# Presentation to the Developers Consultative Roundtable

Housing Development Agency
**Activating the Development Agency Role**

21 November 2016

# Mandate

# Mandate to transform into an appropriately structured, capacitated and funded human settlements development agency

*Mandate to transform to a human settlements development agency …*

- Established in 2008 as a **public development agency focused on the acquisition and release of state, private and communally owned land for human settlement developments**, the HDA provides programme management services for the development of human settlements and other human settlements development services.

- In 2014, the national Minister of Human Settlements pronounced that the Ministry would like to see the **HDA transform into a fully-fledged public sector developer**.

- **Within Section 7(1) (a) - 7 (1) (l) of the Housing Development Agency Act 23 of 2008**, there are provisions to empower the HDA as a schedule 3(a) public development agency to perform the following roles /functions: *Land development*; Land acquisition; Programme planning and management; Technical capacity development support; *Leveraging additional assets, investments and resources from other spheres of government* and Community development.

# Objectives

**Development Agency role is distinct from the financier, construction / contractor, project management or implementing agent role …**



"**Implementing Agent** means the entity, organ of state, or business enterprise responsible for the implementation of the priority housing development area plan as identified in terms of these regulations" (HDA Act) – *HDA is currently undertaking this role*

**Development Agency role is distinct from the financier, construction / contractor, project management or implementing agent role …**



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**Project Managers** have the responsibility for planning, procurement and execution of projects (cost, time, scope and quality) - *HDA is currently undertaking this role*

## Development Agency role is distinct from the financier, construction / contractor, project management or implementing agent role …

**Developers are responsible for conceptualising, funding, planning, coordination, managing etc. of the process of property development from the beginning to end** …  converting plans, needs and ideas into property … adding value and taking risk

- This can include the acquisition of land, planning / designing, financing and construction, selling or managing.
- Developers typically work with many different counterparts along each step of this process, including architects, planners, engineers, surveyors, contractors, other developers and more.

**Development Agency role is distinct from the financier, construction / contractor, project management or implementing agent role …**



# Important to note that the developer role is not <u>only</u> the construction / contractor role nor the financier role

HDA to act as a project developer of sustainable, integrated human settlements on behalf of government to drive delivery …

**6 Pack**

**6** Monitoring the implementation of human settlements projects

**1** Accessing land for human settlements projects;

**2** Packaging of human settlements projects;

**3** Establishing delivery partnerships with the private sector;

**4** Mobilising, coordinating and investing funds;

**5** Facilitating the resolution of blockages; and

human settlements
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# Accessing land for human settlements

**The Human Settlement Spatial Investment Rational**

Result

developing a guide on spatial targeting for government investment

Create

national, but single project pipeline

Comply

set of criteria through our spatial investment framework that would

Call for

collaboration and coordination of operations

Ensure

spatial transformation in our communities and transform human settlement development

# Utilisation of state land in prioritised areas & catalytic projects

# Summary of Spatially prioritised municipalities for the Master Spatial Plan (MSP)

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HDA
HOUSING DEVELOPMENT AGENCY

land@thehda.co.za

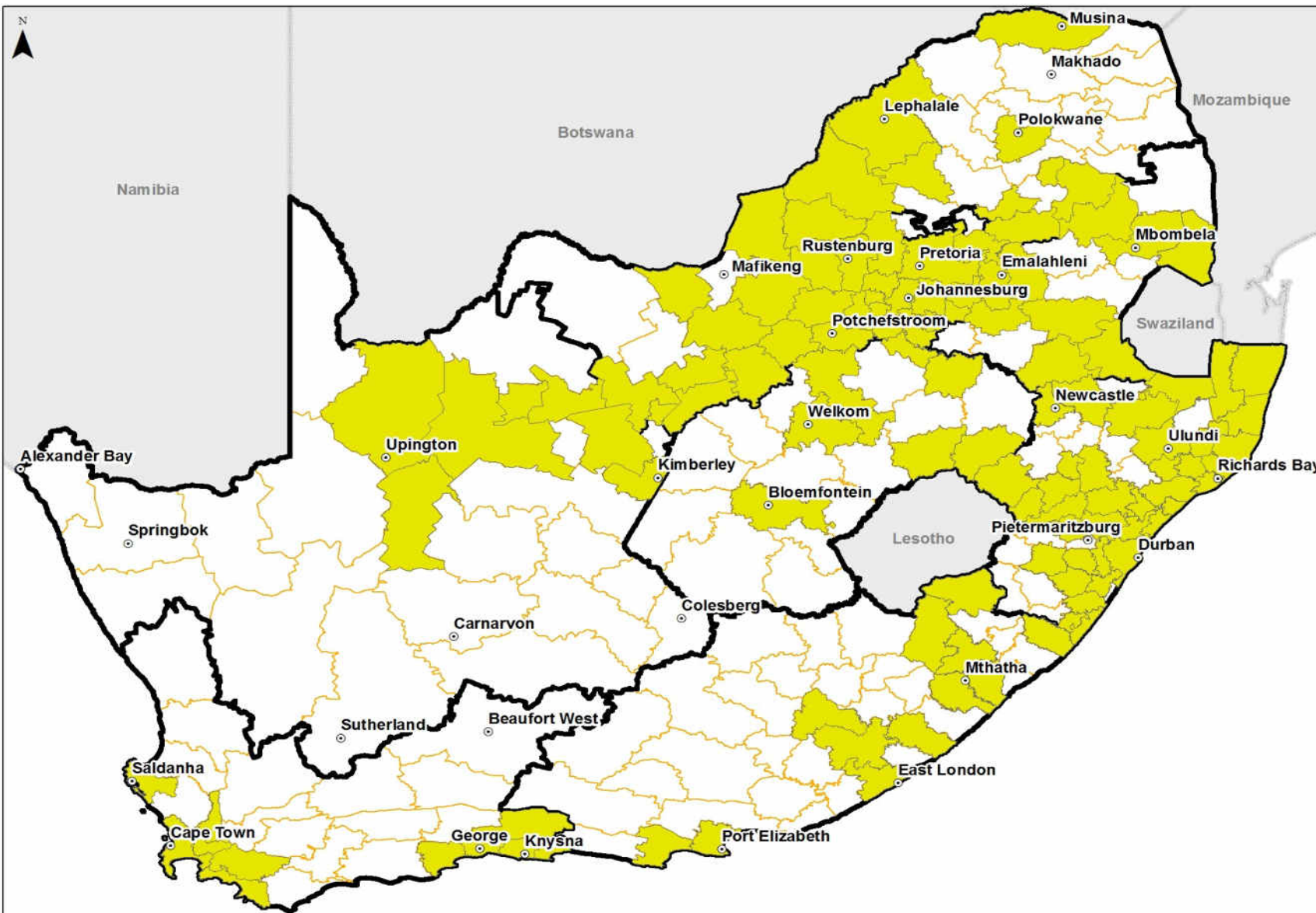**Legend**

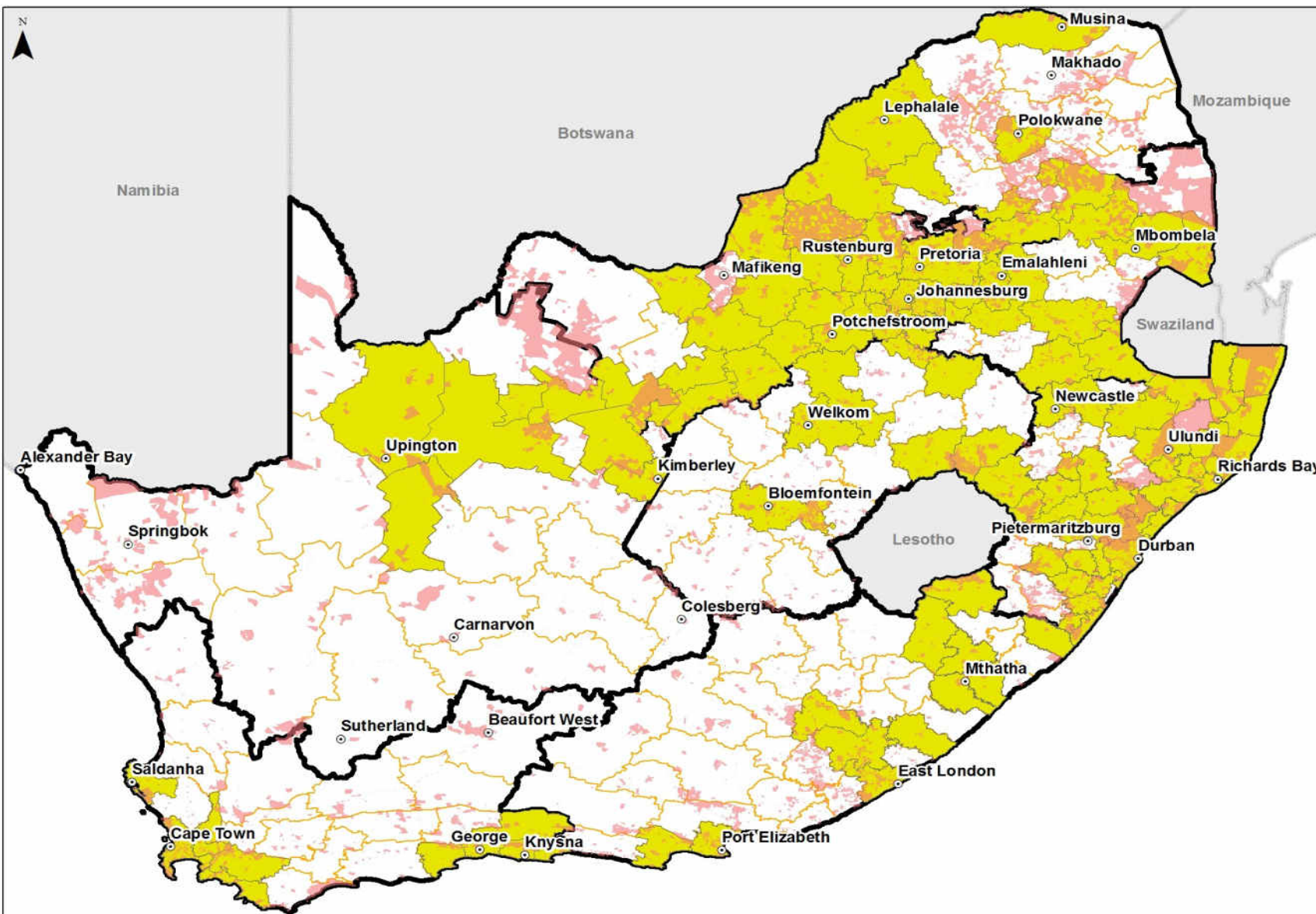Spatially Prioritised Municipalities

0  50  100 150 200 250
Kilometers

# State Land in relation to Spatially prioritised municipalities



**Legend**

- State land (pink)
- Spatially Prioritised Municipalities (yellow)

**Admin Boundaries**

- ⊙ Cities /Major Towns
- Provincial Boundary
- Local Municipality
- National Boundary

0 50 100 150 200 250 Kilometers

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# Recommended governement catalytic projects and spatially prioritised municipalities in relation to state-owned land

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## Legend

**Recommended Catalytic Projects**
- 🟢 Government
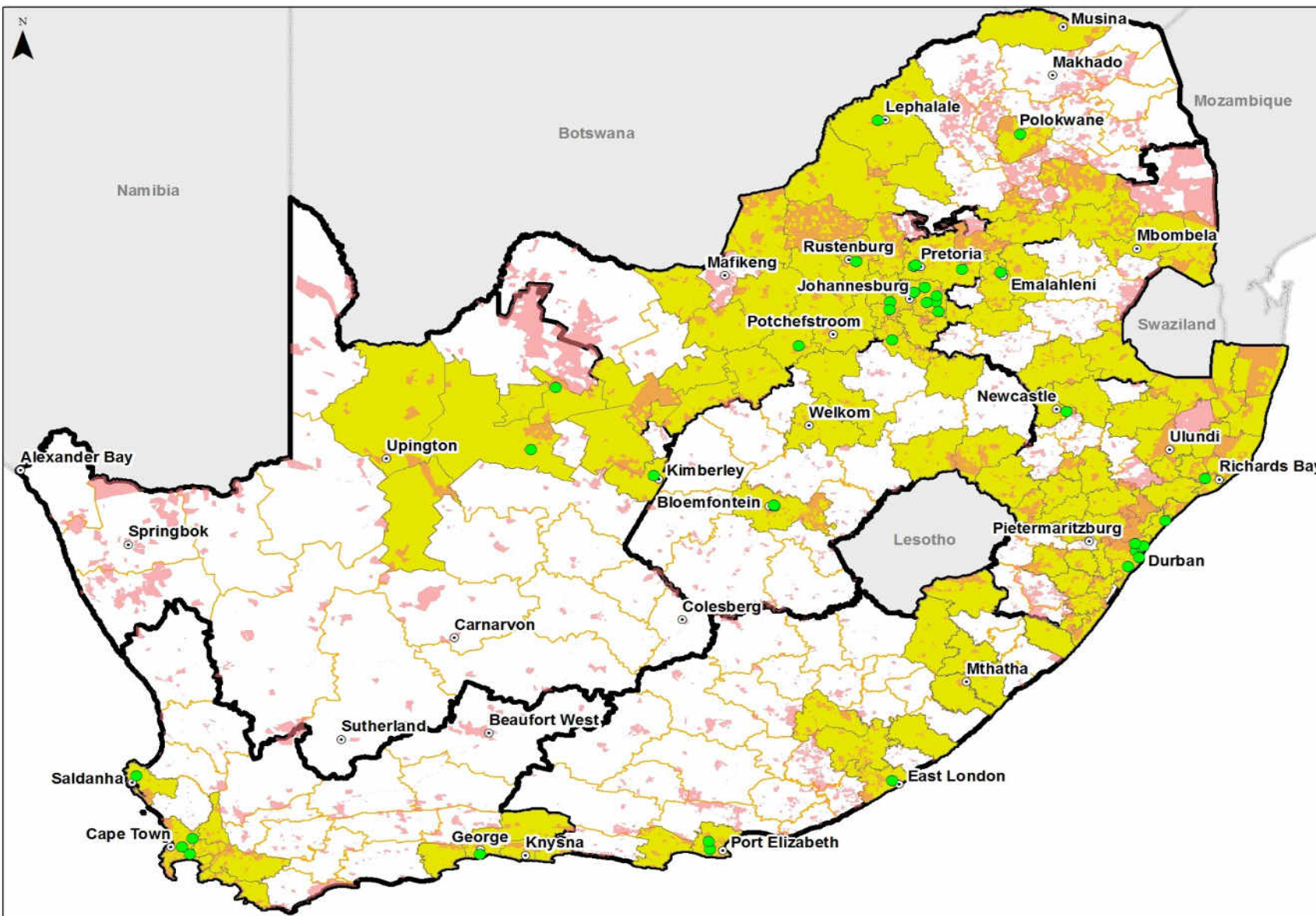
**DRDLR State Land Audit**
- 🟥 State Land Parcels

**Spatial Prioritisation**
- 🟨 Spatially Prioritised Municipalities

**Admin Boundaries**
- ⊙ Cities /Major Towns
- Provincial Boundary
- Local Municipality
- National Boundary

0  50  100 150 200 250
Kilometers

# Packaging of human settlements projects

# Rationale for HDA Project Assessment and Packaging

To understand the funding requirements and to determine which MTEF period the projects are most likely to require funding and/or support

Scrutinise data submitted by the project sponsors/proposers and verify their accuracy

Conduct one on one due diligence and technical interviews with project leaders to verify additional requirements such as transformational goals/targets, BEE status and clarification of outstanding project readiness data

Rank projects in terms of priority and ease of execution

Prepare for discussion with DHS, other Departments & Treasury regarding project specific funding requirements and allocations

Present to the Executive Authority the findings of the project assessments which could inherently assist in selecting and confirming National Priority Programmes/Projects (e.g.. Catalytic projects, Nusp, Mining Towns, etc.)

Identify which projects must be placed in an "incubation" process/program in order to mature to project readiness status

Identify which projects hold no real chance nor opportunity from ever breaking ground

# Establishing delivery partnerships with the Private Sector

Prioritised, targeted and focused resources (financial and non-financial) in the human settlement sector towards scale delivery;

Prioritise Inter-governmental support, co-ordination and alignment – both vertical & horizontal - to facilitate project planning, implementation and resolve project blockages related to government ~~rs and other related sector~~ g required for projects;

The HDA value Proposition to Private/ Non Governmental Partners

Communicate project impacts and innovations in terms of the spatial environment and as envisaged by the Human Settlement Spatial Investment Framework;

Undertake any necessary and possible measures within government to fast-track projects implementation through collaboration between human settlements, government sectors & partners;

Undertake any necessary and possible measures within government to ensure integrated project delivery, implementation and planning alignments;

Prioritise and assist with job creation especially among the youth and women located in the project areas;

The HDA value Proposition to Private/ Non Governmental Partners

Work with Partners in driving the Human Settlements Sector Transformation Agenda

# Mobilising, coordinating and investing funds

# Funding Arrangements

Mixed development / settlement funding arrangements – based on case studies of mixed income developments undertaken to date

**Bulk and connector Services funded by the state (MIG)**

**Market housing & commercial land uses - 100% funded by the private sector, (reduced land cost)**

**Subsidy housing - 100% funded by the state (USDG/HSDG)**

**Gap Housing - Top structure funded by the private sector, land cost by the state**

**Public amenities (Schools, clinics, etc.) funded by the state**
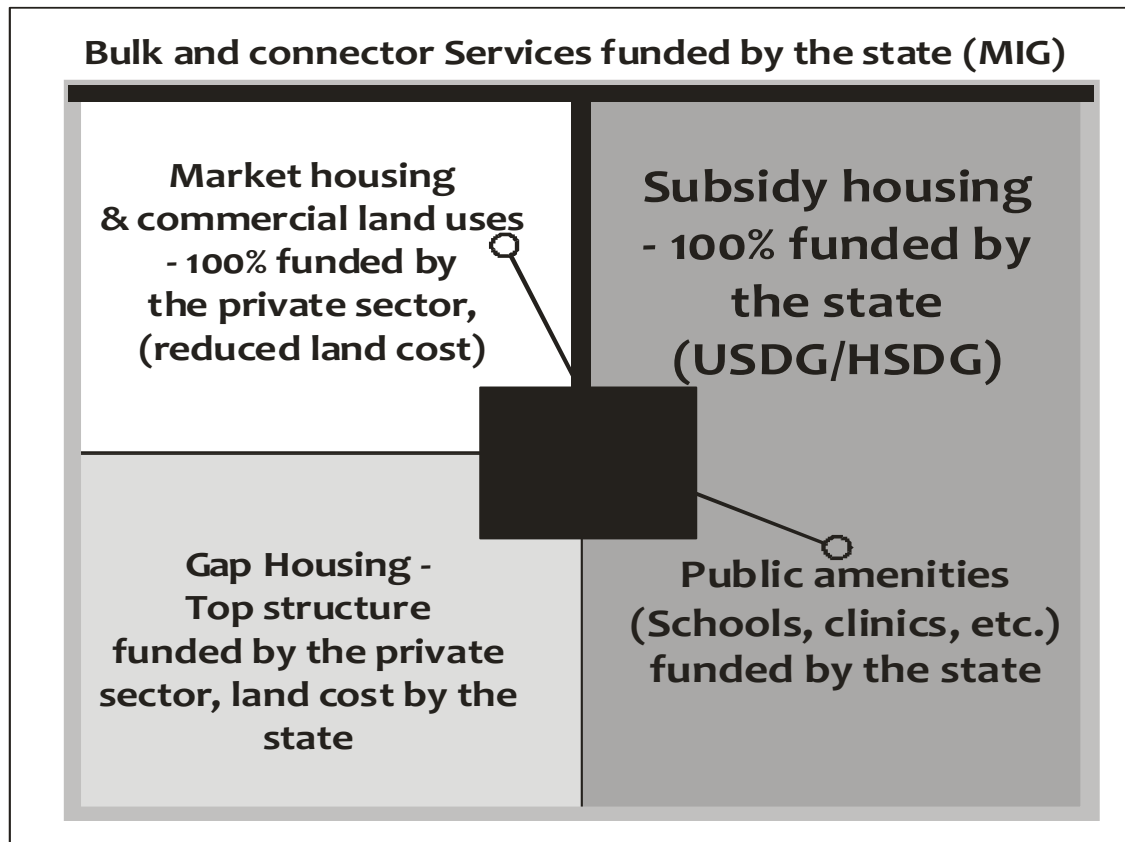
**Combinations/ arrangements will be adapted based on specific project requirements and recommendations from transaction advisors**

# Funding Arrangements
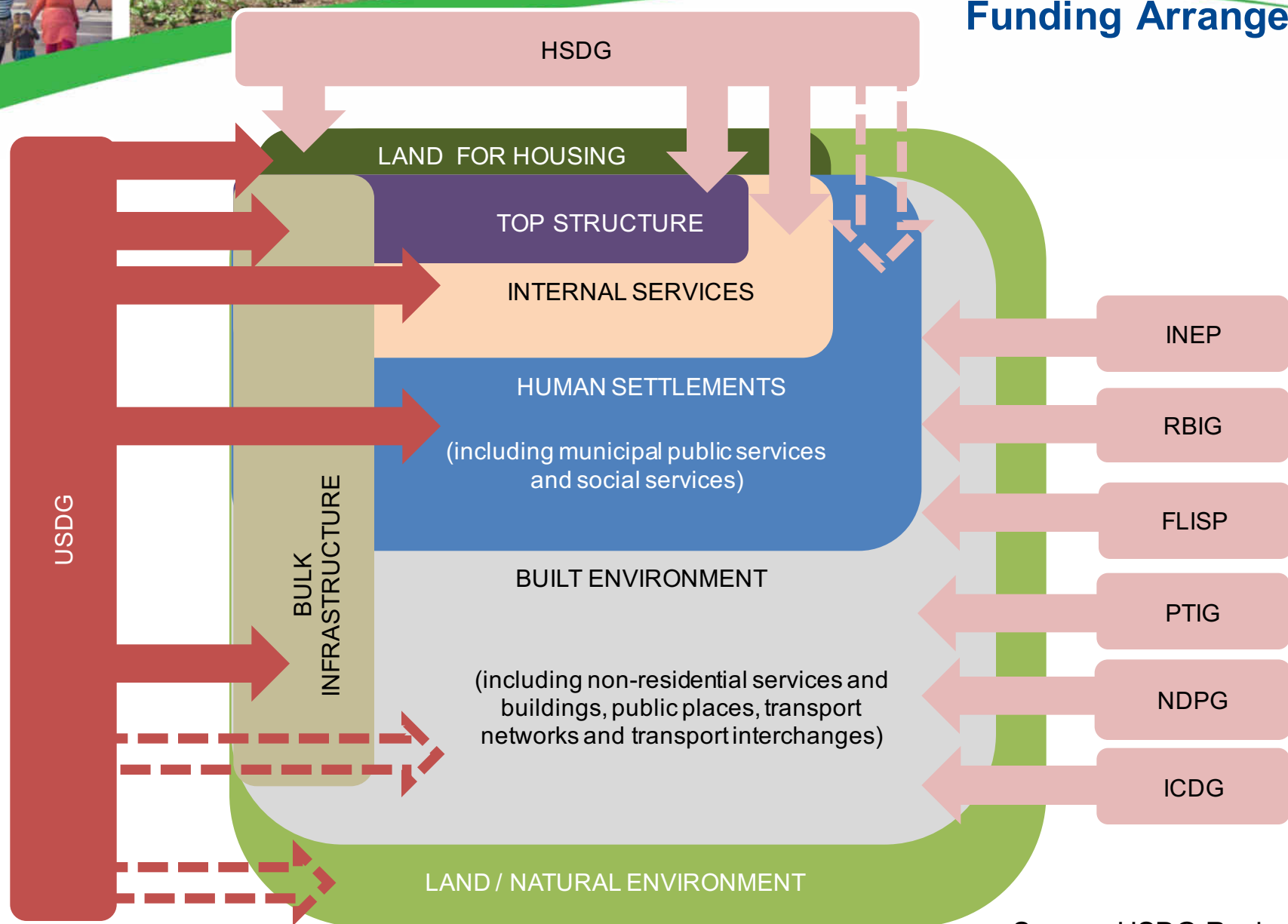
Source: USDG Review - 2014

# Facilitating the resolution of blockages

# There is a clear need in the human settlements sector and a defined role for the HDA as a human settlements development agency

- **There is a clear need for the proposed developer role for the HDA particularly to:**
  - address housing supply where the public sector is failing to perform, and/or
  - the private sector is reluctant to invest including for example public sector mixed income developments, mining towns and the lowest end of the affordable market.

- **The role is framed and scoped so as to address the need, but not crowd out the private sector or interfere with other government sphere mandates.**

## Human Settlements Challenges

| High Need for Housing | Insufficient Public Sector Delivery | Declining Private Sector Delivery | Poor Human Settlement Outcomes | Fragmented Funding Framework |
| --- | --- | --- | --- | --- |

### Some of the root causes …

- Population growth, rapid urbanisation and persistent poverty
- Under expenditure at municipal and provincial level within a complex subsidy regime
- Weak IGR and coordination and alignment of funding streams
- Lack of large scale and spatially targeted, integrated and sustainable human settlements
- Participation of private sector in human settlements to support public policy goals is limited (perceived risk)
- Limited forward planning and technical capacity to plan and implement key projects/programs

# How can the HDA address sectoral challenges?

## Response required

| | |
|---|---|
| **1** **High Need for Housing** | • Improved national spatial planning<br>• More rapid urban / new settlement planning and development<br>• Better integrated and sustainable settlements |
| **2** **Insufficient Public Sector Delivery** | • Land acquisition<br>• Mobilisation of technical, programme and project management skills<br>• Improved financial packaging and fund mobilisation |
| **3** **Declining Private Sector Delivery** | • De-risking projects though unblocking and related interventions (e.g. expediting plans)<br>• Securing funding for critical infrastructure<br>• Ensuring funding (esp. subsidy) flows |
| **4** **Poor Human Settlement Outcomes** | • Improved spatial planning<br>• Better programme, project as well as contract management<br>• Building public-private partnerships |
| **5** **Fragmented Funding Framework** | • Improving IG coordination and funding packaging<br>• More effective fund management<br>• Mobilising other public and private resources (in addition to HSDG) |

# Monitoring the implementation of human settlements projects

# Theory of Change: Monitoring plan

**Red column (left):**
- UN Sustainable development goals
- UN Habitat New Urban Agenda
- National development Plan
- IUDF
- SPLUMA
- Human Settlements Master Spatial Plan;
- Others

**PRE PLANNING**

**Enablers of scale**
- Policy & Institutional requirements
- Financial and Investment requirements
- Partnerships and Collaboration options

## OUTCOMES

| The transformation and empowerment | Value Engineering and industrial Approaches | Response to urbanisation |
|---|---|---|

## INDICATORS

| Project and construction management | Spatial Transformation | Return on Investment |
|---|---|---|

# Business model and high level functional structure

# High Level Design: *Old*
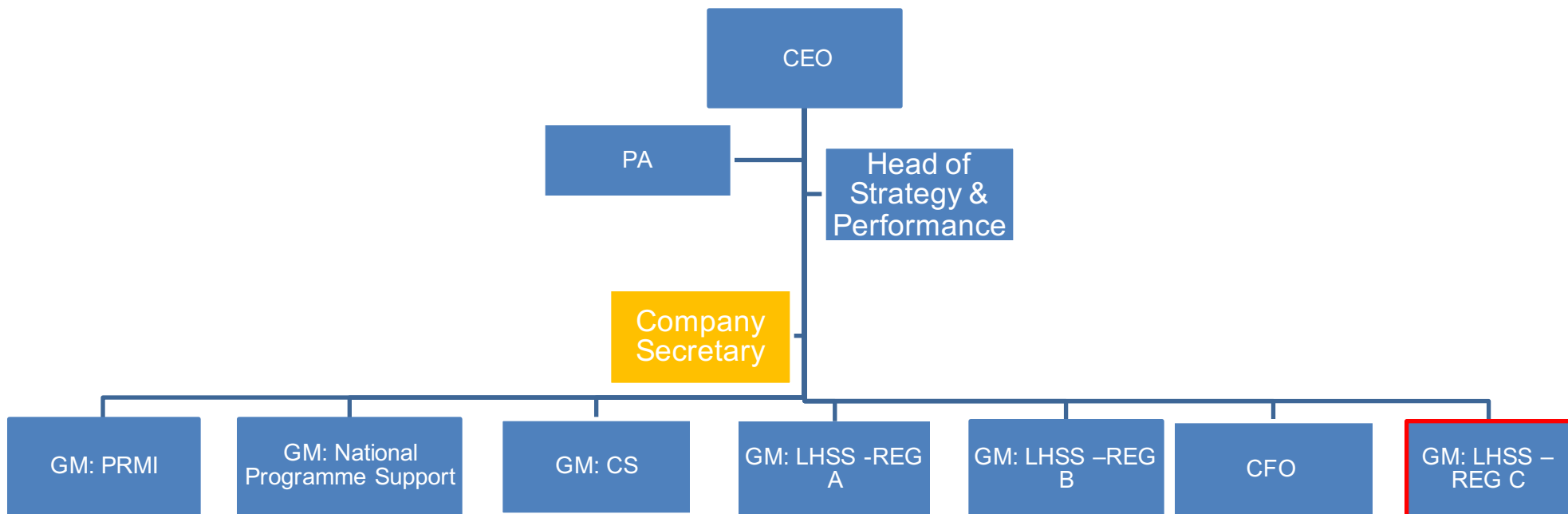
# Towards a New HDA Business / Delivery Model

| (1) Project identification | (2) Project selection | (3) Project packaging | (4) Delivery support (Implementation) | (5) Closure / Handover |
|---|---|---|---|---|

*Programme Allocation*

*Requests, etc.*

**Programme Design Planning & Management**

**Strategic Information & Inter-Governmental Relations**

**Development Management**

**Development 1**

**Development 2**

**Development ....**

**Sect 29 Projects**

**HDA exit**

**Pipeline of projects**

**Priority projects**

**Funds Mobilisation & Management**

*Core Funding*

*Core Funding*

**Technical Support / Specialists (Town & Regional Planning; Land Assembly)**

*Panel of Professional Services Providers*

**(6) Monitoring**

**Strategic Information**

**Land & Housing Support Services**

*Regional points – Technical / IGR Support / Unblocking … HDA may at times also be appointed as Implementing Agent*

*Core Funding*

*Cost Recovery*

*Core Funding*

Governance & Administration

# A developer perspective requires the HDA to have a number of key functions centred on development management as a critical function…

**Strategy**

**Support / Crosscutting functions**

**Development Management**

**Programme Design & Management**

**Financial Management**

**Human Resources**

**Corporate Services**

**Strategic Spatial Planning**

**Land Assembly ***

**Project Packaging**

**Technical Analysis ****

**Urban / Development Planning**

**Financial Modelling**

**Funding Mobilization & Management**

**Legal (Transactions)**

**Procurement & Contract Management**

*Functions mainly or partially outsourced (project-linked)*

**Business Intelligence / GIS**

**IG & Stakeholder Management**

**Monitoring and Evaluation**

\* Includes:  Acquisition;  Holding;  Release
\*\* Includes: Includes:  Spatial;  Transportation;  Economic;  Geotechnical;  Land Legal;  Infrastructure ;  Environmental  etc.

# HDA will have to build towards its overall developer role in a phased manner in line with resources

*Initial focus on a limited number of catalytic projects to test approaches, mobilise resources and build partnerships …*

**HDA land acquisition role(implements sector land assembly / release plans)**

**HDA programme implementation agency (Programme Management)**

**HDA public sector developer role**

| | | |
|---|---|---|
| Medium term operational support plans/IPs concluded with provinces specific areas of support | HDA assigned as programme manager to national priority programmes/projects | HDA act as a property developer |
| Implementing Agent (IA) on 2 priority projects (as Section 29 mandates | Additional operational funding assigned (ring-fenced linked to business plans) | HDA directly implementing specific projects as "developer/IA/PM" |
| Implementing Agent/programme management of key provincial projects/programs | | Additional operational and capital funding would have to be assigned – based on business case/plan |

**Executive Authority, Accounting and Management**

Executive Authority, Minister Lindiwe Sisulu

**Left to Right**

Mr. M. Mutheiwana
Ms. T.S Songelwa
Ms. R Moola
Mr. M Msimang (Chair)
Mr. P Moloi
Mr. P.A Singh
Ms. L.C Archary

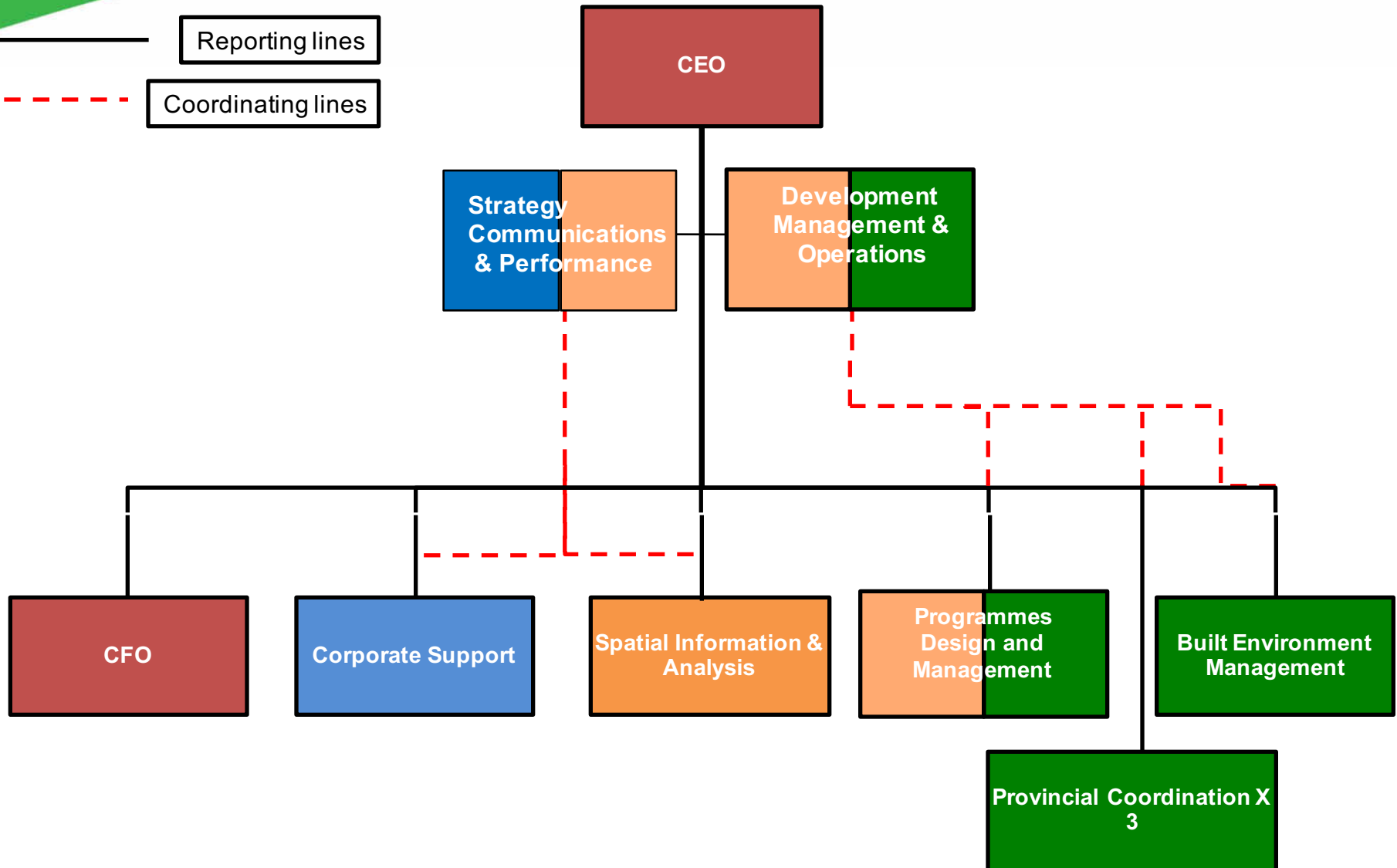The Accounting Authority The Board of Directors

The Executive Management Team

# Overall Organisational Structure: *THE NEW*

Reporting lines

Coordinating lines

CEO

Strategy Communications & Performance

Development Management & Operations

CFO

Corporate Support

Spatial Information & Analysis

Programmes Design and Management

Built Environment Management

Provincial Coordination X 3

# HDA Executive Committee

- Chief Executive Officer

  Pascal Moloi

- Chief Financial Officer

  Rooksana Moola

- Executive Performance Management and Strategy

  Mcezi Mnisi

- Development Management and Operations

  Mandla George

- Executive: Strategic Initiatives

  Willem Steenkamp

- National Programmes Design and Management

  Daphne Ngoasheng

- Spatial Information and Analysis

  Johan Minnie

- Built Environment Implementation

  Mooketsi Mphahlele

- Cooperate Services

  Rashida Issel

- Region A
  - Eastern Cape
  - Western Cape
  - Northern Cape

  Bosco Khoza

- Region B
  - North West
  - Limpopo
  - Gauteng

  Lucien Rakgoale

- Region C
  - Mpumalanga
  - KZN
  - Freestate
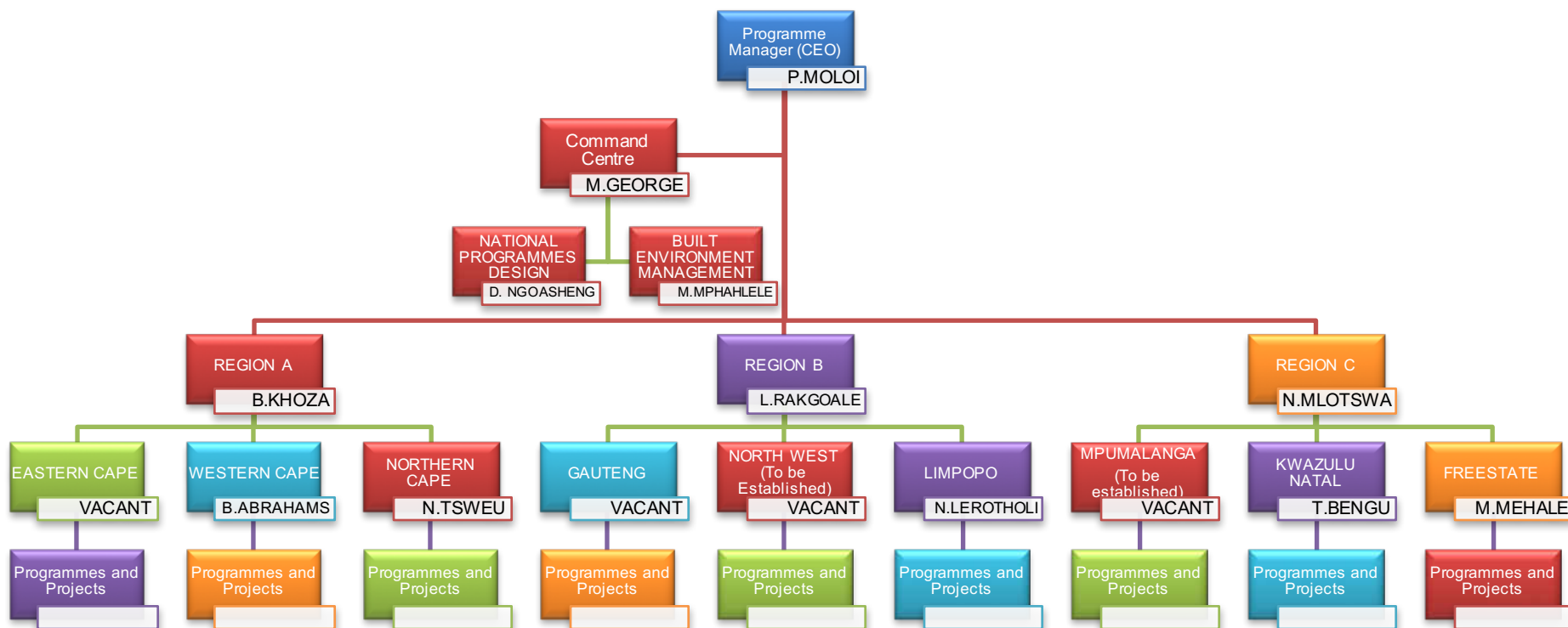
  Nomsa Mlotswa

human settlements
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Human Settlements
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HDA

# Operational Arrangements

# PROGRAMMES AND PROJECT MANAGEMENT STRUCTURES

# Funding

# Financial Implications

## *Financial assumptions*

- Limit the budget implications, i.e. operate as far as possible within the existing budget envelope through re-allocating resources internally

- Limit overheads to maximise resources focused on project delivery

- Current regional support to become fully-cost recovery over time

- Develop a core team of professionals and in-source technical, project management and related resources linked to projects

- Cover the cost of development directly from projects (development management fees)

## *Funding sources*

- Core staff and administration to be covered from annual transfers

- Regional (MTOP) support to be cost recovery paid for by clients

- Developments will be funded to a very limited extent (senior development managers) from core funding with all remaining project management and technical requirements to be funded from a development management fee (initially set at 5%).

- Leveraging and packaging private sector funding

# Capital Budget Considerations: Illustrative

- Initial estimate of costs in respect of delivering 5 major projects is some R 27 billion in capex delivering some 108,000 housing units.

- The full cost of these redevelopments will need to be raised from available resources including HSDG, MIG as well as private and other funding.

- The HDA's costs are expected to be recovered from a development management fee. However it has been assumed that in the short-term there will be shortfall in recovery as projects are packaged and funding is secured. The current budget for the development management functions at some R200 million per annum is sufficient to deliver some R4 billion capital.

| | Total Budget | Estimate of Total Budget Spend | | | | |
| --- | --- | --- | --- | --- | --- | --- |
| | | 2016/17 | 2017/18 | 2018/19 | 2019/20 | 2020/21 |
| Development management | 1,358,425,180 | 227,437,166 | 224,307,085 | 224,307,085 | 224,307,085 | 224,307,085 |
| Professional fees | 4,890,330,647 | 818,773,797 | 807,505,504 | 807,505,504 | 807,505,504 | 807,505,504 |
| Capex | 27,168,503,592 | 4,548,743,317 | 4,486,141,691 | 4,486,141,691 | 4,486,141,691 | 4,486,141,691 |
| **Total** | **33,417,259,418** | **5,594,954,280** | **5,517,954,280** | **5,517,954,280** | **5,517,954,280** | **5,517,954,280** |

| Cost Category | Rate % | Amount | |
| --- | --- | --- | --- |
| **Total Project Cost** | | R | **33,417,259,418** |
| Development management | 5% | R | 1,358,425,180 |
| Professional fees | 18% | R | 4,890,330,647 |
| Project management | Incld. in Prof Fees | | |
| Capex | 81% | R | 27,168,503,592 |
| **Total Project Cost** | | R | **33,417,259,418** |

# Achievements to date…

# Summary of housing units delivery (completed and in progress) by the HDA as at Quarter 2

| Province | Municipality | Completed | | In Progress | | Grand Total | Total delivery by Province |
|---|---|---|---|---|---|---|---|
| | | 15/16 | 16/17 | 15/16 | 16/17 | | |
| **Eastern Cape** | Nelson Mandela Bay Metropolitan Municipality | | 1 414 | | 1 567 | 2 981 | 13 074 (23%) |
| **Gauteng** | City of Johannesburg Metropolitan Municipality | 172 | 650 | 90 | 295 | 1 207 | 4 996 (34%) |
| | Ekurhuleni Metropolitan Municipality | | 0 | | | 0 | |
| | Mogale City Local Municipality | | 500 | | 0 | 500 | |
| **Limpopo** | Military Veterans / Disaster Relief Housing | | 309 | | 35 | 344 | 6 667 (5%) |
| **Western Cape** | City of Cape Town Metropolitan Municipality | | 771 | | 1 545 | 2 316 | 5 998 (38%) |
| Grand Total | | **172** | **3 644** | **90** | **3 442** | **7 348** | 24 735 (30%) |

We are happy to have put smiles across an approximate 37 thousand faces

# Return on investment, created by the HDA

| Province | Capital Exposure | Commitment | Capital Funding Received | Acutal Spending | % Expenditure |
|---|---|---|---|---|---|
| Eastern Cape | R  2 431 766 143 | R 139 358 972 | R 122 827 495 | R 152 447 137 | 124% |
| Gauteng | R  2 261 240 043 | R 841 030 913 | R  661 342 796 | R 190 787 877 | 29% |
| Western Cape | R 1 502 909 094 | | | | |
| Limpopo | R 1 412 494 000 | R 229 151 000 | R 212 350 902 | R 148 195 497 | 70% |
| Northern Cape | R 332 570 380 | R 46 100 000 | R 32 300 000 | R  6 148 931 | 19% |
| **Total** | **R  7 940 979 660** | **R  1 255 640 885** | **R  1 028 821 193** | **R   497 579 442** | 48% |

| | |
|---|---|
| Revenue (Grant, MTOPs, 5%, interest): | R 282 000 000 |
| Value created in the sector by the HDA in relation to Funds Committed | 22.46% |

# *THANK YOU*