

INVITATION TO TENDER



DEVELOPING A TENANT PURCHASE SCHEME CREDIT POLICY

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.

2. BACKGROUND TO FSD KENYA'S AFFORDABLE HOUSING PROGRAM

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.

3. OBJECTIVE

Key Terms:

TPS is abbreviation for Tenant Purchase Scheme

TPS Buyers refers to the buyers of the housing units on a TPS

TPS Servicer refers to the organization that manages the TPS scheme, collects the income streams, manages the property / service charge and reports to the investors / debt providers.

FSD Kenya invites qualified and experienced firms/consultants to submit proposals for the development of a comprehensive Credit Policy Document for Mi Vida's Tenant Purchase Scheme (TPS). The objective of this ToR is to establish a transparent and fair credit policy/tool that will guide and facilitate the process of offering credit to eligible tenants seeking to purchase their rented properties under the TPS.

FSD Kenya is partnering with Mi Vida Homes for to support this work. The key outputs will be made available to the wider market in the spirit of the Open Access initiative.

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The work should evaluate how families with both formal and informal sources of income can be profiled.

Mi Vida Homes is a residential developer in Kenya, established through a joint venture between Actis and Shapoorji Pallonji Real Estate (SPRE). Actis is a renowned growth markets investor with a 70-year track record, while SPRE is the real estate arm of one of India's largest conglomerates with a rich 150-year history.

In 2019, Mi Vida Homes launched its first project with a mission to address the shortage of affordable and middle-income housing in the region. Their strategic plan aims to provide 3,000 quality homes over the next 5 years, catering to the underserved market. To achieve this ambitious goal, the developer is now looking to expand their sales process by introducing a Tenant Purchase Scheme (TPS) in their upcoming projects.

4. SCOPE OF WORK:

The selected firm/consultant will be responsible for developing a TPS Credit Policy and Process Document that addresses the following key elements:

4.1 RISK ASSESSMENT OF THE TPS PROCESS:

- Identify and analyse the key risks involved in this particular Tenant Purchase Scheme structure (selected consultant will be provided with the Transaction overview / structure). Create a risk profile framework that will help assess the creditworthiness of potential TPS buyers. Note, the TPS buyers can be investors and owner occupiers, and there will be no income restriction on the participants. The outcome should be a guide on determining eligibility of potential tenants for the scheme. The risk profile framework should consider all forms of income (formal and informal), and track record of historical housing expenditure.
- Create a risk profile framework that will help assess the operational capacity and credibility of potential TPS servicer. The outcome should be a guide on determining how to select the most suitable servicer, assess if the proposed TPS servicer is adequate and how easy it can be to replace the servicer if required.
- Recommend a risk rating criteria and methodology to categorize TPS tenant applicants based on their credit risk level to indicate ability and willingness to pay.
- Review market studies, occupancy trends in the sub market as well as information on the construction pipeline to evaluate the potential for future project occupancy. Prepare a risk register that classifies and rates identified risks, considering their potential impact, including on payment profiles across a wider portfolio of TPS income streams.

4.2 TOOLS FOR RISK PROFILING OF TPS BUYERS:

- The risk rating criteria should lead to the formulation of credit risk scorecard with quantitative and qualitative scores, based on efficiently available data.
- Propose risk treatments and mitigations, including controls and procedures to address identified risks which are readily commercially operable.
- Formulate a risk action plan for efficient and effective monitoring and follow-up on risk mitigation efforts.
- Establish reporting guidelines for communicating identified risks and their status through each TPS agreement.
- Support Mi Vida to profile the first 50 TPS Buyers

4.3 POLICIES AND DOCUMENTATION OF PROCEDURES FOR TPS PROCESSES:

- Propose and document relevant policies and procedures which are readily operable by the TPS Servicer for various stages of the TPS process, including marketing/origination, credit qualification assessment, credit underwriting,

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contracting, reporting by TPS Servicer to equity investors and debt providers, monitoring, reporting, and governance.

- Provide reporting guidelines for effective monitoring and reporting of credit risks within the TPS process.

5. CONDUCT OF THE WORK

The consultant will report directly to both FSD Kenya and Mi Vida Homes, reporting to the Senior Affordable Housing Specialist at FSD Kenya and Head of Corporate Planning at Mi Vida Homes (together with the team from both companies identified to support this scope).

The consultant will also take in contributions from the legal firm and guarantee fund supporting Mi Vida's funding raise.

A work plan and schedule for the achievement of the deliverables will be agreed jointly with FSD Kenya and incorporated in the contract signed.

6. OUTCOMES AND DELIVERABLES

SCOPE	DELIVERABLE	ESTIMATED TIMEFRAME FROM DATE OF CONTRACTING (WHICH WILL BE AGREED WITH FIRM DURING CONTRACTING)
3.1	A comprehensive Tenant Purchase Scheme Credit Policy Document (including a risk register and risk rating criteria and tools mentioned above) meeting the specified scope of work. A sub-section of this report should show how publicly available tools like Kenya's Credit Information Sharing mechanism and Credit Reference Bureaus will be utilised to derive the Credit Score, and what gaps exist at this level (for both formal and informal incomes) which can be prioritised at a national policy level to promote access to credit for housing.	Week 0: sign contract Week 4: Draft shared Week 6: Receive feedback from FSD, Mi Vida and supporting partners Week 8: complete Final policy
3.2	Presentation materials summarizing the key elements of the Credit Policy for internal and TPS buyer education purposes.	Final materials expected by Week 8.
3.3	Support Mi Vida to profile the first 50 TPS Buyers – credit profiles for these first 50 TPS Buyers (and suggested revisions to Score Card / Tool if necessary)	Estimated to be completed within 3 months of finalising 3.1 Report with key takeaways from this support and any refinements proposed to 3.1.
	Note: The Credit Policy and Risk Profiling Tool developed will be made Open Access for other market players to use (and not be limited to Mi Vida).	

7. REQUIREMENTS

Mandatory requirements

Strong knowledge of financial markets in developing/emerging economies

Strong knowledge of housing markets in developing/emerging economies

Relevant skills and experience in rental, tenant purchase and mortgage markets to understand the barriers and opportunities to develop the same in Kenya

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Mandatory requirements

Experience in creating Credit Policies and Processes for similar products, preferably related to housing financial products
Understanding of Kenya's Credit Market Policy, Regulatory and Infrastructure landscape
Availability at short notice and ability to work flexibly, and deliver on time

Evaluation criteria

Criteria, sub-criteria, and point system for the evaluation of technical proposals		Points
1	Experience of the consultant	
	Track record and experience in creating Credit Policies and Processes for financial products, and preferably for promoting housing	20
2	Approach and methodology	
	Quality of technical approach and the proposed methodology	30
3	Staff schedule, work and deliverable schedule	
	Adequacy of the proposed staff schedule to meet the needs of the ToR	5
	Responsiveness of proposed work plan in relation to the ToR	5
4	Key professional personnel qualification for the assignment	
	Responsiveness of the CVs to the requirements of the TOR (Team leader's and team members' qualifications and experience)	20
	Total points for the four (4) technical criteria's (st)	80
	The minimum technical score (st) required to pass for financial proposal to be scored is	55
	Financial evaluation The formula for determining the financial scores is the following: $FS = 100 \times FL / FP$, in which FS is the financial score, FL is the lowest price and FP the price of the Proposal under consideration. The weights given to the Technical (T) and Financial (F) Proposals are: T = 80% and F = 20%	20
	Total Score (technical and financial)	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 scheme credit policy**. 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 Julius Anyega, FSD Kenya Chief Operations Officer at Julius.Anyega@fsdkenya.org or transparency@fsdkenya.org

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8. 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 **September 6th, 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 scheme credit policy.**

Financial Proposal: tenders@fsdkenya.org

With the following subject title: **FINANCIAL PROPOSAL- Developing a tenant purchase scheme credit policy.**

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.

9. TIMETABLE

Refer to Section 5. It is expected that the consultant will be procured in September and the work will be significantly completed by December 2023, and the consultant will provide support for till approximately March 2024.

Payments will be made on a milestone basis as will be defined in the contract.