

INVITATION TO TENDER

DEVELOPING A TENANT PURCHASE MODEL FOR AFFORDABLE HOUSING

Project: Affordable Housing

1. INTRODUCTION

The Financial Sector Deepening Kenya (FSD Kenya) is an independent Trust dedicated to the achievement of an inclusive financial system that supports Kenya's long-term development goals. FSD works closely with Government, the financial services industry and other partners to develop financial solutions that better address the real-world challenges faced by low-income households, enterprises and underserved groups such as women and youth.

FSD Kenya launched its Affordable Housing Program in 2020 with funding from FCDO. The [background research](#) is available on our website. FSD Kenya has also undertaken and shared a [draft review of the legal, policy and institutional](#) framework for affordable housing in Kenya, available on our website.

As over 80% of urban Kenya rents (and as much as 90% of Nairobi rents), there is a need to develop alternative models like Tenant Purchase Schemes (TPS) as an alternative route to homeownership compared to mortgages. This [World Bank blog](#) provides a good overview of the considerations for TPS development. Further, due to the potential of REITs to attract institutional funding into housing, there is a need to understand more deeply how the income streams from affordable housing assets, particularly TPS income streams, can be transferred to a Real Estate Investment Trust (REIT).

An overarching principle of FSD Kenya's programme is the [Open Access](#) initiative which aims to promote transparency to market data and market realities, to enable more coordinated risk taking and investment in the sector. For example, the learnings of this project are clearly applicable to the government's newly launched [Sanduku Investment Initiative](#) and FSD would be keen to share such learnings with the relevant stakeholders.

FSD's 2022 to 2026 Strategic drivers are to promote

- (i) An inclusive digital economy
- (ii) Gender and women's economic empowerment
- (iii) Micro and small enterprises and
- (iv) Climate change & the environment

2. OBJECTIVE

To support the development of tenant purchase schemes and REITS for the development of the affordable housing sector using an actual project under delivery and share the outputs with the market. Apply critical thinking to how the development of such real estate financing models can promote FSD's strategic drivers, particularly gender and women's economic empowerment and greener and more resilient housing.

Ideally, the applicants should be a consortium of a financial consultant and a landowner so that the TPS and REIT structuring can be tested on an actual parcel of land.

3. SCOPE OF WORK

3.1. Synthesis of different types of Tenant Purchase schemes and their applicability to Kenya (mandatory)

- Review of different types of Tenant Purchase Schemes from Kenya, regionally and internationally, clearly explaining the pros and cons for adoption in Kenya
- Discuss whether the different types of schemes can be undertaken within the current regulatory environment in Kenya, and if not, what additional regulatory tools/ frameworks are required
- Create a dynamic economic model in excel that will display the returns to the landlord/ investors, and clearly define what the financial implications to the landlord/ investors and tenant purchaser are in case of a default
- Critically evaluate the role and need for a down payment based on various factors like affordability vs financial sustainability vs credit worthiness
- Create a contract between the landlord owner, tenant purchaser and any other party involved in the relationship (e.g., estate manager) that properly defines the rights and responsibilities of each entity, promotes long term investment in the real estate asset and promotes equitable protection for the tenant purchaser (what would happen in case of a default)

3.2. Applicability of REITs to support Tenant Purchase schemes offtake finance for Affordable Housing in Kenya (mandatory)

- Discuss the current regulatory environment and ease or challenges of moving the real estate asset which has secured tenant purchaser income streams into a REIT
- Provide a road map for the structuring and expected costs for setting up and operating the REIT and expected returns for an investor in this REIT
- Engagement with Capital Markets Authority to validate opinions outlined in this section of work

3.3. Linkage to a development project (optional but preference will be provided to these bidders)

It is highly preferential to apply the outcomes of 3.1 and 3.2 to a development project, where the bidding team has access to a landowner / developer who is seeking to a TPS scheme in the market.

If a live project partner is identified, FSD can support the alternative credit scoring of potential purchasers with identified tools.

The following details to be shared if a development partner is available:

- Name of partner landowner / developer
- Details of project (location, land size, number of units, pricing of units, delivery timeframe)
- Confirm willingness of partner to share project Development Appraisal to understand various costs (land, infrastructure, professional fees, construction cost, regulatory approvals, marketing, finance costs etc), per a standardised template prepared by FSD's Open Access data partner, Centre for Affordable Housing Finance.

3.4. Open Access framework

All the outputs under 3.1 and 3.2 will be shared with the market using the Open Access principles.

For outputs under 3.3, FSD would encourage the partners to share some level of data

to promote market development (including the development appraisal, demand segmentation etc.), however, these will be discussed and negotiated with the bidding team and FSD will be sensitive to the need to protect any information that would hurt a players' competitive ability.

4. CONDUCT OF THE WORK

The consultant will report directly to the Senior Affordable Housing Specialist at FSD Kenya for this assignment and will work closely with the project manager. A work plan and schedule for the achievement of the deliverables will be agreed jointly with FSD Kenya within two weeks of signing the contract.

5. OUTCOMES AND DELIVERABLES

Scope	Deliverable	Estimated Timeframe (From Date Of Contracting)
3.1	Report on Scope outlined in 3.1 with word contract and excel financial model provided in raw format that can be shared with market	Draft deliverables shared in 5 weeks, final report in 8 weeks after incorporating FSD feedback
3.2	Clear report and supporting financial model for REIT and investors in REIT	Draft deliverables shared in 12 weeks, final report shared in 15 weeks
3.3	Applicability to a development project	TBD depending on project details

6. EVALUATION CRITERIA

This invitation to tender will use the quality and cost-based selection (QCBS) system of evaluation. FSD Kenya will examine the applications to determine completeness, general orderliness, and sufficiency in responsiveness

For Quality and Cost Based Selection (QCBS), the lowest evaluated financial proposal (LP) will be given the maximum financial score (S%) points. The financial scores (BP) of the other financial proposals will be computed as indicated in the evaluation criteria section.

Proposals will be ranked according to their combined technical (TS) and financial (FS) scores using the weights (T = the weight given to the technical proposal; F = the weight given to the financial proposal and S indicating the total score attained. $T + F = 100$ points. Indicated in the evaluation criteria section $S = TS \times T\% + FS \times F\%$.

The weights given to the technical (T) and financial (F) proposals are **T = 80% and F = 20%**. The Bidder achieving the highest combined technical and financial score will be invited for negotiations

Applicants shall not contact FSD Kenya on matters relating to their application from the time of opening to the time the evaluation is finalized, and official communication sent to them. Any effort by the applicant to influence the evaluation shall result in the cancellation of their application.

Applications will be evaluated against the criteria in the tables below.

Mandatory requirements

Strong knowledge of financial markets in developing/emerging economies

Strong knowledge of housing markets in developing/emerging economies

Mandatory requirements
Relevant skills and experience in rental, tenant purchase and mortgage markets to understand the barriers and opportunities to develop the same in Kenya
Experience in advising on major real estate and affordable housing finance projects at a senior level
Availability at short notice and ability to work flexibly, and deliver on time

Assessment criteria	Weight (%)
Quality of technical approach and the proposed methodology	30%
Track record and experience in creating equitable financial instruments for drawing funding into housing, which can be then used to devise appropriate TPS schemes for Kenya	20%
Team leader's and team members' qualifications and experience	20%
Access to a development partner for Scope 3.3	10%
Total cost and value for money	20%
Total	100%

FSD Kenya will undertake a due diligence assessment and screening of the preferred Bidder to include reference checks. FSD Kenya will share a Third-party screening questionnaire to aid in processing the assessment and screening. FSD Kenya reserves the right to proceed or reject Bidder(s) depending on the outcome of this assessment and consider the next ranked bidder. The findings of this assessment will be kept confidential and used internally for the purposes of this evaluation.

FSD Kenya reserves the right to accept any tender (s) or to reject all tenders at any time. FSD Kenya also reserves the right to cancel this procurement at any point in time prior to award of the contract.

If you would like to lodge a complaint in regard to this procurement process, please write to tenders@fsdkenya.org with the address **complain: developing a tenant purchase model for affordable housing**. FSD Kenya procurement team will acknowledge receipt of the complaint in writing within three (3) working days.

During the course of this procurement if you come across any issues of bribery, corruption or wrong doing on FSD Kenya part, please feel free to contact Ulla Balle, FSD Kenya Chief Operations Officer at ulla.balle@fsdkenya.org or transparency@fsdkenya.org

7. SUBMISSION

Tenders may be submitted in any format and should encompass

- Profile of the organization
- Experience of the consultant/ organization
- Reference of the consultant/ Organization
- Description of approach and methodology for performing the assignment
- Team composition and task assignments work
- Staffing schedule
- Work and deliverables schedule
- Curriculum vitae (CV) for proposed professional personnel
- Breakdown of consultancy fee
- Breakdown of reimbursable expenses by activity

Interested bidders should send ALL the above mandatory documents on or before **January 13th, 2023, at 17:00HRS (EAT)**. Failure to send any of the requested documentation will lead to automatic disqualification.

You are requested to submit your tender comprising of **technical proposal and financial proposal separately**. The proposals shall be submitted separately to the following addresses:

Technical Proposal: tenders@fsdkenya.org

With the following subject title: **TECHNICAL PROPOSAL- DEVELOPING A TENANT PURCHASE MODEL FOR AFFORDABLE HOUSING**

Financial Proposal: tenders@fsdkenya.org

With the following subject title: **FINANCIAL PROPOSAL- DEVELOPING A TENANT PURCHASE MODEL FOR AFFORDABLE HOUSING**

Under no circumstance are bidders to submit both technical and financial proposals as a single document, doing so will lead to disqualification.

Tender security is NOT required. Issuance of this invitation to tender in no way obligates FSD Kenya to award a contract. Applicants will not be reimbursed for any costs associated with their application for this tender.

8. TIMETABLE

Refer to Section 5. If the scope is contained for 3.1 and 3.2 only, it is expected the work will be fully concluded by May 2022.

If there is a development project with which the outputs can be tested, then the duration will be worked out based on the details of the project.