

Affordable housing tax incentives program report



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About the Kenya Property Developers Association

The Kenya Property Developers Association (KPDA) was established in Nairobi in 2006 as the representative body of the residential, commercial and industrial property development sector in Kenya. It is an emerging Business Member Organisation which works in proactive partnership with policymakers, financiers and citizens to ensure that the property development industry grows rapidly but in an organized, efficient, economical and ethical manner. [Click here for more information about KPDA.](#)

About FSD Kenya

Financial Sector Deepening Kenya (FSD Kenya) is an independent trust dedicated to the achievement of a financial system that delivers value for a green and inclusive digital economy while improving financial health and capability for women and micro and small enterprises (MSEs). FSD Kenya works closely with the public sector, the financial services industry, and other partners to develop financial solutions that better address the real-world challenges that low-income households, MSEs, and underserved groups such as women and youth face. [Click here for more information about FSD Kenya.](#)



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Every effort has been made to verify the accuracy of the information contained in this report. All information was believed to be correct as of February 2026. Nevertheless, FSD Kenya and KPDA cannot accept responsibility for the consequences of its use for other purposes or in other contexts.

Acknowledgements

KPDA wishes to thank all the board members and staff who participated in this program.

KPDA also wishes to extend particular thanks to the private developers involved in this initiative for their participation and for sharing anonymized project-level data with the wider market. Their contribution allows for a deeper understanding of the revenues and costs associated with an affordable housing project in Nairobi. This information is provided in Annex 3.

KPDA is also grateful that this particular program has led the creation of an 'approvals desk' at KPDA to assist developers navigate the pain point of the multitude of uncoordinated approvals currently required.

Chapter 1 - Introduction: Advancing the vision of affordable housing in Kenya

Access to dignified and affordable housing remains a profound aspiration for millions of Kenyans. Yet, this vision is consistently hindered by systemic barriers—including high development costs, protracted regulatory procedures, and limited access to tailored financing solutions.

The context for this challenge is stark. Kenya's population is 52.6 million, with 32% (approximately 16.8 million people) residing in urban areas, a number growing at 4% per annum. A critical manifestation of the housing crisis is that approximately 60% of Nairobi's population (around 2.5 million people) live in approximately 200 slum settlements, which occupy only 6% of the city's land (Habitat for Humanity, 2023; Kibera, 2015). Nationally, an estimated 6.4 million urban individuals live in informal settlements. This widespread informality contributes to a severe housing deficit, which is estimated to be 2 million units.

A primary impediment is the fragmented regulatory ecosystem. The Kenyan real estate development process requires navigating a complex web of multiple, often siloed, government agencies at both national and county levels, each with its own mandates, procedures, timelines, and requirements. This lack of a unified, streamlined system is a primary source of delay, increased costs, and frustration.

In response, the Affordable Housing Incentives Program was established as a transformative, multi-stakeholder effort to tackle these impediments directly. Financial Sector Deepening (FSD) Kenya approached the Kenya Property Developers Association (KPDA) to educate developers about the incentives, support applications and advocate for more efficient processing. The housing incentives are managed by the State Department for Housing and Urban Development (SDHUD), a body within the government of Kenya. The initiative unites developers, financiers, regulators, and policymakers. Its operational hub—the Affordable Housing Incentives Desk—serves as a dedicated resource, guiding developers through tax incentives and approval pathways essential for accelerating delivery.

Chapter 2 - Strategic objectives and sector relevance

This initiative goes far beyond fiscal incentives. It's about building a robust, accountable system that enables large-scale delivery of affordable housing with transparency, precision, and sustained impact.

At its core, the Affordable Housing Incentives Program is structured around five strategic objectives:

- **Reducing cost barriers:** By offering VAT exemptions and lower corporate tax rates, the program lightens the financial load on developers—translating into lower housing prices for Kenyan families.
- **Streamlining approvals:** It simplifies complex and overlapping regulatory requirements, enabling developers to navigate approvals more efficiently and predictably.
- **Enhancing developer support:** Developers benefit from practical tools, standardized templates, and responsive technical assistance designed to accelerate project delivery.
- **Driving institutional coordination:** Regulators such as KRA, SDHUD, Treasury, and NEMA are convened to foster shared accountability, tackle bottlenecks, and reinforce sector-wide collaboration.
- **Promoting transparency and continuous learning:** Every activity—from workshops to financial oversight—is geared toward capturing insights, tracking impact, and ensuring responsible use of resources.

Collectively, these efforts directly advance Kenya's national target of delivering 250,000 affordable housing units annually and operationalize the constitutional right to adequate housing under Article 43 of the Constitution of Kenya. This framework can also make the difference between housing projects progressing or not, as the lower price point and faster delivery time will enhance viability and affordability. Therefore, it should be a win win for economic growth and affordable housing demand.

The fragmented regulatory landscape

The program's work is set against a backdrop of a challenging approval environment, governed by a complex framework of policies including the Physical and Land Use Planning Act (2019), the Urban Areas and Cities Act (2011), and the National Housing Policy (2016). These challenges affect developers in the following ways:

- **Prolonged and unpredictable timelines:** The sequential nature of approvals turns months into years, leading to massive financial strain.
- **Cost overruns:** Each agency charges separate fees, and delays inflate financing and contractor costs.
- **Disjointed information and opacity:** Unclear rules create uncertainty and open the door for rent-seeking behaviour.
- **Overlapping jurisdictions and requirements:** Developers provide the same documents to multiple agencies with no system interoperability.

Tracking regulatory approvals

A significant, cross-cutting challenge identified by the program is the immense difficulty in tracking the status of development applications across the fragmented regulatory landscape. This opacity is a primary source of delays and frustration for developers.

- **The black box of county governments:** Once an application is submitted to a county, it enters a process that is largely opaque. Developers often have no visibility into where their application is in the circulation and review chain, which department is causing a delay, or the reason for a hold-up. The lack of standardized, transparent digital tracking systems in many counties means follow-ups are done manually, often in person, which is inefficient and prone to manipulation.
- **Multi-agency coordination:** A single project requires approvals from NEMA, NCA, KPLC, Water companies, KeNHA/KURA, and the county. There is no centralised platform to track the status of all these parallel processes. Each agency must be followed up with individually, using different (often non-digital) channels.
- **Inconsistent communication:** Feedback from agencies is often informal (verbal) or delivered via difficult-to-track channels. Official written communication stating specific deficiencies can be rare, leaving developers guessing about what is needed to move an application forward.

Chapter 3 - Why affordable housing incentives matter

The program's focus on incentives is strategically sound due to housing's significant role as an economic multiplier. Housing construction contributes to employment, labour income, and industrial output. A key tenet of Keynesian economic theory is that of the multiplier, the notion that economic activity can be easily influenced by investments. The biggest component of aggregate demand is consumption, and housing makes up a big part of it. A 2020 study, [Cornerstone of Recovery](#)¹, calculated that the housing sector in Kenya contributed to 19.4% of Kenya's GDP. Of key importance is to understand that the housing contribution to GDP is both in the 'investment' phase – creation of the housing unit itself, but **much more** in the 'consumption' stage – which is the cumulation of the rent or imputed rent of the housing stock.

	Unadjusted		Assuming Official Statistics Only Measure 50% of Informal Sector		Assuming Official Statistics Do Not Measure Informal Sector at all	
	% GDP	PPP (in US\$ bn)	% GDP	PPP (in US\$ bn)	% GDP	PPP (in US\$ bn)
Brazil	18.5	596.4	19.7	645.0	21.2	707.7
Egypt						
India	15.0	1,441.8	16.1	1,569.5	17.5	1,737.7
Indonesia	10.0	331.3	10.7	357.7	11.5	391.4
Kenya	11.6	27.5	14.1	34.5	19.4	50.3
Mexico	17.7	459.7	18.2	477.3	18.8	497.0
Peru						
Philippines	14.9	149.8	16.9	172.9	19.8	210.3
South Africa	10.6	80.3	11.3	87.1	12.3	95.9
Thailand	6.9	92.4	7.5	100.9	8.3	112.4
Uganda						
Average	13.1	397.4	14.3	430.6	16.1	475.3

Note: For India (italicized), GFCF figures for construction are used to estimate the contribution of the housing sector to GDP, because GFCF figures for dwellings were not available.

Source: OECD, 2020; U.N. Statistics Division, 2020; National Accounts Official Country Data, 2020; U.N. Habitat, 2020; World Bank - World Development Indicators, 2020a and authors' calculations.

Figure 1 Housing Investment and Consumption Adjusted for Potential Undermeasurement of Informal Sector, % GDP and PPP US\$, Source: Cornerstone of Recovery, Habitat for Humanity, 2020, Table 2

¹ <https://www.habitat.org/sites/default/files/documents/Cornerstone-of-Recovery-English.pdf>

Furthermore, housing has critical social impacts. Inadequate housing is directly linked to health problems and reduced access to education and opportunities. As defined by the UN Committee on Economic, Social and Cultural Rights, adequate housing must meet seven criteria: Security of Tenure, Availability of Services, Affordability, Habitability, Accessibility, Location, and Cultural Adequacy. The program aims to move the market towards fulfilling these dimensions of adequacy. A WHO cost-benefit analysis showed that improvements in water and sanitation access were cost-beneficial across all regions. In developing regions, the return on a US\$ 1 investment was in the range US\$ 5 to US\$ 46, depending on the intervention².

Value Added Tax (VAT) is a consumption tax applied to a wide range of activities within the construction sector. This includes not only the erection of new buildings but also the maintenance and renovation of existing structures. The tax is levied on the cost of labour, materials, and professional services.³

A compelling case for exempting housing from Value-Added Tax (VAT) begins with the fundamental recognition that a home is far more than a standard consumer good; it is a basic human necessity and a cornerstone of individual welfare. As the OECD emphasizes, "access to shelter is a basic human need." Its role extends beyond mere shelter, critically shaping social outcomes by influencing a person's access to healthcare, education, job opportunities, and recreational activities. Unlike discretionary purchases, housing constitutes the single-largest expenditure for households across all income levels. Imposing a consumption tax on such a fundamental necessity would therefore place a disproportionately heavy burden on lower-income households, exacerbating financial strain rather than alleviating it.⁴

This concern is acutely relevant in the context of a widespread decline in housing affordability, a challenge the OECD highlights as particularly severe for younger generations, who are experiencing falling homeownership rates. Adding a VAT to the cost of housing would directly intensify these affordability problems, creating an additional barrier to market entry and making

² WHO Housing and Health Guidelines 2018 available at <chrome-extension://efaidnbnmnibpcajpcglclefindmkaj/https://iris.who.int/bitstream/handle/10665/276001/9789241550376-eng.pdf>

³ <https://heightenaccountants.co.uk/vat-on-construction/>

⁴ Housing Taxation in OECD Countries, Highlights: <https://www.oecd.org/content/dam/oecd/en/topics/policy-issues/tax-policy/brochure-housing-taxation-in-oecd-countries.pdf>

it even more difficult for younger people to secure a home. This is especially troubling given that housing already commands an ever-larger share of total household expenditure, squeezing budgets and limiting financial flexibility. Taxing this essential cost would only deepen the crisis.⁵ A crucial distinction exists between zero-rated and exempt goods under VAT. For zero-rated goods, a 0% tax is applied. This allows suppliers to reclaim the VAT they paid on their own inputs, making the supply chain more cost-effective. This mechanism is designed to boost local manufacturing and keep final prices low for consumers. Conversely, exempt goods are entirely outside the VAT system. While no VAT is charged to the end customer, the supplier is barred from reclaiming the VAT already paid on production costs. This embedded VAT becomes an additional business expense, which typically forces suppliers to either raise consumer prices or accept lower profit margins.⁶ The distinction between zero-rated and exempt under VAT law has a direct and material impact on the cost of construction. To illustrate, consider the procurement of a 50kg bag of cement, with a retail selling price of KShs. 1,000.

Under the standard VAT rate, the developer would pay KShs. 1,160 (including 16% VAT) but could later reclaim this KShs. 160 from the Kenya Revenue Authority (KRA), resulting in a net cost of KShs. 1,000. However, for an affordable housing project, materials are currently VAT-exempt. This means the developer pays the ex-VAT price of KShs. 1,000 directly. While this appears beneficial, the exemption creates a hidden cost: the cement manufacturer cannot reclaim the VAT it paid on its own inputs (e.g., clinker, energy, transport). Assuming this embedded VAT amounts to 16% on the manufacturer's cost base—approximately KShs. 80 in this example—this cost is baked into the selling price. Consequently, the developer's net cost is KShs. 1,000, but this price already includes non-recoverable tax, making the supply chain less efficient.

In contrast, if the supply were zero-rated, the outcome would be more advantageous. The developer would still pay KShs. 1,000, but the cement manufacturer would be allowed to reclaim the KShs. 80 in input VAT. This removes the embedded tax from the production cost, potentially allowing the manufacturer to reduce the selling price. In practice, zero-rating could lower the base price of the cement bag to approximately KShs. 920, with the developer paying no VAT and the manufacturer remaining whole. This eliminates the tax cost from the supply chain entirely.

⁵ Housing Taxation in OECD Countries, Highlights:

<https://www.oecd.org/content/dam/oecd/en/topics/policy-issues/tax-policy/brochure-housing-taxation-in-oecd-countries.pdf>

⁶ <https://vellum.co.ke/zero-rated-vs-exempt-what-the-finance-bill-2025-changes-mean/>

Globally, different tax rates are applied in the housing sector. For example, the specific VAT rate for a construction project in the UK is not uniform; it depends critically on the nature of the property and the type of work being performed. These rates are generally categorized as follows:⁷

- **The standard rate (20%)** applies to the majority of commercial construction work. This includes new commercial buildings, along with maintenance, repairs, refurbishments, and extensions to both domestic and commercial properties. Professional services like architecture and project management are also typically taxed at this rate.
- **The reduced rate (5%)** is reserved for specific residential projects that serve a social or environmental purpose. This lower rate is available for renovating homes that have been vacant for over two years, converting non-residential buildings into dwellings, and installing certain energy-saving materials like insulation.
- **The zero rate (0%)** means no VAT is charged on the supply. This beneficial rate applies to the construction of new residential properties, such as houses and flats, as well as to qualifying buildings like care homes and student accommodations. The first sale of a newly built home by a developer is also often zero-rated.

Locally, since its establishment in 2018 under the government's "Big Four" agenda, the Affordable Housing Program has been supported by a series of parliamentary-approved tax incentives designed to stimulate the construction of affordable housing units:⁸

- **Corporate Tax reduction:** To qualify for a reduced corporation tax rate of 15% from 25%, a company must construct a minimum of one hundred residential units within a single year of income.⁹ This tax incentive, outlined in the Third Schedule of the Income Tax Act, is only granted upon formal approval from the responsible Cabinet Secretary for housing and urban development.

VAT exemption on construction materials for the AHP: The First schedule of the VAT Act provides for VAT exemption on goods imported or purchased locally for the direct and exclusive use in the construction of affordable housing units.¹⁰ To benefit from this exemption, the affordable housing project must be approved by the Principal Secretary (PS) in charge of Housing and Urban Development.

⁷ <https://heightenaccountants.co.uk/vat-on-construction/>

⁸ <https://cmadvocates.com/blog/tax-incentives-available-to-developers-of-affordable-housing/>

⁹ https://eru.ecitizen.go.ke/assets/bomayangu/20200120_AHP_TAX_INCENTIVES.pdf

¹⁰ GOODS / SERVICES LISTED IN FIRST AND SECOND SCHEDULE OF THE VAT ACT

<https://www.kra.go.ke/images/publications/Items-in-the-First--Second-Schedule-of-the-VAT-Act.pdf>

Implementation approach

To translate strategy into results, the team adopted a phased, systems-focused approach:

- **Policy review:** The journey began by engaging public and private stakeholders to assess how VAT and corporate tax incentives performed in practice. Insights gathered shaped improved tools and communication.
- **Developer enablement:** To demystify the incentive process, the team rolled out accessible toolkits, hosted webinars, and provided hands-on guidance—helping developers navigate requirements with confidence.
- **Regulatory mapping:** Visual process flows were created to clarify each agency's role, spotlight bottlenecks, and guide future system redesign.
- **Pilot applications:** Through the Incentives Desk, real applications were supported and tracked. The process surfaced challenges and allowed responsive troubleshooting.
- **Continuous learning**
Quarterly reports, budget reviews, and stakeholder check-ins anchored a culture of adaptability and performance-driven accountability.

Limitations of the program

While the program has achieved significant milestones, its impact was constrained by several inherent limitations:

- **Lack of high-level executive engagement capacity:** A critical limitation was the program's inability to financially retain top-tier consultants or advocates with direct, established access to Principal Secretaries and other high-level government executives. While productive working-level relationships were built, securing decisive, high-level interventions to break through bureaucratic logjams (e.g., compelling SDHUD to issue VAT approval letters) often requires influence at the highest levels of government. This gap limited the program's ability to escalate and resolve the most stubborn systemic blockages.
- **Dependence on agency cooperation:** The success of the incentive approval processes is ultimately dependent on the willingness of government agencies to engage, provide information, and adhere to their own stipulated timelines. The program could facilitate and advocate but could not mandate cooperation from these entities.
- **Scale of the program:** The program operated as a pilot with limited resources against a decades-old, deeply entrenched system of fragmentation and bureaucracy. While it successfully created a blueprint and provided hands-on support for a cohort of developers,

it could not single-handedly overhaul the entire sectoral approval ecosystem within its funding and timeframe.

- **Focus on medium and large-scale developers:** The program's tools and support were primarily designed for medium to large scale developers navigating the official approval process. It had a limited capacity to address the immense challenges faced by developers operating at lower scales which houses the majority of the sectors developers.

Chapter 4 - The affordable housing tax incentives in practice

VAT tax exemption application

The strategic use of the Engineering, Procurement, Construction, and Financing (EPC+F) model is central to the Affordable Housing Board's (AHB) delivery strategy. This integrated approach, where a single entity manages the entire project lifecycle, offers significant advantages in speed and accountability. However, the financial viability of this model is critically dependent on its interaction with the tax system, particularly the application of Value Added Tax (VAT). The AHB's ambitious pricing structure—selling units at KShs. 60,000 psm for market units, 42,000 per square meter for market and affordable housing, and KShs. 35,000 for social housing—creates a compelling case for VAT exemption, as achieving these below-market rates is financially untenable without it.

Without a VAT exemption, the EPC+F model is burdened with significant financial friction that directly undermines the AHB's pricing goals. The developer must finance the entire gross cost of construction, including the 16% VAT on all materials and services. This upfront VAT payment creates a substantial cash flow strain, increases the required debt and interest costs, and forces the developer to include a risk premium in their bid to cover the uncertainty of future VAT refunds from the Kenya Revenue Authority. These embedded costs—the financing of the VAT itself and the associated risk premium—inevitably inflate the final project cost. Consequently, for the EPC+F developer to remain profitable, the price they must charge the AHB would far exceed the threshold that allows for final sale prices of KShs. 42,000 or KShs. 35,000 per square meter. The AHB would then be forced to either abandon its affordability mandate or provide an unsustainable subsidy to bridge the gap.

Conversely, granting an effective VAT relief—specifically, zero-rating—on construction inputs is the key that unlocks the EPC+F model's potential for true affordability. While the current VAT exemption allows the contractor to purchase materials without charging VAT, it does not remove the embedded VAT already paid by suppliers on their inputs. Zero-rating corrects this by allowing the entire supply chain to reclaim input VAT, truly stripping the tax cost out of the project. This eliminates the cash flow strain, reduces required financing and interest expenses, and removes the VAT-related risk premium. This direct and complete reduction in the project's base cost enables the EPC+F developer to submit a competitive bid to the AHB that aligns with

the low sale-price targets. In this scenario, the efficiency gains of the EPC+F model are fully realized and passed on to the homebuyer. Therefore, moving from exemption to zero-rating is not merely a technical improvement; it is an essential prerequisite for making the construction of housing at KShs. 35,000-42,000 per square meter a financially feasible and sustainable endeavour for private partners. The current VAT exemption, while well-intentioned, fails to remove the full tax burden from the construction value chain. KPDA strongly advocates for a shift from exemption to zero-rating for all construction inputs designated for approved affordable housing projects. Zero-rating would strip out embedded VAT costs, reducing overall project expenses by an estimated 8–10% and making the delivery of housing at the government's target price points of KShs. 35,000–42,000 per square meter financially feasible and sustainable.

Financial evidence from active projects

Analysis of anonymized data from three active affordable housing projects in Nairobi quantifies the potential impact of the VAT incentive. The data demonstrates that VAT savings on construction and infrastructure average 11% of the total project delivery cost. For these projects, this translates to a reduction in the average hard cost per square meter of between KShs. 6,000 and KShs. 8,000.

Developer	Unit range	Total delivery cost	Total Const + Infra cost (hard cost)	Potential VAT Savings on hard cost	% saving on total delivery cost	Avg hard cost psm w/out incentive	Avg hard cost psm w VAT incentive	Full delivery cost psm w/out incentive	Full delivery cost psm w VAT incentive
Developer 1	100-150	315,260,000	241,600,000	33,117,241	11%	44,843	38,696	58,515	52,368
Developer 2	200-300	1,021,228,512	821,289,883	111,060,160	11%	56,979	49,274	70,850	63,145
Developer 3	200-300	1,896,484,720	1,579,312,000	214,144,000	11%	56,810	49,107	68,219	60,516

Table 1: Developer construction costs for various housing densities. Source: KPDA

This data shows that the VAT incentive is not a minor subsidy but a fundamental lever for project viability. The consistent ~11% cost reduction directly protects the narrow developer margins. Crucially, the data reveals that even with the current exemption, hard costs per square meter remain between KShs. 38,696 and KShs. 55,364. To achieve the government's target sale prices of KShs. 35,000–42,000 per square meter, which must also cover land, soft costs, financing, and a minimal developer margin, a more efficient fiscal tool is required.

The current exemption fails to remove the embedded VAT from the supply chain, as evidenced by the cost structure. Therefore, a shift to zero-rating is essential to strip out this embedded tax,

potentially lowering the base hard costs further and making the target price points financially feasible.

An important policy consideration is any saving on construction costs, leads to savings on construction finance and a bigger saving on offtake finance.

Using the developers from Table 1 a multiplier impact of 3.3 is estimated for the VAT incentive as illustrated below. There will be a further saving on the construction finance cost (estimated at 20% over the life of the project on the VAT saving amount), and then a further saving as that amount will not need to be financed over the offtake loan (here assumed 25 years at 10%).

Developer	Unit Size sqm	Delivery cost without incentive	Delivery cost with incentive	Saving on delivery cost (fiscal loss on VAT)	Additional saving on construction finance (20%)	Saving on offtake finance (25 years at 10%)	Multiplier
Developer 1	20	1,170,306	1,047,369	122,938	147,525	254,643	2.1
Developer 1	42	2,457,643	2,199,474	258,169	309,803	534,751	2.1
Developer 2	21	1,487,845	1,326,040	161,805	194,167	335,151	2.1
Developer 2	45	3,188,239	2,841,514	346,726	416,071	718,181	2.1
Developer 2	60	4,250,986	3,788,685	462,301	554,761	957,575	2.1
Developer 3	100	6,821,887	6,051,585	770,302	924,363	1,595,544	2.1

Table 2: Cumulative saving of construction and offtake finance on the VAT saving element Source: KPDA

VAT tax exemption application

A core achievement has been operationalizing the VAT exemption application process, which is divided into two parts:

PART 1: Strategic partner application (To SDHUD)

- **Step 1:** The developer requirements for registration as strategic partner for Affordable Housing Projects on private land are:
 - Be ready for commissioning in line with [Development Framework Guidelines \(DFGs\)](#) within 90 days of registration.
 - Be on titled Land without encumbrances.
 - Have designs in line with Development Framework Guidelines (DFGs).
 - Have visual renders, master scheme designs, and master plan for the project area.
 - Have a complement of appointed professional teams to implement the project.
 - Have an appointed construction team and/or contractor.
 - Secured financing to begin development within 90 days of registration.

- **Step 2:** The developer submits the [Application for Strategic Partners](#) documents to the procurement office at SDHUD, Ardhi House.
- **Step 3:** SDHUD through the CS reviews the application. The SDHUD reviews the submission based on the following documents:
 - Due diligence checklists 1 and 2
 - Technical guidelines for developers
- Upon success, they approve the developer as a Strategic Partner and write a letter recommending a VAT exemption on construction materials for the AHP.

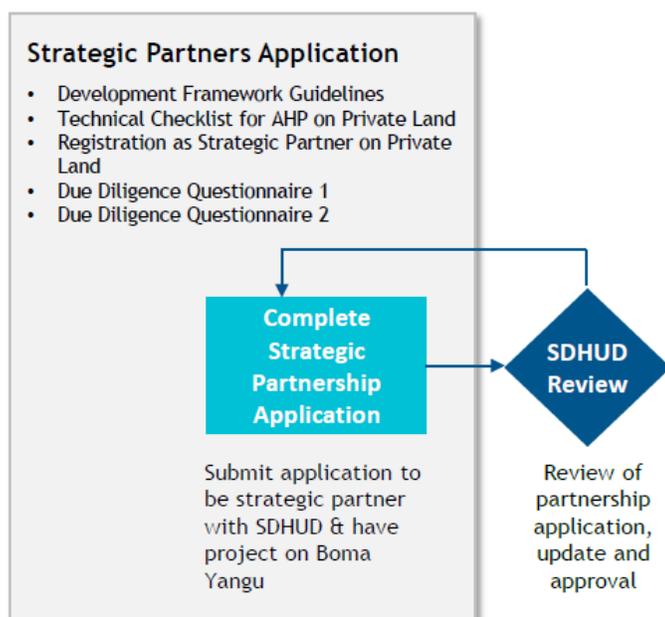


Figure 2: Process to apply for a strategic partnership with SDHUD

PART 2: VAT Exemption Application (To National Treasury via SDHUD)

- **Step 1:** Preparation of three core technical documents: a detailed [Master List](#), a Bill of Quantities (BoQ), and Approved Design Drawings by the developer.
- **Step 2:** The developer submits the complete documents to SDHUD for internal review.
- **Step 3:** SDHUD's Principal Secretary forwards the application to The National Treasury.
- **Step 4:** Treasury, with KRA, reviews the application and may request amendments.
- **Step 5:** Upon approval, The National Treasury issues the VAT Exemption Letter.
- **Step 6:** The developer uses the letter for VAT-free purchases, maintaining meticulous records for KRA.

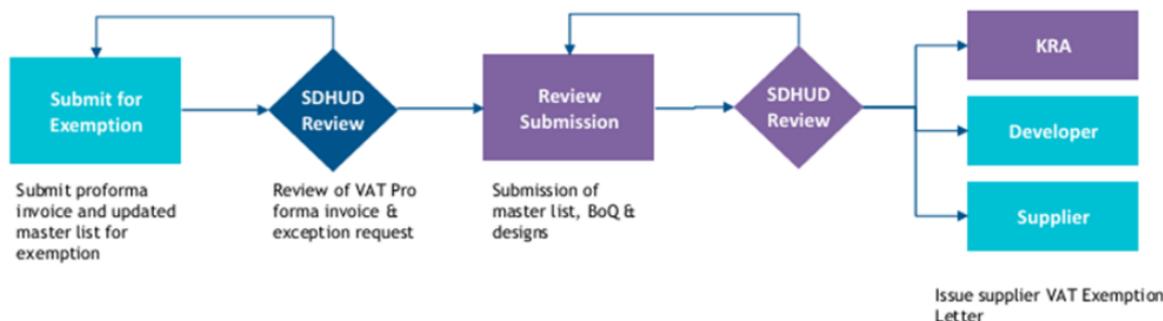


Figure 3: Process of applying for VAT exemption

Corporate tax reduction application

The call for affordable housing is often met with skepticism regarding developer profitability. Financial evidence from active projects, however, demonstrates that returns in this segment are modest and that the reduced corporate tax rate is a vital tool for viability, not a subsidy for excess profit.

A detailed financial appraisal of Developer 01’s project (see Annex 3) provides a concrete case study. The project, delivering between 100-200 units, reveals a total project cost of KShs. 335.7 million, with a hard cost of construction (including embedded VAT) constituting 72% of the budget. The developer’s total pre-tax profit (developer’s margin) is a function of the total estimated sales value. Developer 01’s project reveals an equity Internal Rate of Return (IRR) of approximately 9.5%, squarely within the 8-10% range targeted by developers in this segment. This demonstrates the constrained margins under which affordable housing operates. This return level is significantly below the 20%+ IRRs typically targeted in market-rate commercial or high-end residential developments and reflects the thin margins enforced by the affordable price point.

The reduced corporate tax rate of 15% (versus the standard 30%) directly supports these constrained economics. Applying this incentive to the project’s taxable profit meaningfully improves the post-tax equity IRR, enhancing the project’s bankability and making it palatable for private investment. Without this fiscal measure, the post-tax return would fall below the threshold

required to justify the significant capital commitment and execution risk—including pre-sales, regulatory delays, and construction cost volatility—inherent in affordable housing.

Therefore, the corporate tax incentive is a calibrated policy instrument designed to bridge a financial viability gap. It acknowledges that delivering housing at government-mandated price points (KShs. 35,000-42,000 per square meter) requires developers to operate on narrow margins. The incentive ensures that such projects can still attract the private capital essential for scaling up delivery to meet national housing targets, transforming a public policy goal into a financially sustainable endeavour.

The process for securing the reduced corporate tax rate of 15% for developers of over 100 affordable units is more straightforward than the VAT process.

- **Step 1: Eligibility confirmation and form completion** – The developer fills out an application form for the corporate tax incentive provided by SDHUD, availed through KPDA. The form captures developer and project details and require submissions of the following documents:
 - The Memorandum and Articles of Association
 - Certificate of Incorporation/Registration
 - Tax compliance certificate
 - A copy of the Project Profile showing the implementation period, number of units completed and sold, location, and all project approvals especially by County governments
 - Occupation Certificate from the County
 - Copy of Sale and transfer documents.
 - Title No/parcel No. of the development site
 - Copy of registration form (Form A)
- **Step 2: Submission to SDHUD** – The completed form, along with the required supporting documentation is submitted directly to SDHUD for review.
- **Step 3: SDHUD approval** – Upon verifying that the project meets the criteria, SDHUD approves the application. This approval from the Cabinet Secretary responsible for Housing is the primary requirement for the developer to then apply the 15% tax rate to the income from the affordable housing project when filing their annual return with the Kenya Revenue Authority (KRA). The CS also issues an incentive certificate to the developer.

Chapter 5 Project achievements

The program has made tangible strides in accelerating affordable housing delivery:

- **Developer engagement:** As of April 2025, 12 VAT exemption applications were submitted—each tied to active housing projects ranging from 52 units in Kilifi to 250 units in Nairobi. Notable developers, including 14 Trees, True Group, Mivida, Centum, Chard and International Housing Solutions (IHS) are actively participating. One developer, Placemakers, successfully applied for the corporate tax reduction but are yet to receive it.
- **Hands-On support:** The Incentives Desk has provided comprehensive guidance—from navigating tax provisions to preparing submissions and liaising with government agencies. Each application includes robust documentation and reflects growing developer confidence in the process.
- **Advancing approvals:** Although formal VAT approvals are pending, site visits for all 12 projects by SDHUD mark key progress and signal strong government engagement.
- **Tax milestone achieved:** the first application under the affordable housing corporate tax reduction— was submitted, demonstrating the program's potential in unlocking fiscal benefits.
- **Institutional collaboration:** Engagement sessions have deepened relationships with key agencies (SDHUD, KRA and Treasury), paving the way for a proposed coordination framework to streamline efforts.
- **Strategic communication:** Through social media, campaigns, and trainings, over 30 organizations were reached. A feedback survey enhanced messaging and informed future engagement priorities.
- **Regulatory desk:** One of the program's achievements has been its deep dive into regulatory processes - not only listing agencies contact details, but mapping the real-world hurdles developers face.

Open access knowledge register

The project intended to capture details of project details, typologies and financial data. A standardized summary of project scope (number of units, unit mix, gross saleable area) and key financial metrics, serving as a benchmark for the industry was developed to capture this data. Developers were sensitised on the value of this for market systems development and to illustrate to policy makers that there is not levels of 'hidden profit' or 'high profit' in affordable housing developments.

However, besides the three developers who agreed to share anonymized data for this report, others were reticent due to the lack of obtaining the anticipated tax incentives through this program.

A cornerstone of the program's legacy is the development of a comprehensive, open-access knowledge repository. This document seeks to transform the program's learnings into practical, reusable tools for the entire Kenyan development sector. Annexed within this report, the repository comprises spreadsheets of projects engaged. This spreadsheet tracks:

- **Developer and project details:** Company name, project name, and location.
- **Unit typology and financial data:**

Regulatory desk

The team documented the full approval journey, including environmental licensing (NEMA), structural approvals (NCA), zoning confirmations (county authorities), and tax clearance (KRA). Each step involved different agencies, often requiring in-person visits, hardcopy submissions, and multiple revisions. A total of 28 different approvals are required in the affordable housing development journey as detailed below.

Approvals

0	Change of Use	Pre Construction
1	Architectural Plans Approval by county	Pre Construction
2	Structural Plans Approval by county	Pre Construction
3	National Environmental Management Authority License	Pre Construction
4	National Construction Authority Project Registration	Pre Construction
5	Construction permits	Pre Construction
6	Dumping Permit	Pre Construction
7	Excavation Permit	Pre Construction
8	Hoarding Permit	Pre Construction
9	Sign boards Permit	Pre Construction
10	Telephone and Internet Connection Permit	Pre Construction
11	WARMA	Pre Construction
12	KURA / Kenha	Pre Construction
13	Borehole Drilling Permit - WRA	Pre Construction
14	Borehole Abstract Permit - WRA	Pre Construction
15	Sewer Connection - County Water & Sewerage Compc	Pre Construction
16	Water Connection - County Water & Sewerage Compc	Pre Construction
17	Power Connection - KPLC	Pre Construction
18	Neighborhood associations	Pre Construction
19	Construction mortgage charge	Pre Construction
20	Sectional titling for offtake sales	Pre Construction
21	Due Diligence Questionnaire 1	Incentives
22	Due Diligence Questionnaire 2	Incentives
23	Requirements for Registration as Strategic Partner	Incentives
24	Technical Checklist for AHP	Incentives
25	Amendments to Approved Plans	Building Completion
26	Fire health and safety Occupation Certificate	Building Completion
27	KEBS Certification - KEBS	Equipment
28	Certificate of compliance of installed equipment i.e. lif Equipment	

Figure 4: List of approvals required in Nairobi for an affordable housing development

A direct and strategic outcome of the program's work in mapping regulatory bottlenecks is the development of a framework for the **Development Approvals Tracking & Support (DATS) System**. This system is designed to institutionalize the program's learnings and provide a permanent mechanism for advocacy and support.

The DATS system is envisioned as a secure platform where industry associations—including the Architectural Association of Kenya (AAK), Institute of Engineers of Kenya (IEK), Institute of Quantity Surveyor of Kenya (IQSK), Institution of Surveyors of Kenya (ISK), and Kenya Institute of Planners (KIP)—can collaboratively monitor approval processes. This partnership will promote fact-based advocacy and accountability across the entire built environment sector.

Core Focus

- **Monitoring** building approval timelines across county government and regulatory authorities.
- **Identifying & resolving** systemic bottlenecks.
- **Facilitating** smoother approval processes for developers.
- **Providing** industry-level support and legal advocacy.

The aim is to reduce excessive delays and prevent situations where projects stall due to slow approvals.

Scope and Limitations

The framework's focus is on tracking, communication, and advocacy. KPDA will not submit applications on behalf of members and will strictly avoid any facilitation payments, ensuring all advocacy remains ethical and transparent.

Technology and Data Collection

The system will utilize a practical approach, using Click Up Forms distributed to members, which feed into a centralized Click Up Dashboard. This allows for easy input of application status, project details, and notes on delays. The data will be used to flag applications pending beyond a reasonable time, identify patterns, and generate reports for evidence-based advocacy with county and regulatory authorities.

Developer engagement and database

Behind every application is a developer working to bring housing to life. Recognizing this, the program prioritized relationship-building across the sector.

A dynamic database now tracks over 30 organizations—members of KPDA and independent firms—with detailed records on contacts, project histories, KPDA membership status, and priority interests.

This resource enables targeted outreach and timely support. Whether responding to new policy shifts or regulatory updates, the team can quickly connect with the right stakeholders and amplify impact.

Below is a list of developers actively supported by the Affordable Housing Incentives Desk—each at various stages of submitting VAT or corporate tax applications. Entries include project basics and current status.

Developer	Project Name	Location	Units	Submitted	Remarks
14 Trees	Mvule Gardens	Kilifi	52	2023	Awaiting SDHUD Action
International Housing Soln	Muzi Salama	Tilisi	240	12/03/2024	Project ongoing without VAT exemption
True Group	TG Kwanza	Nairobi - Kawangware	250	28/07/2024	SDHUD Completed Site Visit
Maisha Housing	Maisha Mapya	Tilisi	350	2022	Awaiting SDHUD Action
Kings Developers	TBA	Nairobi	120	2022	Pending Site Visit
Homeglobal	440 Utawala	Utawala	880	02/11/2025	SDHUD Completed Site Visit
Homeglobal	Wellsbridge residence	Ruiru	52	02/11/2025	SDHUD Completed Site Visit
Placemakers	Placemakers Riruta	Riruta	120	31/01/2025	Awaiting SDHUD Action
Browncap Kirawa Limited	127 Amaya	Lower Kabete	63	10/10/2024	Project ongoing without VAT exemption
Cherd Africa	Pinebrook Africa	Kitengela	52	24/04/2024	Project completed without VAT exemption
Mi Vida	Keza	Riruta	2,000	20/06/2024	Project completed without VAT exemption
Mi Vida	237	Garden City	1,000	20/06/2024	Project completed without VAT exemption
Centum Real Estate	Mzizi Homes	Two Rivers	1,940	13/03/2024	Project completed without VAT exemption
Centum Real Estate	Elmer One	Kasarani	284	14/05/2024	Project completed without VAT exemption
TOTAL			7,403		

While some projects have been completed without VAT exemption, it should not signal that VAT exemption is not required. What we see in the market is most of the projects built by private developers are being sold to individual investors who then rent the units out. To promote affordability and owner occupation, the incentive is invaluable as shown in Table 2. Further, there is a growing body of evidence that apartment buildings with a higher ratio of owner-occupiers compared to investor owners are more likely to invest in the ongoing maintenance to enable the value of the property to be maintained over time.

Chapter 6 Challenges, lessons learned, recommendations

As with any pioneering initiative, the program encountered several systemic hurdles:

- **Delayed VAT Approvals:** Despite 12 submissions, no VAT applications had received formal approval by April 2025. While site visits were encouraging, the absence of review timelines eroded developer confidence and slowed momentum.
- **Underutilized Corporate Tax Incentives:** Uptake has been limited—primarily due to low awareness and lack of clarity on procedures. Many developers remain unsure of eligibility or how to initiate applications.
- **Fragmented Regulatory Landscape:** Housing approvals span over 10 agencies, each operating independently. Developers routinely face duplicative processes, conflicting requirements, and prolonged approval cycles.

From these challenges, three key insights emerged:

- Developers require more than guidance, they need sustained, hands-on support.
- Mapping and streamlining regulatory systems is foundational to reform.
- Without digitization, even streamlined processes struggle to scale.

Strategic recommendations

To sustain progress and maximize impact in the final quarter:

- **Unlock VAT backlog:** Engage SDHUD leadership to accelerate reviews. Recommend setting a 30-day turnaround or auto-approving compliant applications.
- **Boost corporate tax uptake:** Launch targeted outreach: webinars, explainer videos, and a developer handbook to increase awareness and usability.
- **Digitize Regulatory Processes:** Co-develop a unified “housing incentives portal” integrating approvals into a single, trackable workflow.
- **Ensure program continuity:** Institutionalize the Incentives Desk within KPDA or a public agency to safeguard long-term support beyond the current grant.
- **Share Learnings Widely:** Publish a policy brief and develop an open-access resource hub to enable replication across counties and sectors.

The Affordable Housing Incentives Program has proven that when developers are empowered, momentum follows—and change becomes possible. This project was a pilot program and a

blueprint for more robust programs for developers to both receive incentives and support on other regulatory applications.

What began as a technical intervention has grown into a model for institutional collaboration, policy responsiveness, and impact-driven delivery. The final quarter isn't just about winding down—it's about leaving behind a stronger, smarter system capable of scaling success far beyond 2025.

Chapter 7 Financial summary of grant proceeds

The program was executed over a multi-year period (2022-2025) with a total grant budget of KShs. 3,500,000 from FSD Kenya. The financial management of the program was characterized by strategic, phased spending aligned directly with project milestones, culminating in a 100% utilization rate across all seven core program activities, as annexed in this report.

Allocation and Phased Implementation

The budget was strategically allocated across the seven activity pillars as follows:

1. Developer Support (43% - KShs. 1.5M)

This was the largest budget line, underscoring the program's core mission of providing hands-on, direct assistance to developers navigating the complex incentive application process. Expenditure was phased across all years, with the bulk occurring in 2023 and 2024, coinciding with the peak of application submissions and ongoing support.

2. Knowledge Product Development (28% - KShs. 1.0M)

A combined KShs. 1 million was allocated to creating Process Maps & Templates for tracking approvals and VAT applications, and compiling Project Learnings. Significant investment in these areas in 2022 and 2024 indicates a focus on building foundational tools at the outset and synthesizing lessons learned towards the program's conclusion to ensure sustainability and replicability.

3. Capacity Building and Engagement (28%)

This category covered Education Materials (14%), Corporate Tax Engagement (7%), and initial Project Identification (3%). Spending on education and corporate tax was active throughout the period, highlighting continuous efforts to raise awareness and demystify both the VAT and corporate tax incentive processes for stakeholders.

4. Significant Leverage through In-Kind Contributions

A critical aspect of the program's value proposition was the substantial in-kind contribution of KShs. 7.896 million from KPDA. This included administration, strategic guidance from its Board, and industry expertise. This leverage ratio of over 2:1 (in-kind to grant value) demonstrates a deep institutional commitment and greatly amplified the impact of the FSD grant funding.

Annual & Phased Grant Expenditure Overview

The financial execution followed a logical phased approach aligned with project activities

2022 - KShs. 1,370,000 (39% of budget)

This initial year focused on foundational activities. The majority of funds were allocated to the development of a process map and template for tracking regulatory approvals (KShs. 294,000) and the development of a process map & template for vat tax exemption (KShs. 244,000). This investment was critical for building the tools and frameworks needed for effective developer support. Initial developers' applications support (KShs. 422,000) and education materials (KShs. 120,000) spending also began, kickstarting direct engagement.

2023 - KShs. 640,000 (18% of budget)

Year two marked a shift into sustained implementation and capacity building. Spending on direct developers' applications support increased significantly (KShs. 320,000) as the number of engaged developers grew. Concurrently, work began on synthesizing project learnings (KShs. 130,000) and continued on education materials (KShs. 100,000) to capture and disseminate early insights.

2024 - KShs. 1,020,000 (29% of budget)

This was the peak implementation year. The largest portion of the developers' applications support budget was utilized (KShs. 480,000), corresponding with the intensive hands-on support required for preparing and submitting the bulk of the 12 VAT applications. Development of education materials (KShs. 240,000) and project learnings (KShs. 300,000) also ramped up as training initiatives expanded and data collection for final reporting intensified.

2025 - KShs. 470,000 (14% of budget)

The final year was dedicated to project closure and sustainability. The remaining funds were allocated to completing the final developer support (KShs. 278,000), finalizing the project learnings repository and report (KShs. 70,000), and concluding activities for regulatory mapping (KShs. 46,000) and corporate tax engagement (KShs. 30,000).

KPDA's In-Kind Support and Financial Commitment (KShs. 7,896,000 Total)

The success of the program was significantly amplified by the substantial in-kind contributions provided by KPDA, which demonstrated a deep institutional commitment exceeding the cash grant value. The Association's pro bono contributions, valued at over KShs. 7.8 million, provided the essential operational backbone and strategic guidance for the program. This ratio of over 2:1 (in-kind to grant value) is proof of the program's powerful partnership model. The contributions were broken down as:

Board Contributions - KShs. 5,040,000 (64%)

This represents the strategic value of time and expertise donated by KPDA's Board of Directors. Their guidance was instrumental in shaping the program's strategy, providing high-level

advocacy with government entities, and offering expert advice on complex technical and regulatory issues faced by developers.

Industry Expertise - KShs. 2,016,000 (26%)

This constituted the provision of specialized industry knowledge from KPDA's network. It includes technical consultations on construction costing, legal reviews, and planning expertise that were embedded into the templates, guides, and direct support provided to developers.

Administration - KShs. 840,000 (11%)

This covered the direct operational costs absorbed by KPDA, including office space, utilities, IT infrastructure, communications, and the time of administrative staff who supported the program's logistics, finance, and reporting.

Annexes

Annex 1: Due Diligence Forms from SDHUD



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DEVELOPER CAPACITY QUESTIONNAIRE

Developer Capacity Questionnaire – All questions to be responded to or Not Applicable to be indicated and reasons for NA to be advised.	
I.	Consortium Profile
	Provide a summary and schematic diagram of your Project Companies including roles and relationship between equity parties (including all local investors), funders, and contractors.
	Project Profile
	Provide a summary of your proposed project, estimates of development cost, and where applicable a schematic diagram of the project structure.
	Provide a description of split of affordable housing, commercial housing and other commercial development within your project.
	A Gantt Chart setting out construction timelines and any planned phasing of construction and release of useable units to the market.

II.	<p>Developments / Projects completed projects in the last five (5) years (at least 1 No. Project) (To be provided in the prescribed format) for Developers</p> <p>Include the type of project, scope of work, value of the project;</p> <p>At least 1 completion certificate and a project description of a project/projects of a similar nature, complexity and magnitude. Please provide the projects in order of completion.</p>
III.	<p>Funding Structure</p> <p>Please provide a detailed description of your financing structure</p>
IV.	<p>Financing Timelines</p> <p>Key fund-raising activities and proposed dates for the achievement of Financial Close (FC) with prescribed timeframes. Evidence of the progress should be provided under item VI</p>
V.	<p>Financing Capacity</p> <p>Proof of financial capacity appropriate for the equivalent equity participation in a project of the proposed scale. This capacity is dependent on the size of the development and the size of the envisaged equity participation by the consortium.</p> <p>By way of example, assuming the development costs KShs. 10,000,000,000 (Kshs Ten Billion), with an assumed 80:20 debt-to-equity ratio, the project sponsors/consortium would require KShs. 2,000,000,000 (Two billion shillings) in equity.</p> <p>Kindly demonstrate 1) Consortium ringfenced available funds of KShs 2,000,000,000 and or what has been raised to date 2) Executed term sheet / offer letter from debt financier of KShs 8,000,000,000 or amounts raised to date in line with project schedule.</p>
VI.	<p>Construction Risk</p>
VII.	<p>What strategies and mitigants have the Developers on private land on private projects put in place on construction and delivery risk of the units.</p>
VIII.	<p>By way of example, evidence there is an Offer Letter for a Letter of Credit available from a Bank in favour of the Contractor available to be shared with SDHUD. Y / N. If available please provide.</p>

IX.	Sources of Funds
	Provide details on source of funding.
	Is there a Term Sheet available to be shared with SDHUD. Y / N. If available please provide.
	Details of primary bankers and provide contact details (Contact Person, Designation, Bank / Organization, Address, Tel, E-Mail).
	From which jurisdiction is the funding originating from?
	If an individual / family what is their net wealth and source of wealth?
	If the funds have come from a non-financial institution third party, what is the relationship and why is the third party involved?
If appropriate, provide any additional information / context to the answers in this section.	
X.	Financial Performance: (Please provide for 5 years in line with Audited Accounts for consortium members)
	Current Ratio: Current Asset / Current Liabilities
	EBITDA (Operating Profit) as a % of revenues
	Debt profile: EBITDA / Interest (x times)
	DECLARATION
	I certify that to the best of my knowledge, the information provided in this questionnaire is current and accurate.

	<p>I further confirm and certify that I am duly authorized to complete this document.*</p> <p>Name: _____</p> <p>Signature: _____</p> <p>Designation: _____</p> <p>Contact detail: _____</p> <p>Date: _____</p> <p>* Duly authorized Power of Attorney from the consortium to be provided.</p>
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STEPS IN DUE DILIGENCE EXERCISE

1. Searches

1.1 Land/Property Searches – conducted at the various lands registries depending on the location of the subject land/property. Gives conclusive evidence of the situation of the land/property with regards to its registration.

1.2 Company/LLP Searches – conducted at the companies registry, but is only relevant where the proprietor of the subject land/property is a company/LLP. Gives conclusive evidence of the situation of the entity with regards to its registration.

1.3 In addition to this, it confirms that the subject land/property is not listed in under or within the ambit of the Kenya Wildlife Service, Kenya Forest Service or any other Statutory Body.

2. Survey

2.1 Conducted to ascertain the position of the land/property with regards to;

2.1.1 its size

2.1.2 boundaries

- 2.1.3 any physical encumbrances that may exist against it e.g wayleaves, riparian land, road accesses etc.
- 2.2 This exercise also takes into consideration looking into and consulting with:
- 2.2.1 NEMA
- 2.2.2 WRMA
- 2.2.3 KeNHA
- 2.2.4 KURA
- to confirm if any encumbrances exist against the subject land/property.

3. **Adverse Mentions**

- 3.1 The Report on the Commission of Inquiry into the Illegal/Irregular Allocation of Public Land a.k.a. Ndung'u Land Report lists the various properties that are categorized as public land confirmed to have been illegally or irregularly allocated to private persons.
- 3.2 Land gazette by the National Land Commission (NLC) as illegally acquired through various gazette reports. In this regard, we shall request NLC to confirm that the land in question is *kosher*.

DOCUMENTS REQUIRED IN RESPECT OF LAND

	Required Documents
1.	Copy/ies of title
2.	Copy of Certificate of Incorporation/ Registration (If owned by a Company or LLP)
3.	Copies of SACCO or Cooperative Constitutive documents
4.	Copies of Pins and ID of the land owner
5.	Copies of Pins and IDs of the Shareholders/ Directors and Partners (If owned by a Company or LLP)
6.	Original Board Resolutions allowing the Land to be used for Affordable Housing

7.	Copies of JV/Land Agreement where a consortium has been set up with a land owner
8.	Registry Index Maps (RIM) in respect of land that is under the Registered Land Act (RLA)

TECHNICAL CHECKLIST FOR AHP ON PRIVATE LAND

1. Project Description
2. Drawings, floor plans and visual renders
3. Project timelines
4. Project location (including google coordinates)
5. Full details of off-taker
6. Number of units to be off-taken
7. Documentation executed between developer and off-taker
8. If project being undertaken on county land, letter of no objection from National Land Commission (NLC) allowing the land to be used for construction of Affordable Housing Program
9. Details of financiers
10. Documentation executed between the developer and financier

Annex 2: Program outputs and activities

#	Outputs	Activities	Target	Status	Comments
1	- Project Kick off Formalities	Engagement with government agencies to kick off project, identification of lead personnel, letter of support from PS Hinga to KRA, identification of internal staff / champion within SDHUD	Mar-22	100%	Complete
2		Refinement of data collection spreadsheet	Apr-22	100%	Complete
3		Shortlisting of relevant developers for the program	May-22	100%	Complete
4	- VAT Exemption	Engagement with SDHUD, KRA, Treasury and others on documenting the current process	May-22	100%	Complete
5	- Detailed process for submission of VAT tax incentives	Streamlining of incentive application and submissions process	Jun-22	100%	Complete
6	- Templates for submission	Development of relevant templates for submission	Jun-22	100%	Complete
7	- Instructions for completing template and submitting incentive applications and ongoing materials	Development of instructions for completion of templates	Jun-22	100%	Complete
8		Review of materials with SDHUD, KRA and Treasury and make relevant updates where required	Jun-22	100%	Complete
9		Visit Tatu City to understand how VAT exemption undertaken within the SEZ framework and any learnings for this project	Apr-22	100%	Complete
10	- Development approvals	Engagement with developers on statutory applications	Mar-23	100%	Complete
11	- Spreadsheet of approval application timelines, costs, challenges and resolutions	Collection of data on statutory applications timelines, costs, challenges and resolutions	Oct-22	100%	Complete
12		Engagement with relevant government agency as required	Feb-23	100%	Complete
13	- Corporate tax	Engagement and agreement with SDHUD on the guidelines for 15% corporate tax incentive	Dec-23	100%	Complete
14	- Updated 15% corporate tax incentive policy	Engagement with SDHUD, KRA and Treasury to define guidelines for submission	Dec-23	100%	Complete
15	- Guidelines for implementation	Development of application and submission process	Dec-23	100%	Complete
16		Development of instruction for completion of application process	Feb-23	100%	Complete
17	- Support developers applications	Engagement and education of developers	Apr-23	100%	Complete
18		Collection of relevant project data for data collection spreadsheet	Apr-23	100%	Complete
19		Support application for 12 affordable housing projects and ongoing submissions of invoices	Apr-23	100%	Complete
20		Engagement with SDHUD and government on challenges or queries	Apr-23	100%	Complete
21		Updating of process as required	Apr-23	100%	Complete
22	- Live trainings on the application process	Organize training for key actors (developers, architects, QSs, contractors, etc) on the application submission process	May-23	100%	Complete
23	- Videos on the application submission process	Deliver training of tax incentives to key stakeholders	May-23	100%	Complete
24		Development of training video for the tax incentive application process	Jun-23	100%	Complete
25		Updating of the KPDA website for the application submission process	Jun-23	100%	Complete
26	- Open Access repository / Spreadsheet of projects that engaged	Compile experiences of KPDA and developers navigating this process with lessons for sustainability, scale etc	Jun-23	100%	Complete
27	- Project learnings	Repository of Open Access templates from developers engaged with project using agreed spreadsheet	Jun-23	100%	Complete
28		Synthesis of project learnings	Jun-23	100%	Complete

Annex 3: Detailed comparative financial appraisal of anonymised affordable housing projects

DEVELOPER 1 FINANCIAL	Pre VAT Cost				VAT	% cost (before VAT)
	Description	Total Cost	Per Unit	Per Sqm (GBA Residential)		
Land	25,000,000	182,482	4,640			8%
Soft Costs						
Consultants Fees	17,600,000	128,467	3,267	2,816,000	6%	
Developers Fees	5,930,000	43,285	1,101	948,800	2%	
External (Lawyers, design, security etc)	1,980,000	14,453	368	316,800	1%	
Approvals	1,750,000	12,774	325	280,000	1%	
Marketing	21,100,000	154,015	3,916	3,376,000	7%	
Contingency	300,000	2,190	56	48,000	0%	
Total Soft Costs costs	48,660,000	355,182	9,032	7,785,600	15%	
Hard Costs						
Infrastructure pre VAT	2,241,379	16,360	416	358,621	1%	
Construction pre VAT	204,741,379	1,494,463	38,002	32,758,621	65%	
VAT on infra + Construction	33,117,241	241,732	6,147	33,117,241	11%	
Contingencies	1,500,000	10,949	278	240,000	0%	
Total Hard costs	241,600,000	1,763,504	44,843	33,357,241	77%	
Interest on Debt						
Total Project Cost	315,260,000	2,301,168	58,515	41,142,841	100%	
Total Project Cost with Incentive	282,142,759	2,059,436	52,368			

Sources & Uses

Uses of Capital		
Land	25,000,000	8%
Soft Costs	48,660,000	15%
Hard Costs	241,600,000	77%
Interest		0%
Total Uses of Capital	315,260,000	100%

Project Summary

Category	Detail	Value	Notes
Project Totals	Total Housing Units	137	
Gross Saleable Area		4,511	sqm
Building Efficiency		15%	
Total Residential Area		5,188	
Amenities, Lobby and Roof		200	
Gross Built Area used		5,388	
Total Land Size		1 acre	
		4046	sqm

Unit Mix	Detail	Unit Quantity		Unit Size	
Bedsitter Units		16	20		
1-Bedroom Units		78	31		
1-Bedroom Duplex Units		3	31		
2-Bedroom Units		15	42		
2-Bedroom Duplex Units		25	42		
		137			

Parking Ratio	0.5
Parking Stalls	68.5
Parking Area per Stall	35
Parking Area	2,398
Gross Built Area (GBA) incl parking	7,585

	Unit Delivery Cost			
	Without Incentive	With Incentive	Cost Savings	Cost Saving %
	1,170,306	1,047,369	122,938	11.7%
	1,813,975	1,623,421	190,553	11.7%
	1,813,975	1,623,421	190,553	11.7%
	2,457,643	2,199,474	258,169	11.7%
	2,457,643	2,199,474	258,169	11.7%

DEVELOPER 2 FINANCIALS	Pre VAT Cost				
	Description	Total Cost	Per Unit	Per SM (Gross Built Area) VAT	Note
Land	48,000,000	169,014	3,330		5%
Soft Costs					
Consultants Fees	49,277,393	173,512	3,419	7,884,383	5%
Developers Fees	41,064,494	144,593	2,849	6,570,319	4%
External (Lawyers, design, security etc)	8,212,899	28,919	570	1,314,064	1%
Approvals	41,064,494	144,593	2,849	6,570,319	4%
Marketing	8,212,899	28,919	570	1,314,064	1%
Contingency	4,106,449	14,459	285	657,032	0%
Total Soft Costs costs	151,938,628	534,995	10,541	24,310,181	15%
Hard Costs					
Infrastructure per acre	10,000,000	35,211	694	1,600,000	1%
Construction pre VAT	684,126,000	2,408,894	47,463	109,460,160	67%
VAT on Infra + Construction	111,060,160	391,057	7,705	111,060,160	11%
Contingencies	16,103,723	56,703	1,117	2,576,596	2%
Total Hard costs	821,289,883	2,891,866	56,979	224,696,916	80%
Interest on Debt					
Total Project Cost	1,021,228,512	3,595,875	70,850	249,007,096	100%
Total Project Cost with Incentive	910,168,352	3,204,818	63,145		

Sources & Uses

Uses of Capital	
Land	48,000,000 5%
Soft Costs	151,938,628 15%
Hard Costs	821,289,883 80%
Interest	- 0%
Total Uses of Capital	1,021,228,512 100%
Sources of Capital	
Equity	204,245,702 20%
Debt	612,737,107 60%
Sales	204,245,702 20%
Total Sources of Capital	1,021,228,512 100%

Project Summary			
Category	Detail	Value	Notes
Project Totals	Total Housing Units	284	
Gross Saleable Area		12,360	sqm
Building Efficiency		15%	
Total Residential Area		14,214	
Amenities, Lobby and Roof		200	
Gross Built Area used		14,414	
Total Land Size		1	acre
		4046	sqm

Unit Mix	Unit Quantity	Unit Size	Unit Delivery Cost		Cost Saving %
			Without Incentive	With Incentive	
Bedsitter Units	100	21	1,487,845	1,326,040	161,805 12.2%
1-Bedroom Units	28	45	3,188,239	2,841,514	346,726 12.2%
1-Bedroom Loft Units	24	45	3,188,239	2,841,514	346,726 12.2%
2-Bedroom Units	132	60	4,250,986	3,788,685	462,301 12.2%
	284				

Parking Ratio	0.5
Parking Stalls	142
Parking Area per Stall	35
Parking Area	4,970
Gross Built Area (GBA) including parking	19,184

	Unit Delivery Cost		Cost Saving	
	Without Incentive	With Incentive	Cost Savings	%
	1,487,845	1,326,040	161,805	12.2%
	3,188,239	2,841,514	346,726	12.2%
	3,188,239	2,841,514	346,726	12.2%
	4,250,986	3,788,685	462,301	12.2%

DEVELOPER 3 FINANCIALS				
Description	Pre VAT Cost			VAT Note
	Total Cost	Per Unit	Per SM (Gross Built Area)	
Land	25,000,000	104,167	899	
Soft Costs				
Consultants Fees	94,758,720	394,828	3,409	15,161,395
Developers Fees	78,965,600	329,023	2,840	12,634,496
External (Lawyers, design, security etc)	15,793,120	65,805	568	2,526,899
Approvals	78,965,600	329,023	2,840	12,634,496
Marketing	15,793,120	65,805	568	2,526,899
Contingency	7,896,560	32,902	284	1,263,450
Total Soft Costs costs	292,172,720	1,217,386	10,510	46,747,635
Hard Costs				
Infrastructure per acre	10,000,000	41,667	360	1,600,000
Construction pre VAT	1,328,400,000	5,535,000	47,784	212,544,000
VAT on Infra + Construction	214,144,000	892,267	7,703	214,144,000
Contingencies	26,768,000	111,533	963	4,282,880
Total Hard costs	1,579,312,000	6,580,467	56,810	432,570,880
Interest on Debt	-			
Total Project Cost	1,896,484,720	7,902,020	68,219	479,318,515
Total Project Cost with Incentive	1,682,340,720	7,009,753	60,516	

Sources & Uses

Uses of Capital		
Land	25,000,000	1%
Soft Costs	292,172,720	15%
Hard Costs	1,579,312,000	83%
Interest	-	0%
Total Uses of Capital	1,896,484,720	100%
Sources of Capital		
Equity	379,296,944	20%
Debt	1,137,890,832	60%
Sales	379,296,944	20%
Total Sources of Capital	1,896,484,720	100%

Project Summary				
Category	Detail	Value	Notes	Cost (KES)
Project Totals	Total Housing Units	240		
Gross Saleable Area		24,000	sqm	
Building Efficiency		15%		
Total Residential Area		27,600		
Amenities, Lobby and Roof		200		
Gross Built Area used		27,800		
Total Land Size		1	acre	
		4046	sqm	

Unit Mix	Unit Quantity	Unit Size	Cost Saving		
			Without Incentive	With Incentive	%
2-Bedroom Units	240	100 sqm	6,821,887	6,051,585	12.7%
	240				
Parking Ratio					
Parking Stalls					
Parking Area per Stall					
Parking Area					
Gross Built Area (GBA)					

The background of the page is a solid blue color with several thin, white, wavy lines that create a sense of movement and depth. These lines are irregular and flow across the page, some curving upwards and others downwards.

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