the project scope as detailed above in section 3.
- A **presentation**, in accordance with the CAHF Style Sheet, which includes:
 - A succinct and accessible overview of the findings of the final report; and
 - Representation of key data in an accessible form.
- **List of stakeholders** contacted and/or interviewed during the process of the research, with contact details and dates of contact.
- Any **additional data** collected during the research process, beyond that included in the database.

6. Project Milestones

The project should be completed within six weeks of contracting.

Key dates:

SCHEDULE OF MILESTONES	TIMEFRAME	ESTIMATED DATE
Inception report	One week after signing of contract	22 February 2019
Inception meeting ¹³	3 days after inception report submitted	27 February 2019
Draft report and presentation	Three weeks after inception meeting	20 March 2019
Session with TUHF to present draft report	One week after delivery of draft report	27 March 2019
Final deliverables	Two week after draft feedback	10 April 2019

7. Project Budget

Proposals of up to R 160 000, including any possible V.A.T. and disbursements, will be considered. For consultants operating from outside of South Africa, CAHF will assume the exchange rate risk from the date of contracting, as long as the assignment is carried out within the contract period.

¹³ This meeting may be conducted via telephone at a pre- arranged time that suits all parties.

8. Contents of Proposal

Proposals to undertake this project must include:

- i. Response to the ToR, demonstrating familiarity with the subject matter, expansion on the proposed methodology and key issues for consideration in the work. The proposal should show an understanding of the work being done by TUHF in supporting the growth of emerging entrepreneurs focused on inner city rental housing.
- ii. A detailed work plan, demonstrating the feasibility of the proposal.
- iii. Statement of qualifications of firm(s) as relevant to the project.
- iv. Name and CV of staff members responsible (i) for overseeing the work; (ii) for undertaking the work. Local representation in South Africa would be preferred. A consortium of consultants is welcomed.
- v. Fee proposal and costs estimate, indicating the basis of calculation of fees, including cost of travel if necessary.
- vi. Capacity building and black economic empowerment are key objectives of CAHF. In rendering the service the consultant must endeavour to achieve these goals. South African consultants must report on their BEE accreditation. Other capacity building efforts can also be proposed, such as the use of students to support the research process, or workshop methods to engage with a wider stakeholder sector in each country. The focus of such capacity building would be on the use of data to consider and understand the role of housing in national economies. The proposal must comment on the manner in which the consultant intends to give effect to the capacity empowerment objective.
- vii. Familiarity with the Centre for Affordable Housing Finance in Africa's work is important. See www.housingfinanceafrica.org.

9. Proposal Evaluation

Proposals will be assessed according to:

- i. Relevant, demonstrated competence of firm in this area: 20 percent.
- ii. Demonstrated expertise of key individuals to be involved in this project: 20 percent.
- iii. Content and quality of proposal, including innovation in and feasibility of approach: 35 percent.
- iv. Affirmative action scorecard (if South African firm) or use of local service providers: 15 percent.
- v. Financial proposal: 10 percent.

10. Proposal Submission

The deadline for submission is at 12h00 on 13th February 2019. Once the selection process has been completed, CAHF will issue a contract confirming the appointment of the service provider.

Any queries should be directed to David Chiwetu, who can be contacted at david@housingfinanceafrica.org.

11. Guidance Note to Bidders

- Centre for Affordable Housing Finance in Africa reserves the absolute right to use its discretion in the interpretation of these award criteria. The following notes are intended to provide broad guidance only on how proposals will be evaluated. Bidders may be required to clarify their proposals by way of a telephone call or presentation.
- “Relevant, demonstrated competence of firm(s) in this area” - You should aim to demonstrate how the firm’s collective past experience can be applied (or adapted) to address the specific brief set out in the terms of reference. You are welcome to describe the firm’s general experience of financial sector development issues (e.g. in other geographies or topical areas) but the evaluation will focus particularly on the application of that experience for the specific task at hand.
- “Demonstrated expertise of key individuals to be involved in this project” – The evaluation places considerable emphasis on the role and demonstrated expertise (i.e. track record) of the key individuals to be involved on the project rather than on the expertise of the firm itself.
- “Use of local professional capacity (consulting, analysis, coordination etc.)” – The Centre for Affordable Housing Finance in Africa wishes to ensure that local capacity is used and developed. International firms are therefore encouraged to partner with local organisations.
- “Content, quality and originality of proposal” – Proposals should address the brief set out in the terms of reference in a comprehensive manner. Bidders should aim for innovation as well as professional presentation. Whilst similar, relevant experience in other markets will be an advantage for a bidder, each market is different and so proposals need to reflect the particular characteristics of that market, as well as the challenge set by the terms of reference.
- “Affirmative action scorecard” - Ownership, management, staff development, or any evidence of capacity building.
- “Fee basis” – Value for money, as well as absolute cost, will be taken into account.

12. Bibliography

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