



# 500,000 Affordable Homes Program

Delivery framework overview

February 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



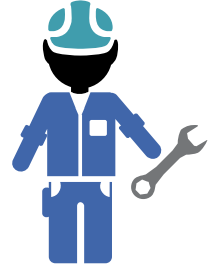
- Estimate that the contribution of real estate and construction to GDP will increase from the current 7% to 14% by 2022.
- Between USD 1.5 and USD 3 induced in the economy for every USD 1 invested
- Increased construction activity can become an important source of revenue through processing of permits,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



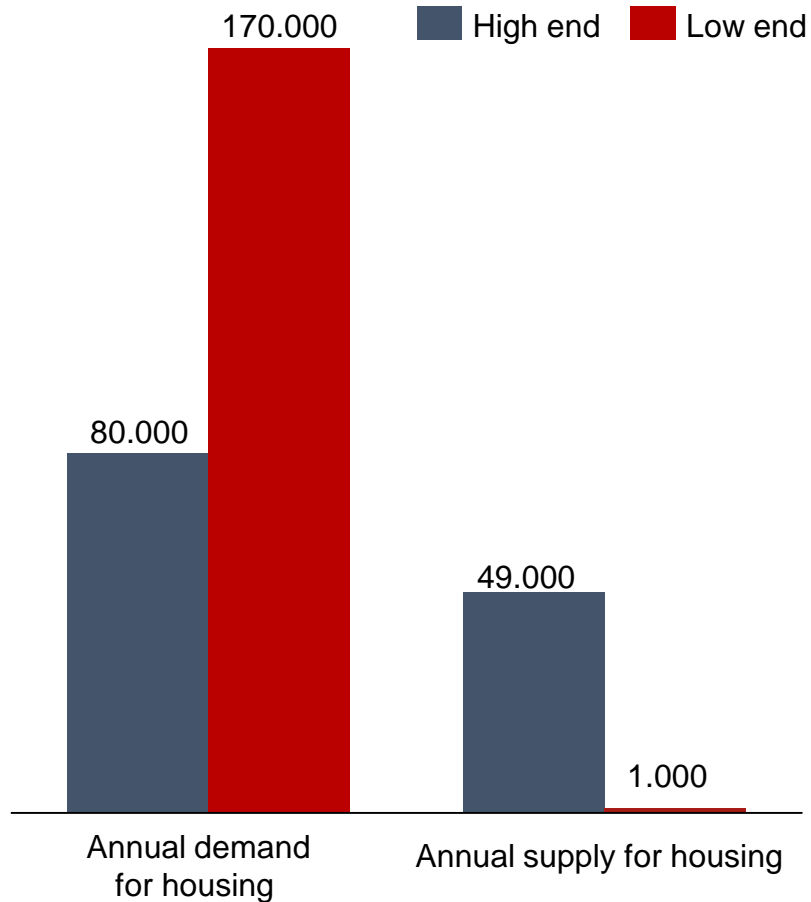
- Ringfencing strategies will ensure that the *Jua Kali* sector are able to supply inputs to the affordable housing program
- Light industries will also have the opportunity to provide construction materials such as cement



# 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

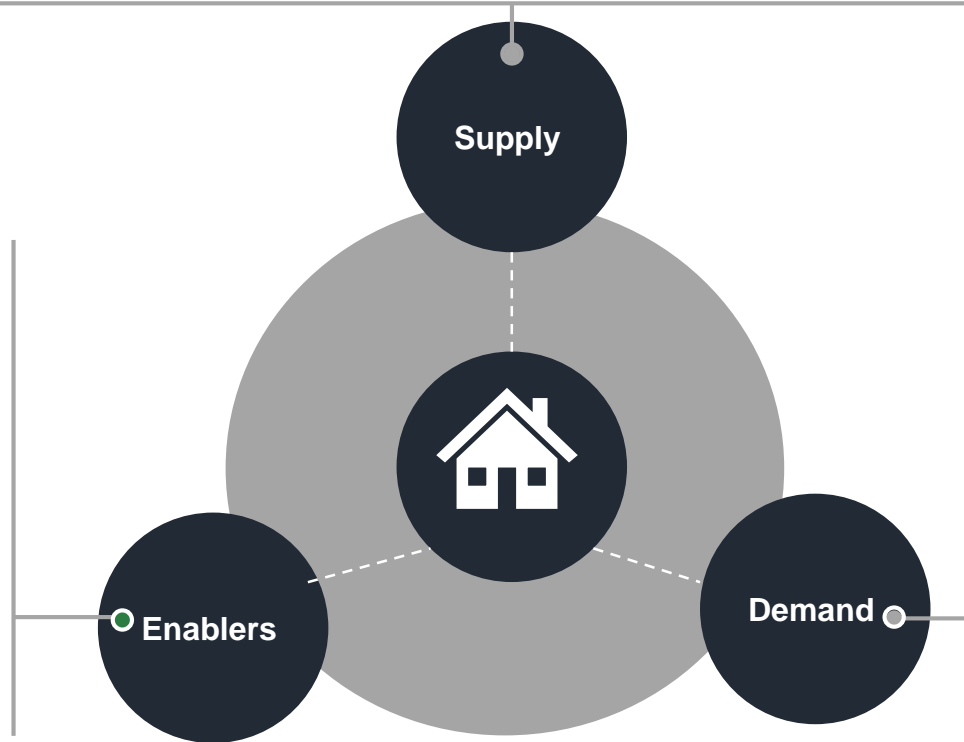


## INTRODUCTION

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

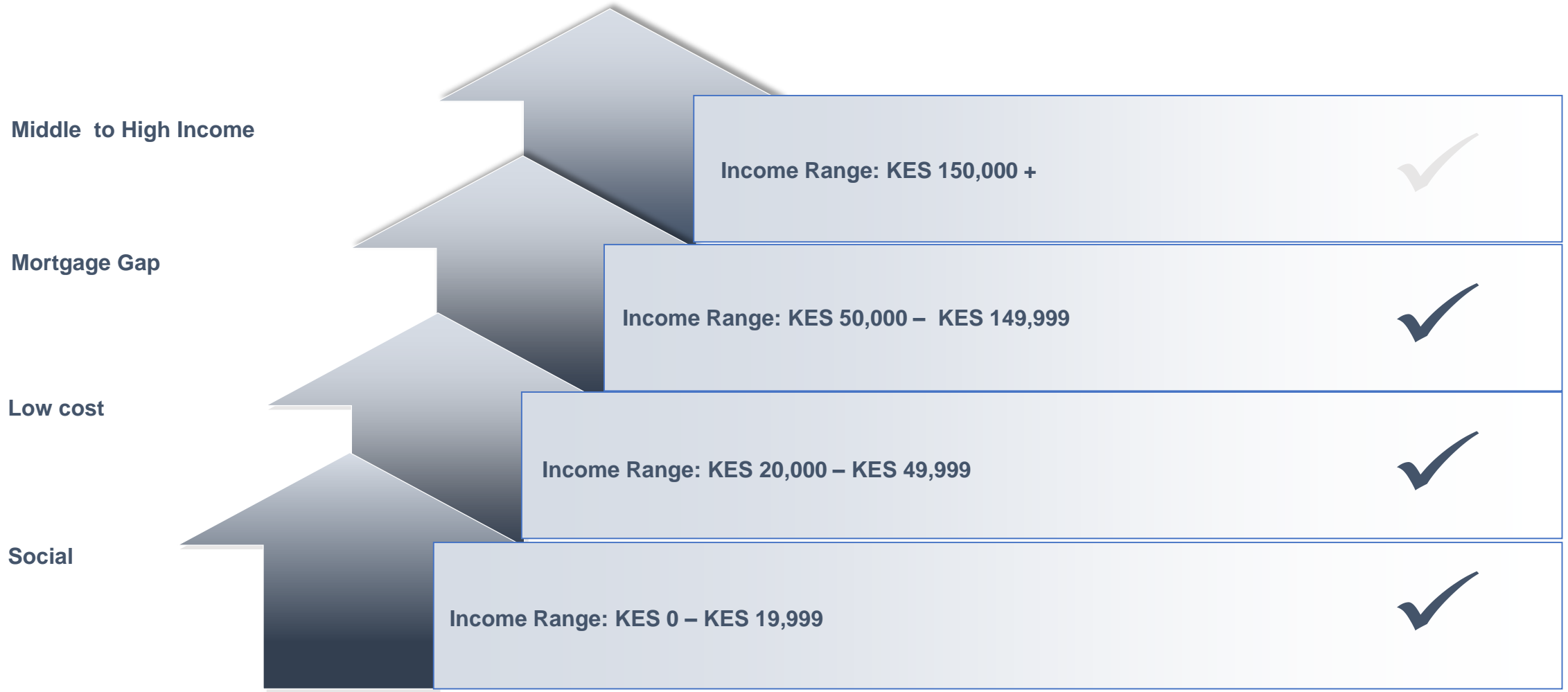
- ✓ Provision of land and bulk infrastructure
- ✓ Infrastructure funding under K.U.S.P
- ✓ Tax incentives
- ✓ Tax breaks ( Zero rating of Stamp duty for first time home owners
- ✓ Standardised designs and/or processes



- ✓ 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







# 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

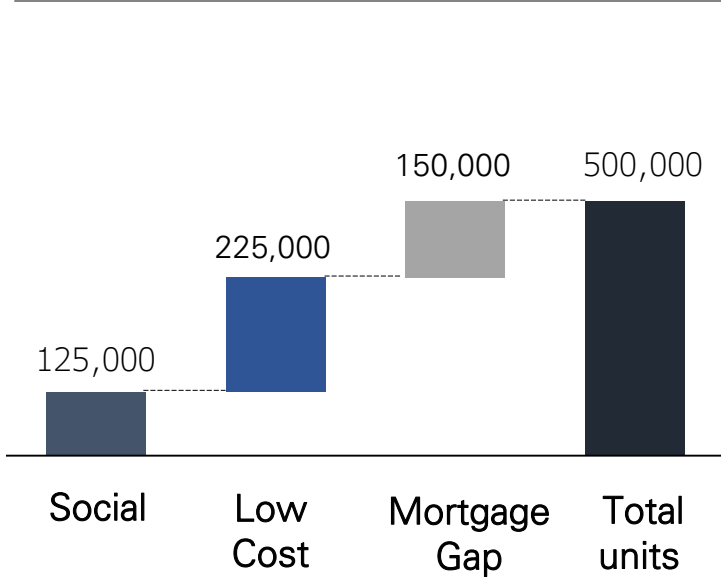
	<b>1 room KES</b>	<b>2 room KES</b>	<b>Bedsitter KES</b>	<b>1 bedroom KES</b>	<b>2 bedroom KES</b>	<b>3 bedroom KES</b>
<b>Social housing (Max. Selling Price)</b>	• 600,000	• 1,000,000	• n/a	• n/a	• n/a	• n/a
<b>Affordable Housing (Max. Selling Price)</b>	• n/a	• n/a	• 800,000	• 1,000,000	• 2,000,000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



# Key priority areas

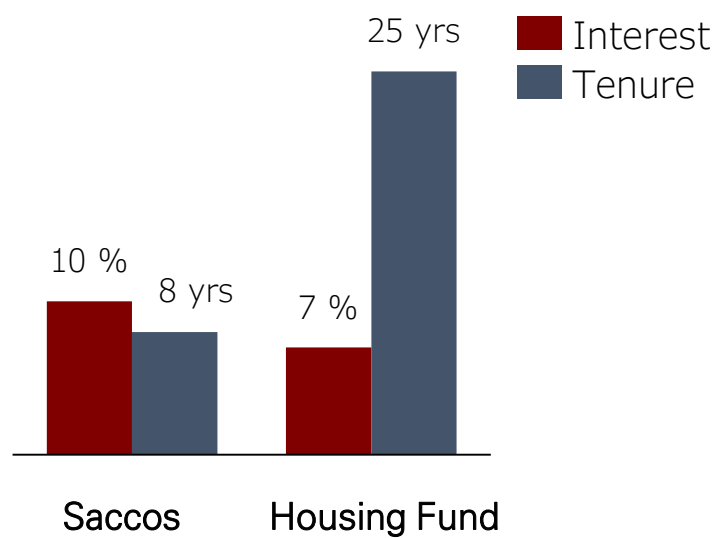
## Housing spread for the affordable homes pillar by land ownership

Housing spread  
Units



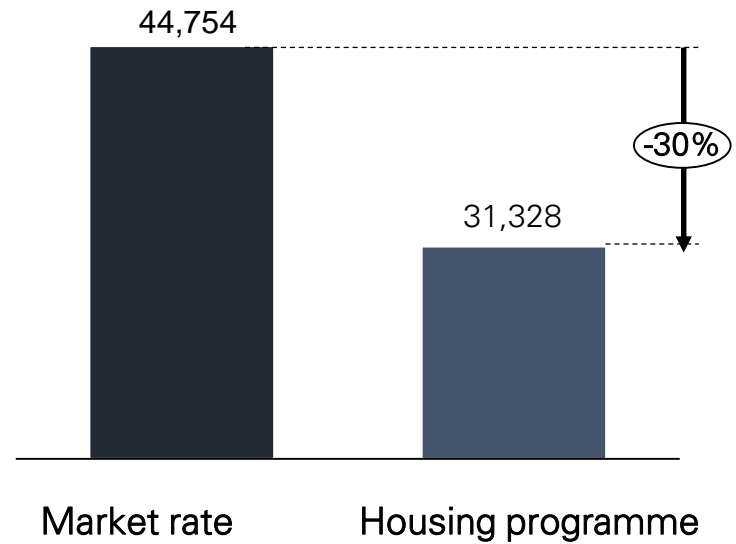
## Enhance affordability of homes by addressing interest rate and tenure

Cost of home ownership  
%/Years



## Reduce cost of construction per square meter

Cost per square meter  
KSh

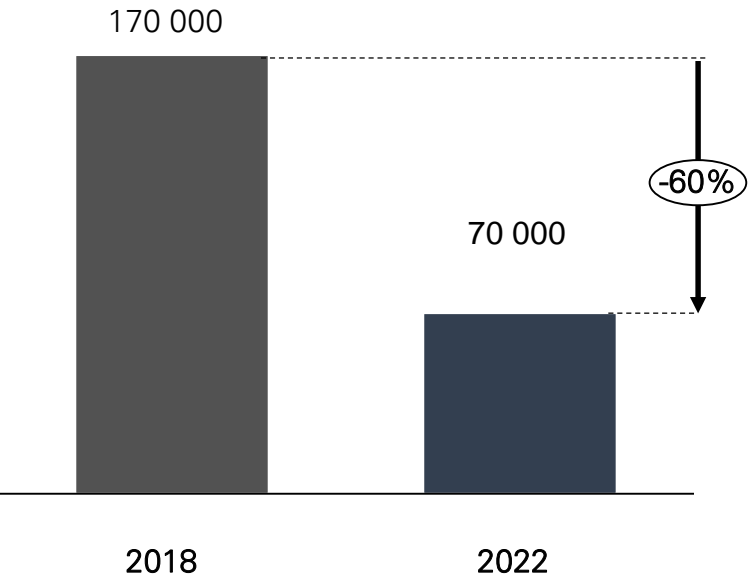




# Key priority areas

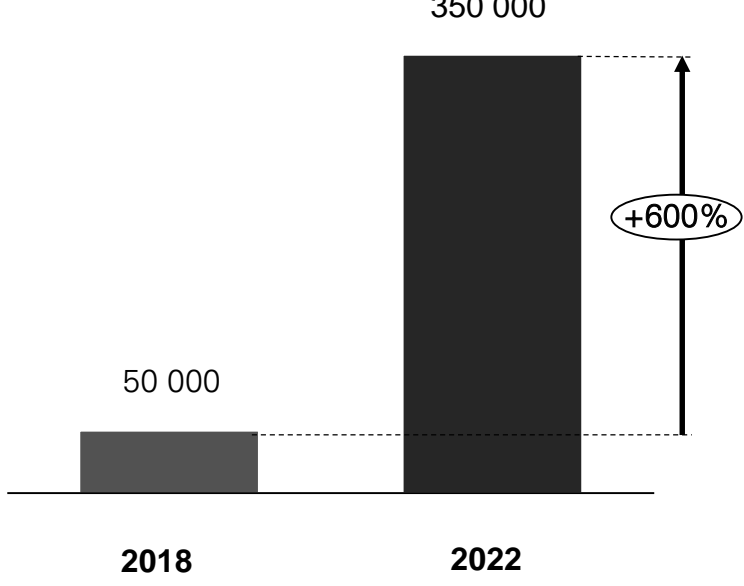
Close the annual low-income housing gap by 60%

Annual low income housing gap  
Units



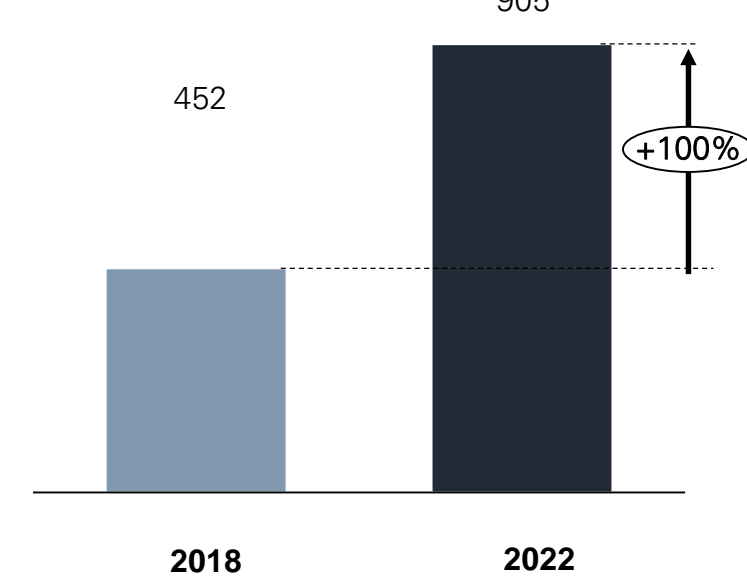
Create 350,000 jobs in the construction sector

Jobs created  
Number



Increase construction sector contribution to GDP

Contribution to GDP  
KSh Billions





# Key achievements

## County Government Infrastructure Funding

- MoUs with 24 County Governments signed
- Disbursements under KUSP done – KES 11.1B
- Follow up on activating projects in counties underway

## Integration of the Jua Kali sector and Young Entrepreneurs

- Analysis on the inputs to be provided by the Jua Kali sector and light industries is complete.
- MoUs with three Jua Kali associations ready.
- MoU with Youth Fund
- Collaborations with TVETs outlined

## Integration of Anchor Developers

- Park Road development awarded and contractor on site.
- Identification of other key anchor developers ongoing (see appendix for list of interested investors)
- Call for Applications published and first round applications open

## Development Framework Guidelines

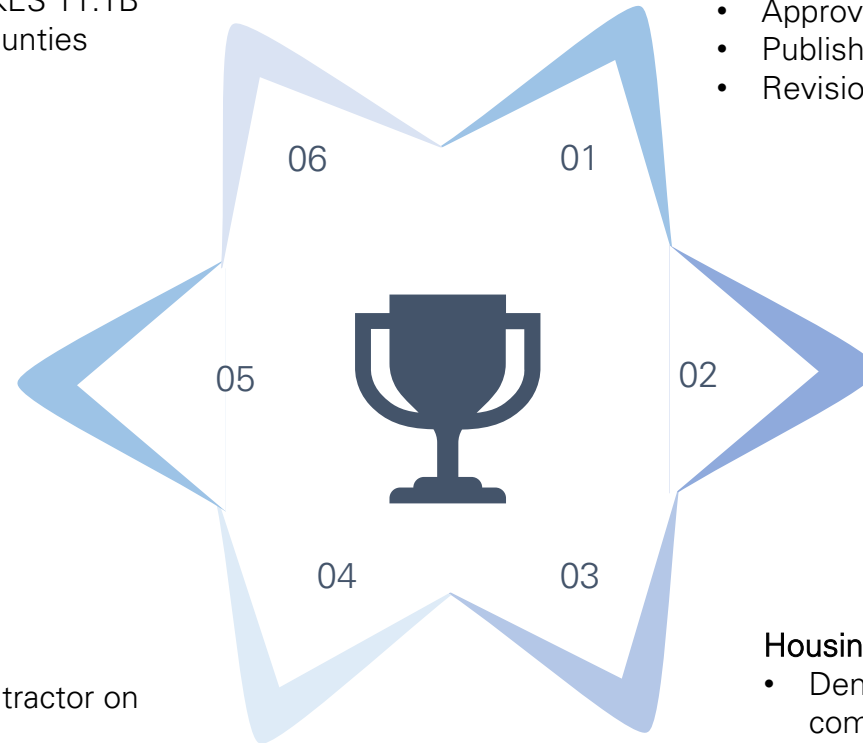
- The DFGs provide qualitative guidance on the principles and tenets of the AHP
- Approved by Cabinet
- Published for public participation
- Revisions and updates currently underway

## Housing Fund Regulations

- Finalized with concurrence of NT and AG
- Published for public participation.
- Plans for operationalization of the Housing Fund under NHC are underway
- Housing Portal has had soft launch

## Housing Master Plan

- Demand survey providing critical data on housing completed
- Development of financing and funding model incl. Housing Fund completed
- Input being integrated in the delivery framework including the documentation



PROJECT PIPELINE



# Project locations and criteria



- AHP targets projects across the country in urban areas
- AHP includes solutions for social housing as well as innovations for rural housing projects as well
- The program framework anticipates the use of National and County Government land to ensure distribution of homes and to catalyze projects
- The State Department of Housing and Urban Development (SDHUD) has signed MoUs with 24 counties
  - Counties aim to build at least 2,000 units annually
  - Counties will identify land which is suitable for housing
  - Other counties are also in the process of reviewing MoUs
- To rationalize housing unit targets across the nation, SDHUD also completed a demand survey which aggregated data on the demand for housing across the country
- In addition, the Development Framework Guidelines (DFGs) have provisions for selecting and prioritizing projects across the country based on demand, suitability of proposed land location, availability of offtake, among other important factors



# Project pipeline

YEAR 1

YEAR 2

YEAR 3

YEAR 4

YEAR 5

We have already received expressions of interest totaling more than 1M units and over USD 15B in expected investment

Lot 1

- Park road (1,370)
- LAPSET Lamu (20,000)
- Makongeni (20,000)
- Shauri Moyo (5,300)
- Starehe (3,500)
- Mavoko (8,000)
- Social housing (15,000)
- Counties (48,000)
- Nairobi and Mombasa County (78,700)
- Legacy Project (TBD)

Lot 2

- Counties 2 (45,000)
- Nairobi Regeneration (20,000)
- Police 1 (10,000)
- NSSF Land P1 (20,000)
- Cooperatives 1 (20,000)
- Private developers 1 (40,000)

Lot 3

- Counties 3 (45,000)
- Redevelopment of Nairobi Old Estates 1 (20,000)
- Police 2 (10,000)
- NSSF Land P2 (20,000)
- Cooperatives 2 (10,000)
- Private Developers 2 (20,000)

Lot 4

- Counties 4 (45,000)
- Redevelopment of Nairobi Old Estates 2 (20,000)
- Police 3 (10,000)
- NSSF Land P3 (10,000)
- Cooperatives 3 (10,000)
- Private Developers 3 (20,000)

Lot 5

- Counties 5 (45,000)
- Redevelopment of Nairobi Old Estates 3 (20,000)
- Police 4 (10,000)
- Cooperatives 4 (10,000)
- Private Developers 4 (20,000)

FY 1 Total: 203,780

FY 2 Total: 155,000

FY 3 Total: 125,000

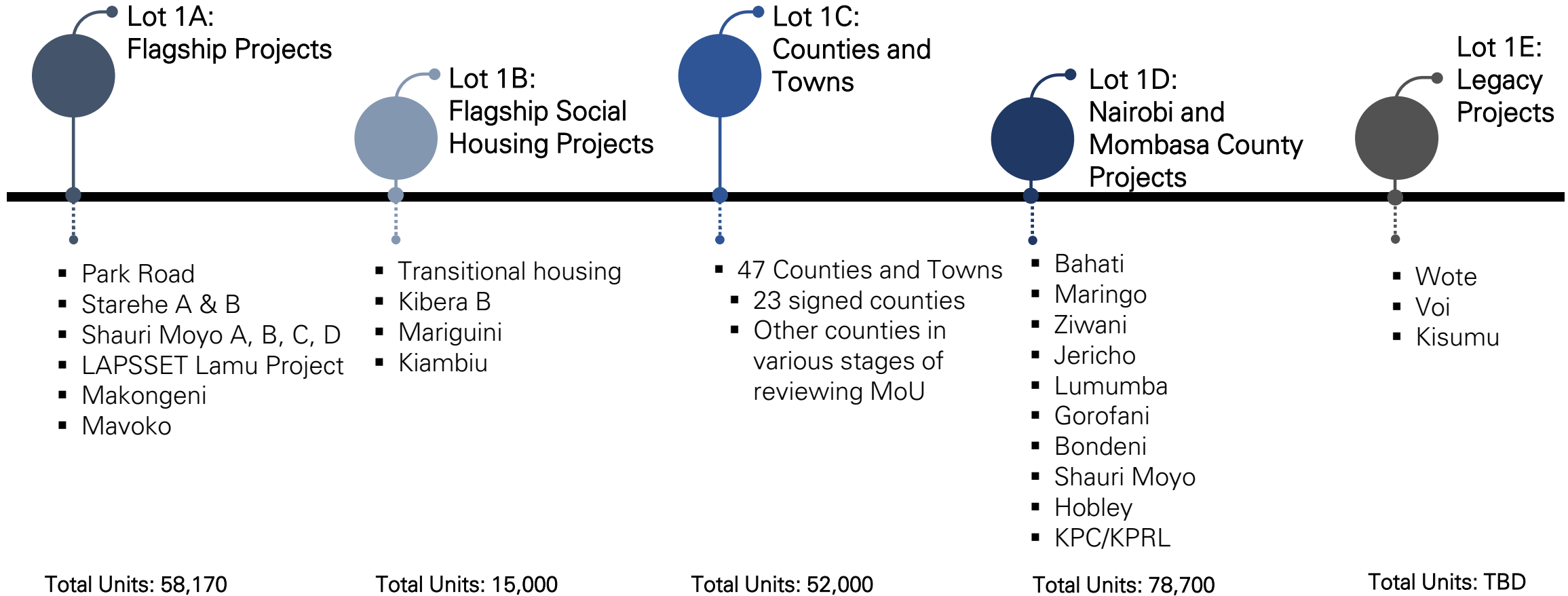
FY 4 Total: 115,000

FY 5 Total: 105,000



# Project pipeline – Lot 1 projects

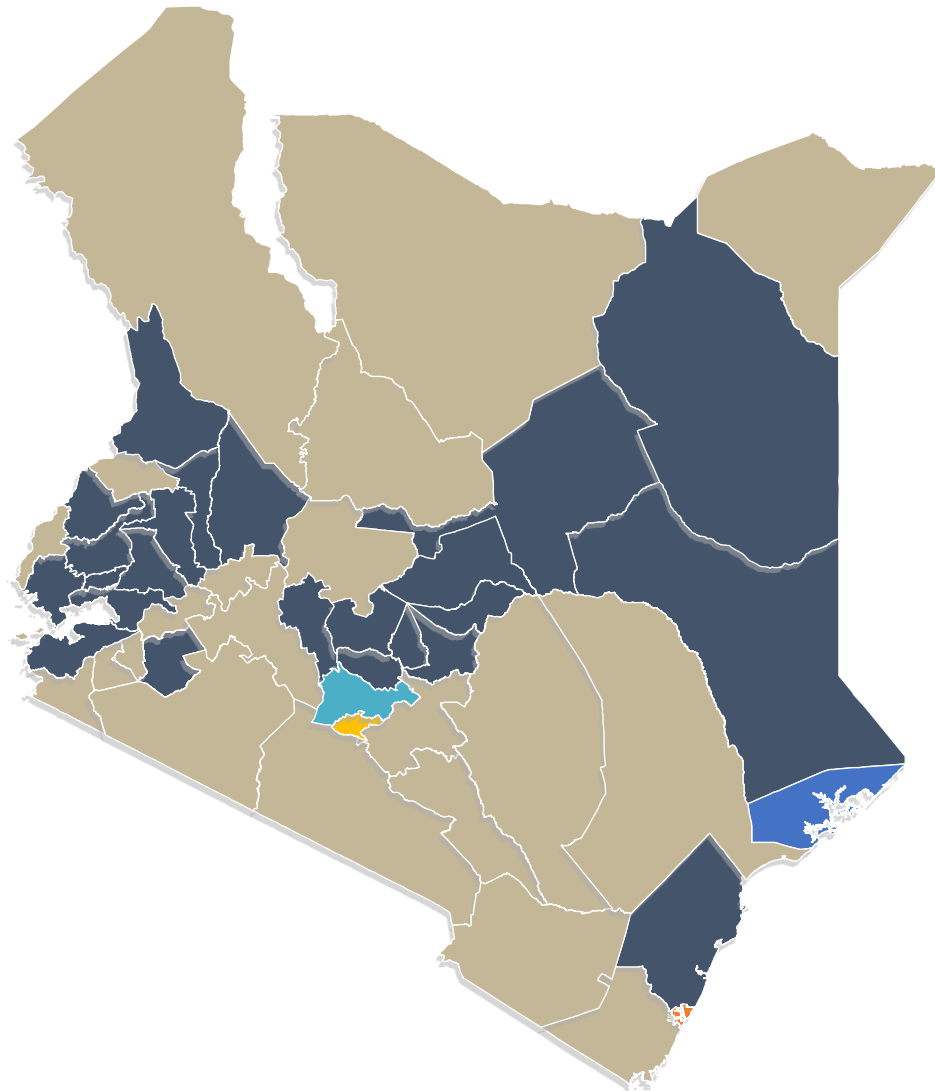
Lot 1 projects are further grouped into various categories representing a total development program of over 203,870 units







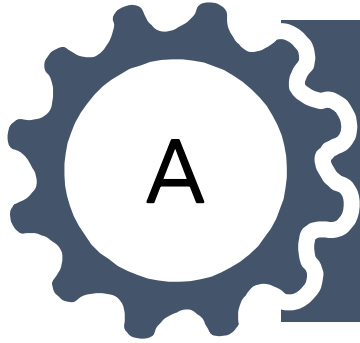
# Project pipeline heatmap



- Counties that haven't signed MoUs
- Nairobi County – 67,800 Units
- Mombasa County – 10,900 Units
- LAPSSET Lamu Project – 20,000 Units
- Kiambu County – 6,000 Units
- Homa Bay County – 2,000
- Nyandarua County – 2,000
- Meru County – 2,000
- Nyeri County – 2,000
- Tharaka Nithi County – 2,000
- Uasin Gishu County – 2,000
- West Pokot County – 2,000
- Bomet County – 2,000
- Elgeyo Marakwet County – 2,000
- Nandi County – 2,000
- Embu County – 2,000
- Siaya County – 2,000
- Vihiga County – 2,000
- Garissa County – 2,000
- Baringo County – 2,000
- Kilifi County – 2,000
- Kirinyaga County – 2,000
- Kisumu County – 2,000
- Kakamega County – 2,000
- Bungoma County – 2,000
- Isiolo County – 2,000
- Wajir County – 2,000
- Murang'a County – 2,000



# Project pipeline heatmap

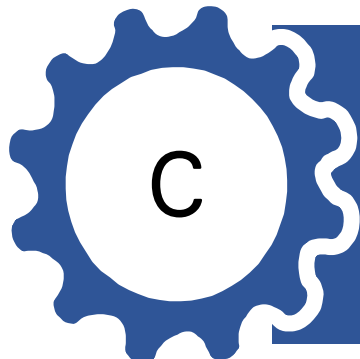
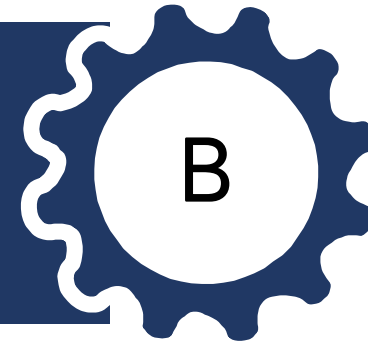


## Flagship Projects:

- Park Road – *contracted and onsite*
- Mavoko – *under negotiations*
- Makongeni
- Starehe
- Shauri Moyo

## Flagship Social Housing Projects:

- Kibera B
- Mariguini
- Kiambiu

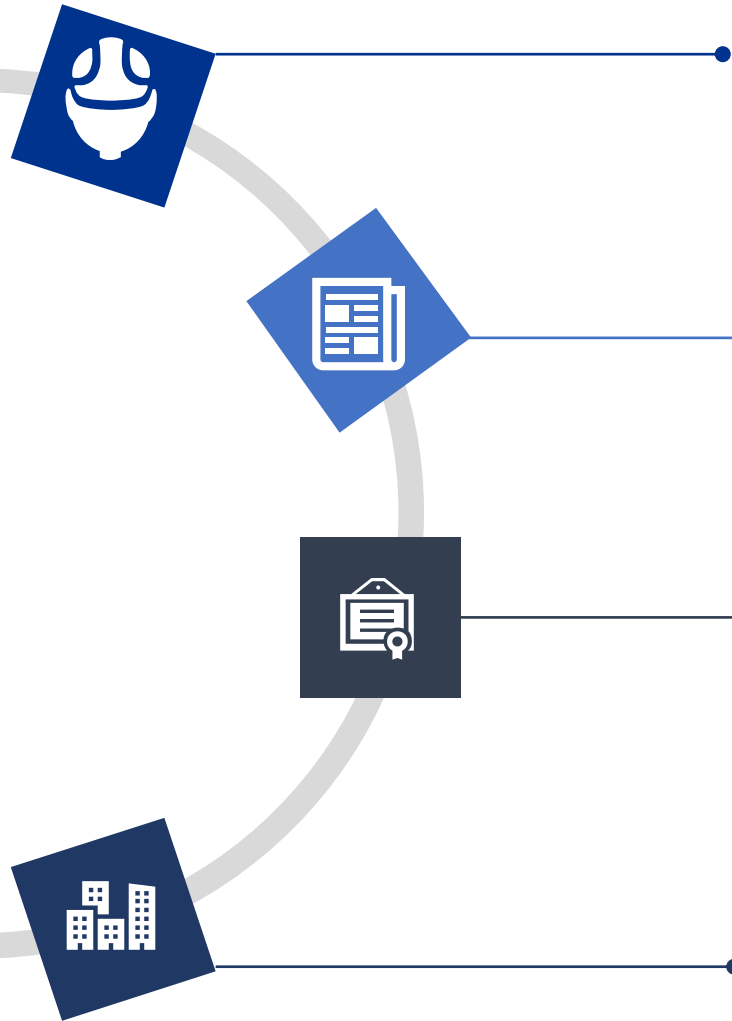


## Private Sector Projects

- Identified through the Call for Applications for Strategic Partners
- Evaluation of over 100 received applications underway
- Over 9,000 acres proposed by applicants for projects on private land across 19 counties
- Next steps include evaluation and due diligence, then negotiations, followed by prioritization and project commencement
- List of viable projects to be provided at next update



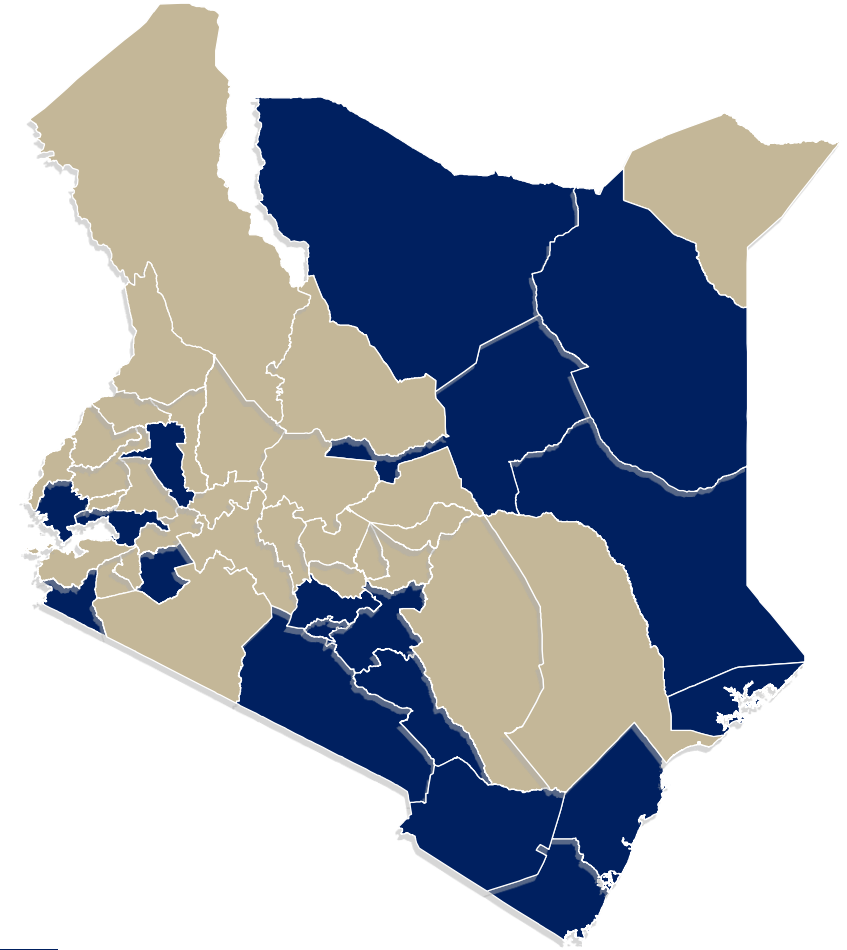
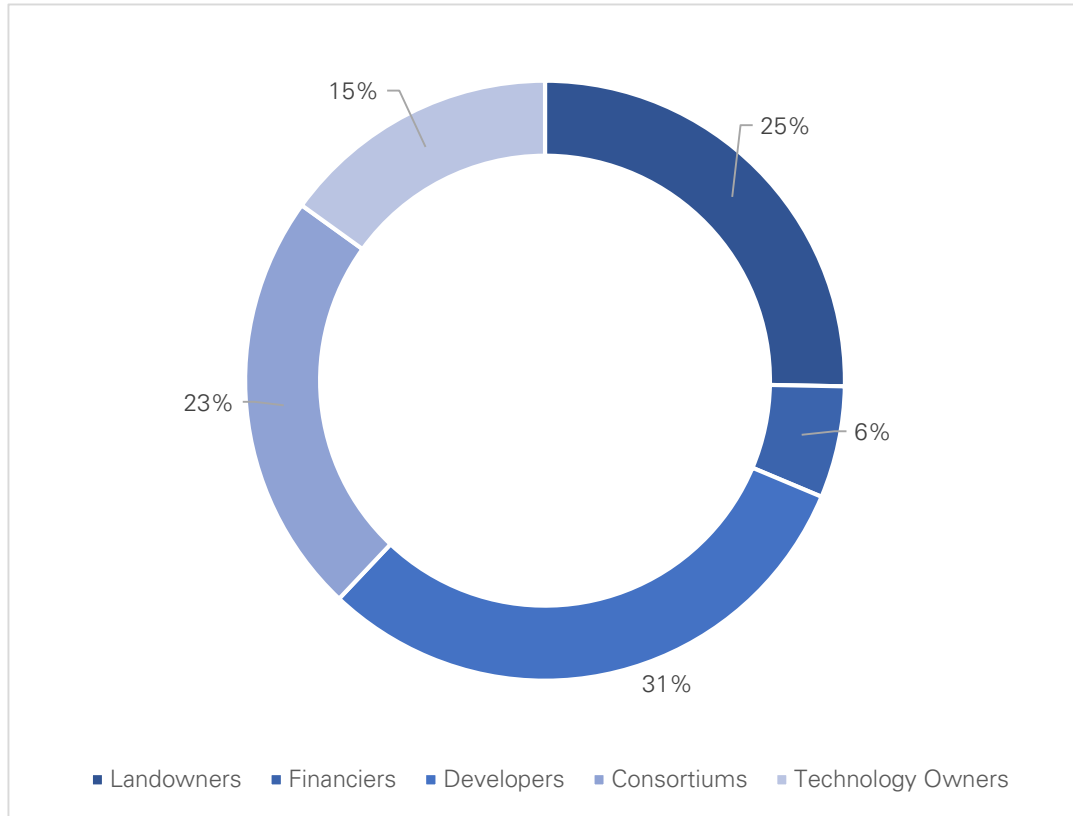
# Park Road project details



- **Contractor:**
  - China State Construction Engineering Corporation Limited (CSCEC) with local partners: Sketch Studio; Metrix Integrated Consultancy; LINX Consulting Engineers; BECS Consultancy
  
- **Procurement Details:**
  - Tender advert: 14/9/2018
  - Tender closing: 12/11/2018
  - Award: 8/12/2018
  - Contract signing: 27/12/2018
  - Site handover: 05/02/2019
  
- **Other Project Contract Details:**
  - Contract price is KES. 4,986,908,192/-.
  - Construction cost per SQM (all inclusive) of KES 44,822
  - Revised development cost per plinth SQM is KES 62,461.27/-.
  - Tallest residential building is 14 floors
  - No. of parking spots provided is 1,065 (ratio 1:0.78)
  - Kindergarten, Parking silo, and commercial Centre provided
  - Total construction period is 23 Months
  - First set of units: August 2019
  
- **Unit Typologies Details**
  - Total number of units: 1,370
  - Category 1 Units:
    - 2 BR (60 sqm): 228; 3 BR (80 sqm): 260
  - Category 2 Units:
    - 1 BR (30 sqm): 84; 2 BR (40 sqm): 252; 3 BR (60 sqm): 546



# Summary of Call for Applications



■ Counties with proposed private sector projects



# 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



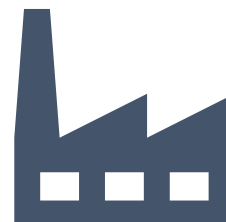
- Train youth, women, and children in use of building materials
- Conduct research on improving local materials for sustainable construction
- Modernizing construction practices while preserving cultural values

## 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



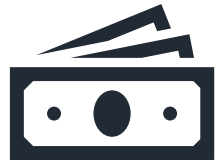
# Slum upgrading and social housing



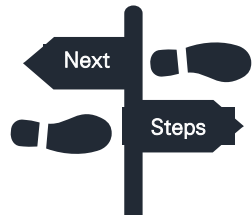
## Case Study: Slum Upgrading



- 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

THE ROLE OF THE IPDU





# What is the IPDU and what does it do?

The IPDU is a rapid results rapid results project management, coordination, and monitoring unit intended to translate housing and urban development plans into coordinated, practical initiatives within a project portfolio framework

The IPDU will:

- Develop and maintain an integrated national housing strategy and programme, which has an underlying set of planning principles to provide a framework of decision making and prioritisation of initiatives and projects
- Manage and create programme management offices (PMOs) to oversee:
  - a. 500,000 homes initiative,
  - b. mass rapid transit projects under the MOTIH&UD,
  - c. other projects being undertaken by the SDHUD, including but not limited to KISIP, NaMSIP, KUSP and KENSUP.
- Maintain a master programme together with an interface register so as to provide a centralised database of information and transparency across stakeholders of the overall portfolio of programme initiatives and projects
- Develop the transaction, procurement and tendering strategy for the delivery of the planned affordable housing developments
- Develop:
  1. an IPDU Portal that will serve a centralized information center for various housing initiatives; and
  2. a housing portal that will facilitate access to financing, housing payments, as well as provide updates on property developments.

IPDU Outputs

-  **IPDU Portals** – (a) information system for stakeholders, (b) Housing Portal
-  **Quick Wins** – achieve 30-, 60- and 100-day targets
-  **Statutory and Legal** – review legislation that will fast track delivery of projects
-  **Detailed Delivery Framework** – resource and costed programme
- Interfaces**– identification and early resolution
- Funding Strategy** – identify best funding models for delivery
- Delivery Support**– drive and monitor procurement and implementation
- Technical Advice and Guidance** – SMR design expertise
- Working Groups**– problem resolution and idea generation
- Stakeholder co-ordination** – engagement and collaboration
- Reporting/Dashboards**– to internal government and external stakeholders
-  **Commercial and Economic Linkages** – to manufacturing, technology and labour sectors
-  **PMO** – to supervise the various projects and initiatives related to urban housing and development



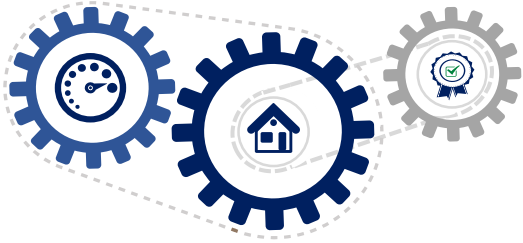


# Envisioned functions

- 1 PMO** Develop tailored PM methodology aligned to leading practice for the IPDU, monitor and report on projects using EPM (time, cost, scope and quality) and the Programme as a whole using IPDU KPIs, and build project management capabilities of the IPDU Team, including the urban transport
- 2 Legal and Policy** Review the legal framework for the operation of the IPDU and ensure all processes are in compliance with all existing government regulations; Develop various policies to streamline and facilitate the implementation of housing projects
- 3 Economics** Analyse the economic impact of the housing development programmes – on the macro and micro levels to ensure that all projects will have a positive economic benefit
- 4 Technical** Provide technical and design advice to support the delivery of the Detailed Delivery Framework, including development of technical design guidelines, design reviews, technical evaluation of proposals from developers, undertaking site analysis, and managing the detailed master plan development and review
- 5 Commercial / Procurement** Develop Procurement Framework and provide commercial and procurement guidance to support the delivery of the Detailed Delivery Framework, including procurement and tendering strategies, procurement of services by developing RfPs, evaluation criteria and managing the tendering and award process, designing required contracts
- 6 Financing** Develop appropriate funding options and structures for the delivery of the Programme Detailed Delivery Framework and develop supporting financial guidance and templates. Support the IPDU to review financial components of proposals and meet with prospective funding agents to encourage investment in Housing Programme
- 7 Stakeholder Management** Identify key internal and external stakeholders and develop tailored approaches to engaging with stakeholders and managing interfaces across the Programme, develop a communication plan and engage stakeholders through appropriate channels to support the achievement of IPDU's objectives
- 8 Capacity Building** Build the required capabilities of the IPDU through recruitment support, on the job training, knowledge transfer and targeted training
- 9 Support Functions (IT, HR, Admin, Finance)** Develop the appropriate support functions to help the IPDU operate on a daily basis. This will involve working with the client to align these functions with the broader programme requirements

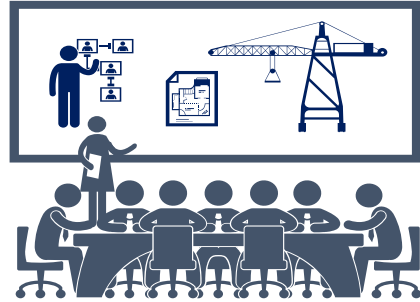


# Benefits of the IPDU



## Efficient delivery:

- ▶ Coordination of efforts across the housing, transportation and public works sectors and the development of an integrated programme of works. This involves breaking down silos and eliminating the duplication of work, thereby creating a more efficient process, from planning to execution which then results to a quicker and more effective delivery, in addition to cost savings in terms of time and resources.



## Capacity building:

- ▶ The IPDU will have the benefit of having blended international, regional and local expertise to build capacity and leave a self-sustaining and self-funding IPDU in the long-term.



## Risk transfer:

- ▶ The IPDU will focus on engaging the private sector and utilizing their experience and financing with a project structure that would result in an effective transfer of risks (such as construction risk, including cost and time overruns) from the government to the private sector.



## One-stop shop for investors:

- ▶ The IPDU will serve as a credible and collaborative partner of the private sector players that are interested in being involved in the housing and infrastructure works in Kenya. It can serve as a one-stop shop for investors wanting to participate in infrastructure activities in the country. The transparency and consolidation of all investment information within the IPDU will encourage investments by attracting reputable local and international investors and developers.

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# 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.

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