

**BREAKING NEW GROUND IN HOUSING DELIVERY
HOUSES, SECURITY & COMFORT**



housing

Department:
Housing
REPUBLIC OF SOUTH AFRICA

**PRESENTATION TO THE PORTFOLIO COMMITTEE ON
HOUSING
31 OCTOBER 2007**

***VISION: A NATION HOUSED IN SUSTAINABLE HUMAN SETTLEMENTS
WITH ACCESS TO SOCIO-ECONOMIC INFRASTRUCTURE***

***MISSION: TO ESTABLISH & FACILITATE A SUSTAINABLE PROCESS
THAT PROVIDES EQUITABLE ACCESS TO ADEQUATE HOUSING FOR ALL
WITHIN THE CONTECT OF AFFORDABILITY OF HOUSING & SERVICES
& ACCESS TO SOCIAL AMENITIES & ECONOMIC OPPORTUNITIES***

Structure of the presentation

1. Draft Framework for an Inclusionary Housing Policy
2. Programme 5:Housing Development Funding

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Draft Framework for an Inclusionary Housing Policy

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Format of Presentation

- Introduction : the context
- Mandate
- International research
- Objectives of the IHP
- Key Principles
- Key contextual considerations
- Implications for scale
- Draft Policy Framework
- Definitions
- Qualification Criteria and Subsidy Mechanism
- Essence of the Draft Policy
- Issues identified in the Framework
- Institutional Arrangements
- Progress to date

Mandate - Comprehensive Plan

- Accelerate housing delivery within the context of sustainable human settlements;
- Provide housing within human settlements;
- Provide quality housing and turn houses into assets;
- Create a single and efficient formal housing market; and
- Abolish apartheid spatial planning by restructuring and integrating human settlements

Introduction: The context

- Pre- democratic dispensation
 - Apartheid Planning and Apartheid Settlement patterns
 - Peripheral development
 - Social and economic exclusion and marginalization
 - racial, social and economic lines
- Current dispensation
 - Early housing delivery
 - scale
 - perpetuated apartheid ideology
 - not consistent with democratic ethos
 - Changing settlement patterns and trends
 - Property boom largely confined to better off
- Government intervention in developmental state

Mandate: Social Contract for Rapid Housing Delivery

- **September 2005 : Housing Indaba - Cape Town**
 - Signatories : Government, private sector NDoH, Financial and NGO Sector (including Chamber of Mines, Group Five, Partners for Housing & SAPOA)
 - **Agreed to:**
 - accelerate housing delivery to address the housing backlog
 - “ensure that commercially-driven housing developments above **Rx** (an amount to be determined), will spend **y%** (a percentage to be determined) of the total project value in the housing subsidy category
- **Research study commissioned**

International Research Findings, inter alia

- Many local and national governments worldwide, have implemented IHPs
- Elements of IHPs, internationally, include:-
 - Exemption from inclusionary housing requirements for small projects, [less than five or ten units].
 - Income eligibility criteria:
 - Define affordability
 - Based on a % of median income and/or median home prices
 - Pricing criteria for affordable units.
 - Provision of incentives by Government.
 - Restrictions on resale and subsequent rental of affordable units.
 - Schemes are either voluntary or mandatory

Objectives of the IHP for South Africa

- Achieve
 - integration
 - better balance of race and class in new residential developments
- Provide accommodation opportunities
 - Low to lower middle income households
 - in areas where they might have been excluded
 - Closer to work opportunities
- Boost supply of affordable housing
 - both rental and purchase markets

Objectives of the IHP for South Africa

- Mobilise private sector delivery capacity
 - to provide affordable housing
- Leverage new housing opportunities off existing stock
- Achieve :
 - densification of SA cities
 - greater leverage off existing SHS infrastructure
 - restructured urban landscape

Key Principles

- “Win-win” outcomes
 - Balance
 - Incentives roughly proportional to inclusionary requirement
- Flexibility
 - since circumstances in projects vary
- Municipal level is the best place for :
 - making judgements about the inclusionary requirements
 - offsetting incentives

Key Principles cont.

- Some incentives/sanctions must be implemented consistently
 - to avoid confusion
- Respect for existing rights and due process
- Where infrastructure cannot take additional densities :
 - density bonuses cannot be given

Key Contextual Considerations

- An urban housing approach – not rural
- Best place to make development decisions is at the municipal level
- Policy to achieve integration – not necessarily scale

Implications for scale delivery via inclusionary housing

- Between 2000 to 2004
 - average number of housing units produced by the private sector = 40 000 *pa
 - expected increase = 60 000* (2006)
- 40% of 60 000 = 24 000 pa
- * ex NHBRC

- The harnessing of private development initiative (in its pursuit of delivering housing to middle/higher income households) to also provide affordable housing opportunities to achieve a better socio-economic balance in residential developments and hence contribute to the supply of affordable housing in integrated human settlements.

Definition: Affordable Housing For IHP

- The range between the cost of a fully subsidized incremental (RDP) house and the top of the “affordable housing range as defined via the Finance Charter + 40%
 - ie between R60 000 and R350 000

Definition: Affordable Housing - Rental

- Range between the rent that someone earning
- R1 500 per month and R7 500pm + 20% can afford.
 - ie. rents of between R500 and R3 000 pm
 - escalation amount for rental is smaller
 - rents are about 60% to 70% of mortgage repayments.
 - rental range to be escalated at CPIX annually.

Qualification and Subsidy Mechanisms

- Qualification Criteria
 - National Qualification Criteria + household income – R3501- R7000
- Finance Linked Individual Subsidy for ownership
- Social Housing Grants for rental

The Essence of the Draft Policy

- Layered decentralised approach
- Parameters and guidelines from National
- Provinces may augment National policy, parameters etc.
- Legislation requiring Local Authorities to draw up Inclusionary Housing Plans
- IHP is comprised of two components:
 - 1. Voluntary Pro-Active Deal Driven (VPADD)
 - 2. Town Planning Compliant (TPC)

Voluntary Pro-active Deal-driven Approach (VPADD)

- Willing partners
- National and Provincial may be directly involved
 - determine parameters about the inclusionary requirements
- Project-driven – not area-driven
- Requires greater degree of pro-activity between parties
 - Private sector encouraged to be pro-active
- Systematic plans to be developed.
 - Municipalities will spell out VPADD intentions in local IHP's.
- Government land likely to be key initiating factor.
 - PFMA and MFMA provisions to be followed.

Town Planning Compliant (TPC) Approach

- Compulsory
 - extent should be broadly proportional to extent of off-setting incentive.
 - “Win-win” if incentives off-set compulsion.
- Key instruments : town planning machinery
 - Rezoning, Township Establishment, Subdivisions

Town Planning Compliant (TPC) Approach

- Applicable in township establishment, rezoning and sub-divisions
- Cognizance to be taken of
 - Town Planning Ordinances in different provinces
 - planning machinery varies provincially
 - Use and development rights
 - encoded in town planning schemes
 - existing rights may be subject to inclusionary requirements

Town Planning Compliant (TPC) Approach

- Application in relation to :
 - Public interest policy
 - Externality impacts on existing rights
 - Township establishment, rezoning, subdivision applications.
- Incentives
 - Density bonuses
 - bulk and link infrastructure
 - big density bonuses around nodes and corridors.

- Inclusionary Housing must be met
 - on and/or off-site;
 - option of levying fees in lieu of provision?
- inclusionary stock credits;
- maximum proportion of affordable units for a project to qualify as inclusionary:
 - VPADD maximum prescription : 60%
 - if Government provides land;
 - prescription for TPC : between 20% - 30%
 - Municipalities to decide on area basis

Issues dealt with in Draft Framework

- Minimum size of inclusionary housing projects
 - cut-off point in residential developments
 - three or more units/sites
- Marketing risk
 - negotiated on a project by project basis;
- On-selling of units
 - for the first 10 years
 - to qualifying “affordable” household only :
 - unit can be sold at the original price plus the mid-point between CPIX and building cost inflation;
 - after 10 years:
 - unit can be sold at market price.
 - Social Housing:
 - Retention for 15 years.

- Management of the stock
 - Rental : accredited Social Housing Institutions
 - Ownership : Body Corporate of the development
- Standardized project types and design;
- Allocation of units;
- Institutional architecture and roles and responsibilities of spheres of government;
- Legislative requirement;
- Arrangements for implementation; and
- Alignment with other housing policies and subsidies.

Institutional Architecture

National level

- Set parameters within which inclusionary decisions can be made at local level
- Assistance in accessing land
- Enabling Legislation
- Monitor progress
- Initiate and implement VPADD projects

Institutional Architecture

Provincial level

- Augment National parameters and policy, if necessary.
- Make subsidies available where appropriate
- Help build capacity of Local authorities to develop and run local IHP programmes
- Monitor progress and report to NDOH
- Initiate and Implement VPADD projects

Institutional Architecture

Local Level

- Draw up local Inclusionary Housing Plans
 - with both TPC and VPADD components
- Make judgements on a precinct basis on:
 - extent of the inclusionary requirements
- Operationalize TPC :
 - use Local planning instruments
 - define areas where different inclusionary requirements apply
 - concretize corresponding incentives for IHP.
- Conceptualise and initiate IHP projects -VPADD
- Enter into partnerships with private sector partners on specific IHP projects (VPADD)
- Ensure that IHP projects are in line with Policy
- Monitor IHP outcomes and report to PHD and NDOH

Progress to date

- Approved in principle by Minmec in July 2007 with proviso of National Road show for inputs
- Finalise Policy - based on inputs
- Legislation drafting process being initiated
- Implementation guidelines being initiated
- Further consultation with all role-players, including financial and private sector
- Pilots already being undertaken



THANK YOU!



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PROGRAMME 5: HOUSING DEVELOPMENT FUNDING

***VISION: A NATION HOUSED IN SUSTAINABLE HUMAN SETTLEMENTS
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Purpose & measurable objectives

- Purpose
 - To fund National Housing and Human settlement Programmes in terms of the housing Act (1997).
- Measurable Objective
 - Ensure that expenditure by provinces and municipalities in terms of the integrated housing and human settlement development grant achieves national policy priorities and annual housing delivery commitments as defined in provincial strategic plans, and comply with the Public Finance Management Act (1999) and Division of Revenue Act requirements.

Sub-programmes

- In addition to three existing sub-programmes, the Social Housing Programme sub-programme has been introduced:
 - **Fund Management** administers payments of the conditional grant to provinces.
 - **The Integrated Housing and Human Settlement Development Grant** reflects the conditional grant allocation that is transferred to provinces.
 - **Interest and Redemption on Private Loans** administered the interest payments on liabilities held by the National Housing Development Board and the South African Housing Trust, all of which have been transferred to National Treasury.
 - **Social Housing Programmes** will implement the new social housing policy. This includes overseeing the establishment of the Social Housing Regulatory Authority, providing subsidies to established social housing institutions and preparing social housing projects for capital subsidies.

Objectives and Indicators

- The Housing Development Funding programme accounts for the bulk of the Department's expenditure, as it channels the funds for providing housing and integrated settlements.
- As a result, the programme consists almost exclusively of transfers, particularly through the Integrated Housing and Human Settlement Development Grant sub-programme.
- A budget of R6,349 billion was allocated to the Integrated Housing and Human Settlement Development Grant for the 2006/07 financial year in the 2006 budget, and an additional R110 million was provided for the implementation of the social housing policy in the adjustment estimate.

Recent outputs

- Provinces achieved a spending rate of 95 per cent of all funds available (funds available is made up of the annual allocation plus approved rollovers).
- They spent R6,535 billion against a budget of R6,942 billion which includes rollover funds.
- The rollover amount in provinces have been reduced from R375 million in 2004/05 to R119 million in 2005/06.
- During 2006/07 a total of 166 523 subsidies were approved and 271 219 housing units were completed.

Conditional grant exp 2006/07

2006/07									
Provinces	Voted R'000	Additional Appropriated R'000	Appropriated at Province R'000	Total Available R'000	Year to date (1 April 2006 - 31 March 2007)				
					Transfer-red Funds R'000	Spent by Provinces R'000	Unspent Funds R'000	Spent as % of Total Available	Unspent as % of Total Available
Eastern Cape	761,994	-	-	761,994	676,700	637,695	124,299	84%	16%
Free State	522,601	-	6,028	528,629	522,601	528,412	217	100%	0%
Gauteng	1,757,666	-	-	1,757,666	1,757,666	1,748,283	9,383	99%	1%
KwaZulu-Natal	1,048,376	-	-	1,048,376	1,048,376	1,074,521	-26,145	102%	-2%
Limpopo	521,331	-	100,236	621,567	521,331	646,732	-25,165	104%	-4%
Mpumalanga	421,002	-	-90,918	330,084	361,933	329,949	135	100%	0%
Northern Cape	104,774	-	-	104,774	104,774	104,774	-	100%	0%
North West	613,405	84,014	2,496	699,915	697,419	696,484	3,431	100%	0%
Western Cape	598,800	388,206	11,137	998,143	987,006	768,209	229,934	77%	23%
Total	6,349,949	472,220	28,979	6,851,148	6,677,806	6,535,059	316,089	95%	5%

Delivery: Housing projects approved

PRO V	TOTAL NUMBER OF PROJECTS APPROVED						
	02/03	03/04	04/05	94/95 to 04/05	05/06	06/07	94/95 to Mar 07
EC	20	26	33	457	3	20	480
FS	141	31	47	609	26	89	724
GP	231	38	366	1,048	74	66	1,188
KZ	36	47	83	552	14	37	603
LP	58	63	103	479	98	25	602
MP	122	54	9	335	41	187	563
NC	15	36	4	250	7	20	277
NW	4	18	31	221	36	20	277
WC	70	19	104	555	22	30	607
Total	697	332	780	4,506	321	494	5,321

Number of planned units approved

PROV	TOTAL NUMBER OF SUBSIDIES APPROVED						
	02/03	03/04	04/05	94/95 to 04/05	05/06	06/07	94/95 to Mar 07
EC	16,849	20,811	13,882	278,008	2,189	22,532	302,729
FS	18,096	16,084	16,768	146,246	8,770	14,334	169,350
GP	404,432	39,086	54,045	1,082,147	56,373	53,234	1,191,754
KZN	23,437	43,397	42,776	351,625	13,766	21,906	387,297
LP	18,223	32,681	17,503	178,487	27,456	2,138	208,081
MP	7,861	14,378	2,407	170,278	1,153	14,281	185,712
NC	4,161	7,452	1,763	48,466	812	5,671	54,949
NW	1,790	7,570	23,543	177,831	14,778	19,440	212,049
WC	32,952	8,143	77,354	306,543	12,449	12,987	331,979
TOTAL	527,801	189,602	250,041	2,739,631	137,746	166,523	3,043,900

Housing units completed & in process of completion

PROV	HOUSING UNITS COMPLETED & IN PROCESS OF COMPLETION					
	02/03	03/04	04/05	05/06	06/07	94/95 to Mar 07
EC	58,662	27,119	37,524	19,825	16,526	288,231
FS	9,155	16,746	16,447	20,536	19,662	161,250
GP	24,344	49,034	66,738	59,310	77,044	592,457
KZN	24,485	33,668	36,734	35,872	38,290	390,098
LP	14,953	15,810	16,514	46,813	23,609	217,513
MP	21,649	21,232	18,000	14,986	10,651	169,962
NC	6,056	3,787	3,598	8,667	3,880	49,145
NW	23,784	10,484	10,037	35,515	46,972	228,361
WC	20,500	15,735	11,756	11,310	34,585	258,896
TOTAL	203,588	193,615	217,348	252,834	271,219	2,355,913

