

higher education & training

Department: Higher Education and Training REPUBLIC OF SOUTH AFRICA DEVELOPMENT BANK OF SOUTHERN AFRICA Building Africa's Prosperity





Department: National Treasury REPUBLIC OF SOUTH AFRICA

STUDENT HOUSING INFRASTRUCTURE PROGRAMME (SHIP)

PROJECT TEASER: Phase 2 - Cluster 2 Overview, Structuring and Timelines

November 2021





- **1. PURPOSE OF TEASER**
- 2. OVERVIEW OF THE SHIP
- **3. KEY STAKEHOLDERS IN SHIP**
- 4. OVERVIEW OF THE SHIP: CLUSTER 2 PROJECTS
- 5. COMMERCIAL STRUCTURE AND INTRODUCTION OF THE FUNDING SPV
- 6. MANAGEMENT OF THE FUNDING SPV
- 7. NEXT STEPS AND TIMELINES







Purpose Of Teaser



PURPOSE OF TEASER

- To share preliminary information pertaining to Phase 2 of the Department of Higher Education and Training's (DHET) Student Housing Infrastructure Programme (SHIP), including an overview of:
 - Project details: description, commercial, technical and legal consideration and timelines.
 - Proposed financial structure / blended finance solution.
- Thus, enabling the Infrastructure Fund (IF) and SHIP Management Office (SHIP MO) to gather market intelligence/ input and assess market appetite for the SHIP ahead of issuing the request for proposals (RFP) and to use such information from potential funders will be used to strengthen the bankability of SHIP.





Overview of the SHIP





OVERVIEW OF THE SHIP

- South Africa's post-school education and training (PSET) system, under the oversight of DHET, comprises universities and technical vocational education and training (TVET) colleges.
- Access to decent and affordable student housing for all students, and in particular those from disadvantaged backgrounds, is necessary to improve the quality, outputs and outcomes of the PSET system.
- The student housing market in South Africa is underdeveloped as an investable asset class. SHIP seeks to ensure that student housing is developed into an attractive and reliable asset class for potential investors, thereby attracting the new and greater sources of financing into this market.
- In 2019, DHET announced that the SHIP aims to develop approximately 300 000 new beds, over a 10-year period, at 26 public universities and 50 public TVET colleges throughout South Africa.
- SHIP is to be implemented in 5 phases:
 - Phase 1: approximately 19 561 beds contracted in 2019, projects currently under construction.
 - Phase 2: 24 398 beds, to be contracted during 2024-2025.
 - Phase 3: 45 000 beds. Obtained approval by the Oversight Committee and is currently at demand analysis stage, planned for 2025-2026.
 - Phase 4 & 5: 211 041 beds, planned for 2026-2030.



SHIP OVERVIEW - TARGET SNAPSHOT





		1				
Financial Year	Phase 1 Beds	Phase 2 Beds	Phase 3 Beds	Phase 4 Beds	Phase 5 Beds	Total
20/21	3 273		-	-	-	3 273
21/22	-	-	- 1	-	-	0
22/23	6 448	-	-	-	-	6 448
23/24	6 340	7 348	L .	-	-	13 688
24/25	3 500	17 050	22 500	-	-	43 050
25/26	- 1	-	22 500	30 000	-	52 500
26/27	-	-	-	30 000	40 000	70 000
28/29	-	-	-	30 000	40 000	70 000
29/30	-	-	-	-	44 313	44 313
Total Beds	19 561	24 398	45 000	90 000	121 041	300 000





Phase 2 Summary

Phase 2 of SHIP is split into 3 clusters as indicated in the below table:

Cluster 1	Cluster 2	Cluster 3
University of Johannesburg - 2048	Tshwane University of Technology 3500	Cape Peninsula University of Technology - 2150
Lephalale TVET College - 1200	Gert Sibande TVET College - 1500	Northlink TVET College - 1500
Vhembe TVET College – 1300	University of KwaZulu Natal – 3000	Central University of Technology - 2000
Sekhukhune TVET College – 1500	Majuba TVET College – 1500	Walter Sisulu University - 3200
TOTAL = 6 048 beds	TQTAL = 9 500 beds	TOTAL = 8 850 beds

The feasibility studies for Cluster 2 are complete and, accordingly, this **Project Teaser relates to Cluster 2 of Phase 2**.





Key Stakeholders in SHIP





KEY STAKEHOLDERS IN SHIP

Overview

DEPARTMENT OF HIGHER EDUCATION AND TRAINING (DHET)

Policy and norms and standards setter, provides oversight, planning, monitoring and support for student housing.

NATIONAL TREASURY (NT)

Allocates grant funding for the provision of student housing, through various mechanisms, including Capital Infrastructure and Efficiency Grant (IEG/ CIEG) funding and Budget Facility for Infrastructure (BFI). Through DHET allocates NSFAS funding.

INSTITUTIONS

PSETs that participate in the SHIP programme.

Provide the mandate to procure student housing and provide own funding contributions.

INFRASTRUCTURE FUND (IF)

Structures and arranges blended financing for the SHIP.

SHIP MANAGEMENT OFFICE (SHIP MO)

Provides project management support for the implementation of SHIP.







KEY STAKEHOLDERS IN SHIP

Governance Framework

- SHIP will be governed by an Oversight Committee, with representation by DHET, DBSA SHIP MO and NT.
- Procurement will be undertaken by the respective universities and TVET colleges assisted by SHIP MO:
 - SHIP MO has worked closely with the Cluster 2 universities and TVET colleges to prepare feasible projects.
 - SHIP MO seeks to *standardise* the procurement documentation.
 - PSETs will procure SHIP projects in terms of their own supply chain policies and in a *fair, equitable, transparent, competitive and cost-effective* process.
- The Oversight Committee will ensure project governance, procurement and management are beyond reproach.





Overview of the SHIP: Cluster 2 Projects



OVERVIEW OF PHASE 2: CLUSTER 2 PSETS

- **Overview of the SHIP cluster 2 projects:**
 - Cluster 2 comprises of 2 public universities and 2 TVET colleges within South Africa.
 - The project aims to accelerate the development of undergraduate student housing, to be developed as new build facilities.
 - A total allocation of 9 500 beds will be delivered, split as follows:

PSETS	Training Type	Province	Number of Beds
University of KwaZulu-Natal (UKZN)	University	KwaZulu-Natal	3 000 beds
Tshwane University of Technology (TUT)	University	Gauteng	3 500 beds
Gert Sibande TVET college	TVET college	Mpumalanga	1 500 beds
Majuba TVET college	TVET college	KwaZulu-Natal	1 500 beds
		Total Beds	9 500 beds

The number of beds per PSET is further allocated amongst selected campuses. A breakdown
of the number of beds per campus is provided in the next slide.





OVERVIEW OF PHASE 2: CLUSTER 2 PSETS

Number of beds per campus

• The below table provides a breakdown of the number of beds per campus:

UKZN		тит		Gert Sibande TVET		Majuba TVET	
Campus	No. of Beds	Campus	No. Of Beds	Campus	No. of Beds	Campus	No. of Beds
Edgewood	600 beds	Soshanguve	1 100 beds	Sibaneseftu	900 beds	Newcastle	1 500 beds
Westville	900 beds	Pretoria	1 800 beds	Perdekop	600 beds		
Pietermaritzburg	1 500 beds	Ga-Rankuwa	600 beds				

• Project overview and brief technical description for each PSET is provided in the subsequent slides.



PROJECT OVERVIEW & TECHNICAL DESCRIPTION (UKZN)

PIETERMARITZBURG CAMPUS

SITE CHARACTERISTICS

- Land Size & Ownership (3.01 ha, Institution owned)
- Zoning: Educational
- Adjacency to campus: 2.2km (within campus developments)
- Geotechnical: supports development

CAMPUS ENROLLMENT

- Total Student Housing (SH) beds (3 212)
- Total enrolled (9 292)
- % accommodated (34.6%)

EFFECTIVE MARKET GAP

- Near term demand = ±750 to 1 000 beds
- Medium-term demand = ±2 500 to 3 000 beds

All land is secured and owned by the PSET



WESTVILLE CAMPUS

SITE CHARACTERISTICS

- Land size & ownership (1.67 ha, Institution owned)
- Zoning: Educational & Public assembly
- Adjacency to campus: 1 km (within campus)
- Geotechnical: supports development

CAMPUS ENROLLMENT

- Total Student Housing (SH) beds (5 314)
- Total enrolled (12 174)
- % accommodated (43.7%)

EFFECTIVE MARKET GAP

- Near term demand = ±1 000 to 1 250 beds
- Medium-term demand = ±2 500 to 3 000 beds

EDGEWOOD CAMPUS

SITE CHARACTERISTICS

- Land size & ownership (1.01 ha, Institution owned)
- Zoning: Educational
- Adjacency to campus: 1.1km (within campus)
- Geotechnical: supports development

CAMPUS ENROLLMENT

- Total student housing beds (4 176)
- Total enrolled (7 072)
- % accommodated (59%)

EFFECTIVE MARKET GAP

- Near term demand = ±1 000 to 1 250 beds
- Medium-term demand = ±2 500 to 3 000



PROJECT OVERVIEW & TECHNICAL DESCRIPTION (TUT)

PRETIORIA MAIN CAMPUS

SITE CHARACTERISTICS

- Land Size & Ownership (17.1 ha, Institution owned)
- Zoning: Special
- Adjacency to campus: 1.4 km (within campus)
- Wetlands & Watercourses within 32m: Identified
- Heritage: Cultural & archeological & paleontological significance

CAMPUS ENROLLMENT

- Total Student Housing (SH) beds (6 294)
- Total enrolled (24 274)
- % accommodated (25%) excluding accreditation (15 636)

EFFECTIVE MARKET GAP

- Near term demand = 1 500 to 2 000 beds
- Medium-term demand = 3 000 to 3 500 beds

All land is secured and owned by the PSET



GA-RANKUWA CAMPUS

SITE CHARACTERISTICS

- Land size & ownership (3.1 ha, Institution owned)
- Zoning: Government & undetermined
- Adjacency to campus: 1 km (within campus)
- Geotechnical: Clayey materials present (geotechnical investigation required)

CAMPUS ENROLLMENT

- Total student housing beds (1 042)
- Total enrolled (5 749)
- % accommodated (18.12%) excluding accreditation (2 389)

EFFECTIVE MARKET GAP

- Near term demand = 800 to 900 beds
- Medium-term demand = 1 500 to 2 000 beds

SOSHANGUVE CAMPUS

SITE CHARACTERISTICS

- Land size & ownership (10.5 ha, Institution owned)
- Zoning: Institutional
- Adjacency to campus: 1km (within campus)
- Geotechnical: Potential expansive soils

CAMPUS ENROLLMENT

- Total student housing beds (4 521)
- Total enrolled (12 276)
- % accommodated (26.83%) Excluding accreditation (2 585)

EFFECTIVE MARKET GAP

- Near term demand = 1 000 to 1 500 beds
- Medium-term demand = 2 500 to 3 000 beds



PROJECT OVERVIEW & TECHNICAL DESCRIPTION (GERT SIBANDE)

SIBANESETFU CAMPUS

SITE CHARACTERISTICS

- Land Size & Ownership (1.48 ha, Tribunal Land DRDLR)
- Zoning: Agricultural
- Adjacency to campus: 2.6 km (off campus)
- Heritage: development in excess of 0.5ha

CAMPUS ENROLLMENT

Total Student Housing (SH) beds (0), Total enrolled (1 086); % accommodated (0%)

EFFECTIVE MARKET GAP

Near term demand = 500 to 550 beds Medium-term demand = To be re-assessed after completion of phase

Land not all institution owned, the tribal authority has granted permission and application submitted to Department of Rural Development and Land Reform for approval.



Medium-term demand = 750 to 1 250 beds

DBSA DEVELOPMENT BATK OF SOUTHERN AFRIC

PROJECT OVERVIEW & TECHNICAL DESCRIPTION (MAJUBA)

NEWCASTLE CAMPUS (OLD SAPS BARRACKS) – PREFFERED

SITE CHARACTERISTICS

- Land size & ownership (6.5 ha, DPWI)
- Zoning: Education
- Adjacency to campus: 0.2km (off campus)
- Geotechnical: Information not available (Geotechnical investigation required)
- Heritage: development in excess of 0.5ha

CAMPUS ENROLLMENT

- Total student housing beds (0)
- Total enrolled (3 948)
- % accommodated (0%)

EFFECTIVE MARKET GAP

- Near term demand = 800 to 850 beds
- Medium-term demand = 1 500 2 000 beds

NEWCASTLE CAMPUS (OLD CASINO) - ALTERNATIVE

SITE CHARACTERISTICS

- Land size & ownership (4.6 ha, District Municipality)
- Zoning: Private open space
- Adjacency to campus: 1.8km (off campus)
- Geotechnical: Information not available (Geotechnical investigation required)
- Wetlands & Watercourses within 32m: A small southeastern portion of the site consists of wetland
- Heritage: High paleohistological

Land not institution owned, has not been secured, discussions are ongoing.





OVERVIEW OF PHASE 2: FUNDING SUMMARY

Overview of the SHIP Cluster 2 programme:

Based on the outcomes of the feasibility studies for the Cluster 2 PSETs, the total funding required is approximately R 3 043 million.

Funding Source	UKZN	тит	Gert Sibande TVET	Majuba TVET	Total (Rm)
Debt Capital Market	R 188m	R 210m	R 109m	R 103m	R 610m
BFI	R 611m	R 657m	R 222m	R 202m	R1 745m
(DHET)	R Om	R 80m	R 160m	R 160m	R 400m
(IEG)	R 75m	R 88m	R Om	R Om	R 163m
PSET own funds	R 48m	R 54m	R 13m	R 12m	R 128m
Total	R 973m	R 1 089m	R 504m	R 477m	R 3 043m

DHET Allocations & IEG grants:

- IEG funding is to be provided through the Infrastructure and Efficiency Grant.
- Confirmation and quantum of the IEG funding is pending approval from DHET.
- The total grant funding to be provided is approximately 18.5%

PSET own funds:

- PSETS are expected to provide approximately 4.2% from their own funds.
- Confirmation and quantum of the PSET own funds will follow from PSET councils once approval has been received to proceed with the procurement of their respective projects.



TOTAL FUNDING SOURCES SPLIT

BFI

DHET





OVERVIEW OF PHASE 2

Participation in the SHIP by Institutions

- The PSETs have signed a collaboration agreement with SHIP MO for the procurement and delivery of the projects.
- The feasibility studies for all projects have been completed and approvals from the PSET councils is required to commence with the procurement process.
- SHIP MO will (amongst other support) help the PSETs to prepare their projects, raise funding (together with the IF) and obtain the necessary approvals to implement the projects.
- The PSETs will remain the project owners, they will undertake the procurement for the projects and will assume the commercial responsibility for the success of their projects, including the financing thereof.





Commercial Structure and Introduction of the Funding SPV





COMMERCIAL STRUCTURE

Institutional Framework

- The commercial structure and contractual framework *is being finalised* by the stakeholders, however, we anticipate that the commercial structure will be as depicted herein.
- A Funding SPV will be set up for the sole purpose of raising funding for the SHIP.
- The day-to-day management of the Funding SPV will be sub-contracted to an independent third-party, through an asset management agreement.
- Funds will be raised at the Funding SPV level (not at a PSET level), and sourced from the private sector (banks, institutional investors, family offices, etc.) and DFIs
- In addition, the IF will lend alongside the private sector. The IF loan will be deeply subordinated concessional funding and sourced via NT
- It is anticipated that the blended financing will flow from the respective sources into the Funding SPV and the Funding SPV will on-lend to the institutions (i.e. a single facility at a blended rate).
- Revenue to the institutions will comprise of income from NSFAS students and bursary students in the ratio of 80:20 respectively.
- The DHET will make allocations available to NSFAS, for NSFAS to further on lend to qualifying students.
- For the purpose of debt service obligations to respective lenders, the income is proposed to flow from the institutions to the Funding SPV.
- The institutions will enter into construction and O&M contacts with the developer(s). SHIP MO will manage the procurement and contract management on behalf the institutions.





COMMERCIAL STRUCTURE

Contractual Framework

CONTRACTING PARTY

- The contracting party will be the Institution for the development, management and operations of the new student housing.
- Institutions will appoint SHIP MO as the procuring agent to accelerate the development of student housing. An
 implementation agreement will be entered into between the Institution & SHIP MO.

INSTITUTIONAL CAPACITY

- Whilst the Universities have a capacitated projects function with adequate experience for the delivery of the development projects on the campuses, the TVETS Colleges do not have the ccapacity to manage the development and operations of the student housing.
- SHIP MO has been mandated to assist both the Universities and the TVET colleges to monitor the implementation of the projects.

CONTRACTUAL AGREEMENT

- A Design Build Operate and Maintain (DBOM) was selected as the optimal transaction structure.
- The Institution will procure the D&C contractor and O&M contractor on a turnkey basis
- The D&C contract is expected to be a lump-sum fixed price contract.
- The O&M contract is expected to be a five-year , renewable contract subject to agreement by the lenders.



INTRODUCTION OF THE FUNDING SPV

Establishment and Capitalisation of the Funding SPV

- The Funding SPV is envisaged as a central platform for the funding of the 300 000 beds for the SHIP.
- The Funding SPV shall be established as a ring-fenced company under the Companies Act (Clause 1.1.1, Annexure B of the RFI).
- The shareholder in the Funding SPV is intended to be a trust, where the identity of the trust and trustees is yet to be determined (Clause 1.1.2, Annexure B of the RFI).
- The board of directors of the Funding SPV is intended to be largely independent from the State, with co-opted expertise from the infrastructure and finance sectors, and the appointments shall be undertaken by the trustees via the utilisation of the services of an independent headhunter.
- The Funding SPV will be capitalised by way of a combination of BFI/ government grant funding and third-party funds.

In relation to Cluster 2 projects, the **IF is looking to arrange approximately R610 million** from funders



COMMERCIAL STRUCTURE

Security Package

- With the contractual framework, the IF is looking to structure a bankable, market-related security package to mitigate some of the project risks to the Funding SPV.
- The Funding SPV will be provided with security from the institutions as set out below on a bilateral basis.
- With regard to the third-party debt, we envisage that a cession in security of shares will be made available by the Funding SPV to the third-party lenders to enable the third-party lenders to assume management and control of the Funding SPV in the event of a material default, subject to, appropriate inter-creditor arrangements amongst the third-party lenders and the Infrastructure Fund. In addition, it is envisaged that the Funding SPV will provide an outright cession of any termination payments to the third-party lenders.
- The third-party lenders will also rank ahead of the BFI Funding in terms of the cashflow waterfall.



COMMERCIAL STRUCTURE

Security Package cont...

- Whereas the detail of the security package is being finalised the key security to be provided to the Funding SPV is envisaged to be:
 - Performance security:
 - Performance Bond
 - An acceptable percentage of the D&C Contract value backed by an acceptable bank guarantee
 - An acceptable percentage of the O&M Contract fee backed by an acceptable bank guarantee
 - Limitation of liability
 - Parent company guarantee
 - Defects liability period for patent and latent defects
- Security arrangements in favour of the Funding SPV:
 - No real security will be available over the immovable property on which the student accommodation is built
 - No notarial mortgage/bond over movable property of the PSETs will be available
 - Security over project accounts
 - Cession in security of contractual rights under project agreements
 - Direct agreements in respect of material agreements
 - Acceptable instrument backing termination payment





Management of the Funding SPV



MANAGEMENT OF THE FUNDING SPV

- The day-to-day management of the Funding SPV will be sub-contracted to an independent third-party, through an asset management agreement.
- The asset manager will provide, *inter alia*, the following services on behalf of the lenders and Funding SPV:
 - structure and arrange third party debt, managing financial closing and construction-period drawdowns;
 - manage on-going reporting to third party debt financiers;
 - contract manage the suite of financing (borrowing) agreements between the Funding SPV and each of the lenders;
 - contract manage the suite of loan (lending) agreements between the Funding SPV and each of the Institutions;
 - provide administrative services to manage the financing (borrowing and lending).

For further detail refer to the RFI: Annexure B – Funding Entity Worksheet





Risk Allocation



RISKS AND ALLOCATION

Allocation of key risks in the Project Agreements

The commercial structure and terms aim to:

- Identify all material risks and allocate these explicitly to the party best able to manage them.
- Ensure that reasonable downside scenarios are considered and are borne by the developers without requiring additional external financial resources.

Risk	Allocation	Mitigation
Site Risk	Institution	Developer's obligation to conduct its own due diligence
Design Risk	Developer	Experienced design team. Professional indemnity insurance
Construction Risk	Developer	Fixed-price, fixed-date contract. Performance security to cover liquidated damages
Operations Risk	Developer	5 yearly benchmarking. Appropriate performance security
Maintenance Risk	Developer	Patent and latent risk transfer to D&C contractor, performance security by O&M contractor, maintenance reserves, damage covered by insurance, handback provisions
Revenue Risk	Institution	Availability-based payment, mitigated by NSFAS funding. NSFAS funding ring-fenced to service debt, 12 month debt service reserve account.





RISKS AND ALLOCATION

Allocation of key risks in the Project Agreements

Risk	Allocation	Mitigation
Termination Risk (Developer default)	Developer	Funding SPV step-in rights. Performance security. Termination regime is under consideration and will be finalised at a later stage.
Termination Risk (Institution default)	Institution	Termination regime is under consideration and will be finalised at a later stage.
Termination Risk (No fault)	Institution	Termination regime is under consideration and will be finalised at a later stage.
Handover Risk	Developer	The developer will have an obligation to handover the student accommodation in a condition that meets the output specification and is fit for purpose. Independent certifier.





Next Steps and Timelines



NEXT STEPS AND TIMELINES

TH

Alderson

Cluster 2: Procurement and Construction Timelines







PROCESS AND TIMELINES

Request for Information (RFI)

- Through the RFI, the IF and SHIP-MO will commence with the market engagement with potential funders, with a view undertaking a formal process to raise the required amount of **R610 million** for the Cluster 2 PSET projects.
- The IF and SHIP-MO will issue the RFI, collate and analyse the responses thereto.
- At the IF's discretion and depending upon the funders' responses, the IF may engage with selected funders to seek clarity around their responses. It is envisaged that any such clarification with funders shall take place during first Quarter of 2022.
- Following the conclusion of the RFI process, the IF and SHIP-MO will recommend to stakeholders:
 - the preferred funding structures for the Funding SPV;
 - the approach to further engagement with funders with regard to the debt funding for the Cluster 2 projects.
- Thereafter, the IF and SHIP-MO will communicate the next steps in the raising of funding for SHIP Cluster 2.
- Progress regarding SHIP Cluster 1 and 3 will be communicated to the market in due course.





higher education & training Department: Higher Education and Training REPUBLIC OF SOUTH AFRICA

DEVELOPMENT BANK OF SOUTHERN AFRICA Building Africa's Prosperity



Thank You

