



Province of the
EASTERN CAPE
HUMAN SETTLEMENTS

DEPARTMENT OF HUMAN SETTLEMENTS –EASTERN CAPE

**CHATTY 600 HOUSING PROJECT
NELSON MANDELA BAY REGION**

AN INDEPENDENT REPORT ON THE CLAIMS BY CONTRACTORS:

- **CACADU DEVELOPMENT TRUST**
- **BUSO NGUBUSO**
- **IT TRADING**
- **NOMBASA**
- **BIG EYE**

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1. Introduction

The Eastern Cape Department of Human Settlements, herein referred to as EC DOHS, appointed Mr John Kayula, to undertake an independent assessment of the claim arising from Cacadu Development Trust, Buso Ngubuso, IT Trading, Nombasa and Big Eye, with a view of settling the long outstanding matter by the department.

Mr Kayula, who is a professionally registered Quantity Surveyor, an associate member of the Association of Arbitrators and an accredited Mediator by the Royal Institute of Chartered Surveyors (RICS), was appointed due to his previous involvement in similar dispute resolutions assignments by the department.

The intention of the report is to establish the validity of the claims by 5No. contractors to the EC DOHS, thereby assisting in resolving the current dispute between the two parties. The contractors, collectively referred to as claimants are:

- Cacadu Development Trust
- Buso Ngubuso
- IT Trading
- Nombasa and
- Big Eye

In order to achieve this meetings were scheduled with the parties and stakeholders.

Due to time constraints, only one meeting with contractors was held on the 10th of March 2014. A meeting is yet to be held with the department.

2. Project description

The project consists of the construction of 600 housing units with internal services in Chatty.

3. Project history

This project forms part of the National Pilot Project in terms of Breaking New Ground for the Zanemvula Project in the Nelson Mandela Bay Metropolitan Municipality (NMBM)

The National Department of Housing, the Provincial Department of Housing and the Nelson Mandela Bay Municipality entered into a Co-operative Agreement on 27 February 2006.

In December 2006, the claimants were appointed by the Nelson Mandela Metropolitan Municipality for construction of top structures.

According to the claimants, the project did not progress between January 2007 and June 2007, as a result of problems that occurred in the Housing Delivery sub-directorate.

The management of the project was later changed from the Municipality to Thubelisha Homes and this process formed further delays.

Thubelisha Homes immediately endeavoured to enrol the project with the NHBRC, but same was reluctant to enrol the 349 houses (Municipality Portion) as they were constructed on conventional strip footing foundations in contrast to the H3 foundation designs indicated in the Geotechnical Report.

Homes Enrolment was obtained for the remaining 251 houses and Thubelisha Homes commenced with construction and certain remedial work on the 349 housing units.

At the same time the NHBRC was mandated to commence with a Forensic Engineering Audit on the 349 units to determine the structural defects. The report was completed in January 2008 and also included recommended repairs.

4. Project status

According to the claimants, they have completed most of their houses, with some still to be built and others requiring rectification. The numbers of units for each category need to be reconciled and verified on site.

5. Meeting with 5No. contractors (Claimants)

The claimants claims are as follows:

1. There were 2No roof trusses in the Bills of Quantities, but they were instructed to erect 10No.
2. Foundations that were initially to be done by a specialist contractor ad was not priced for at tender stage were done by them.
3. The roof covering changed from corrugated iron (zinc) roof to a tiled roof which also required more timber.

4. Due to work stoppages they want to be compensated for standing time.
5. They want escalation on the delayed project completion.

The claimants claim to have since built a total of 589 houses out of the 600 houses as some of the sites were in the low lying areas or below the flood line.

According to the claimants, all the houses they built were certified by the NHBRC and Final Unit Reports (FURs) were issued by the NHBRC.

The extra costs claimed by the claimants, for which back up information has been requested, include the following:

1. 8 Roof Trusses @ R 316.25 x 589 houses = R 1488 992.00
2. 589 Foundations @ R 14 190.00= R 8357 910.00
3. 150 M6 blocks @ R 3.73 for 589 houses = R 329 545.50
4. Amount for change of roof from Zinc to roof tiled roof and other building items @ R 9 082.58 per unit
5. Gross amount sought by the 5 Contractors is R15 526 086.00, equating to R 26 360.08 per unit, as extra, on 589 units completed.

6. Views of the EC DOHS on the claims

A meeting is yet to be held with the department.

The projects were initially managed by the Nelson Mandela Bay Metro Municipality and later handed over to Thubelisha Homes.

According to ECDoHS, from their reports, the last payment to the developer was released in June 2009 and no construction activity has since taken place on the development site and Thubelisha Homes has since been closed down.

The final project reconciliation was done based on value created, full and final settlements accounts per contractor were concluded and what was due was paid to contractors (Learning Strategies Report).

NHBRC was mandated to commence with a Forensic Engineering Audit on the 349 units to determine the structural defects. The report was completed in January 2008 and also included recommended repairs.

It is against this backdrop that the department has resolved to appoint a service provider to undertake a site assessment to, not only determine the status of each constructed house, but also determine the required work in terms of new norms and standards for the 600 units.

7. Way forward

In the absence of all the project documentation and a full and final reconciliation of the project accounts, it is extremely difficult in this short space of time to give an accurate assessment of whether the five contractors are actually owed any money. Only once this is done and the documentation on the project reviewed, can a finding be made.

All three parties, ie. ECDOHS, the five claimants and the Thubelisha Homes (HDA) need to bring all project documentation and final accounts and this must be handed over to a third party for reconciliation.

8. Conclusion

- It is recommended that all three parties, ie. ECDOHS, the five claimants and Thubelisha Homes (HDA) agree to hand over all project documentation for an independent party to do a final reconciliation of the project accounts and to determine what is owed to the five claimants.