



eThekweni Metro Municipality

Built Environment Performance Plan 2011/12

Dr. Michael Sutcliffe, City Manager



INTRODUCTORY COMMENTS

- First Draft Submission of BEP on 31 March 2011
- Year 1 Submission- build on previous MIG-Cities submission.
- Year 2 Submission-Visionary, Blue Skies, Transformative Built Environment Plan with Constraints and Roles & Responsibilities Matrix- March 2012

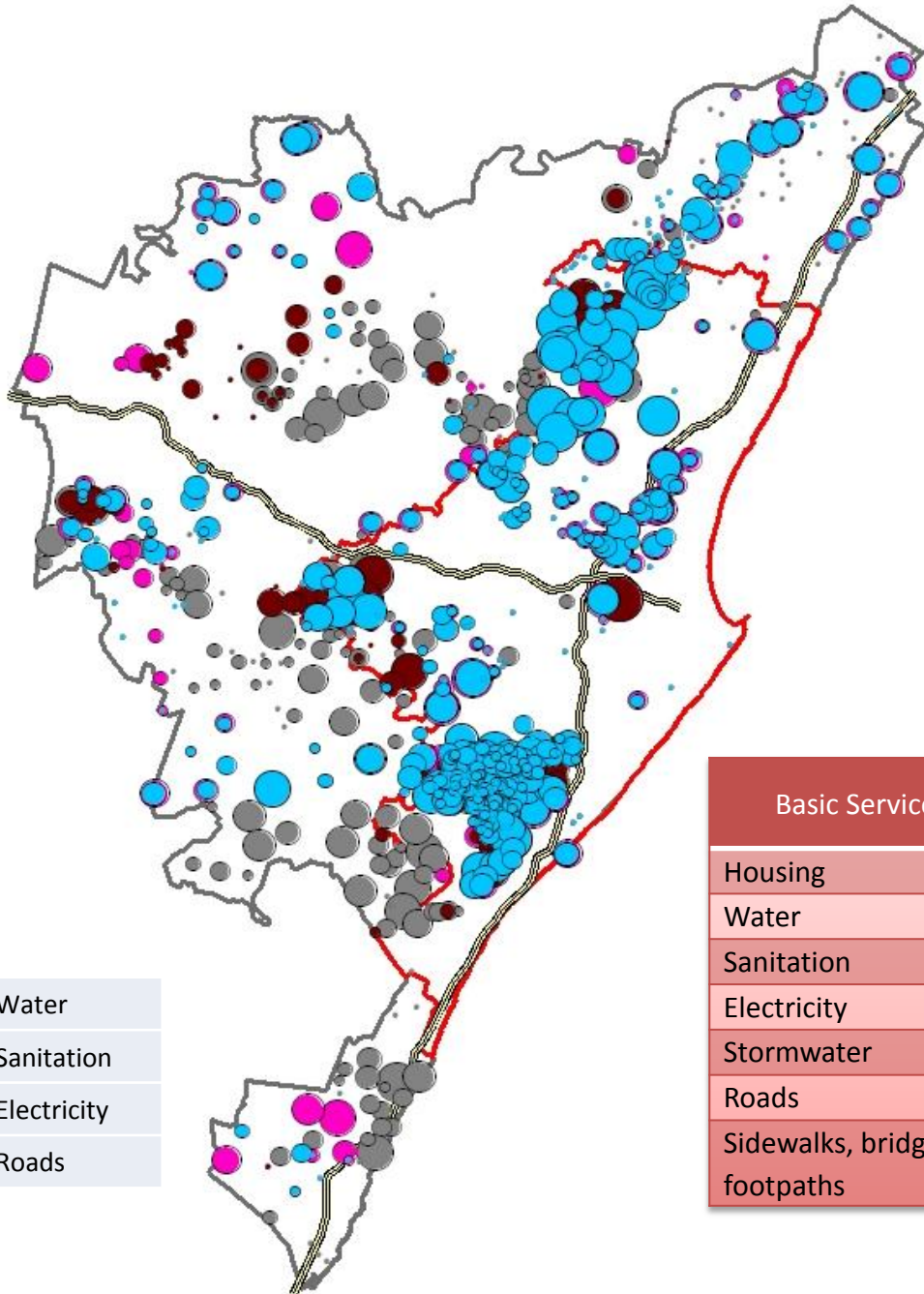
Order of Business

- This is not a conventional presentation
- Some important things must be said
- We are sinking, not swimming

eThekwini faces significant development pressures

- Massive infrastructure investment required over next 10 years
 - Between R50 and R65 billion in total
 - Vast majority required to meet rehabilitation / replacement needs
- Backlogs are growing
 - housing backlogs have increased from around 195 000 to 368 000 units
 - About 239 000 HH in informal settlements and 45 000 in backyards
 - Basic services backlogs remain significant
- Economic growth has been inadequate
 - Averaging only 5.6% over the last decade
 - Metro GDP declined 2.3% from 2008 to 2009 (or R134,4 bn): for households this meant rising unemployment and declining per capita income
 - eThekwini only has in the order of 45% of its households paying full service charges. This is reaching unsustainable level

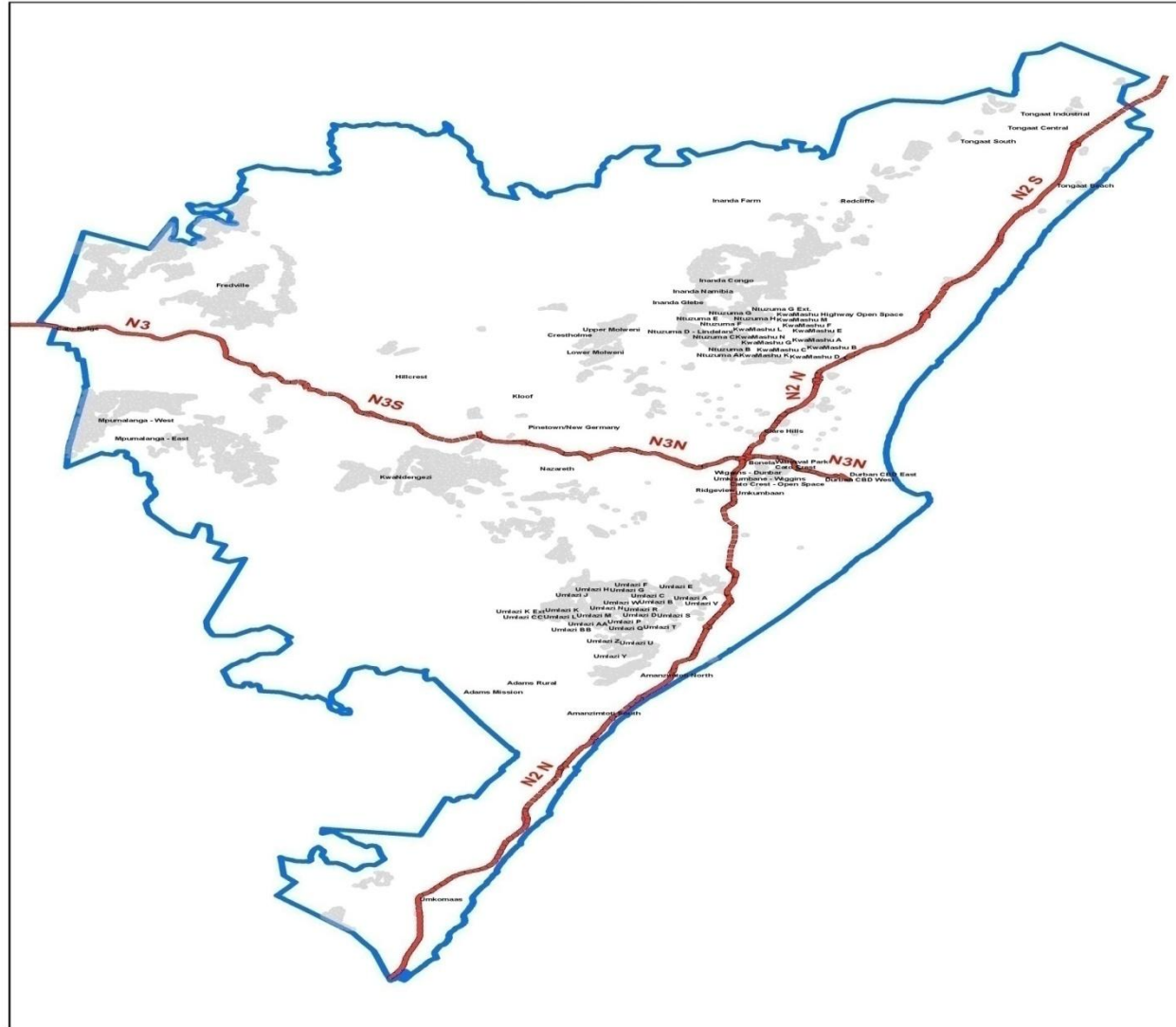
Basic Service Backlogs Summary Distribution



Basic Service	Backlog (June '10)	Time
Housing	360 880 hh	44 years
Water	71 983 hh	9 years
Sanitation	138 569 hh	15 years
Electricity	233 224 hh	23 years
Stormwater	751 prop's	3 years
Roads	1 138km's	66years
Sidewalks, bridges & footpaths	R 131m	10 years

The growth in informal settlements is a **symptom** of the “greasy pole” we are trying to climb

URBAN INFORMAL SETTLEMENTS WITHIN THE ETHEKWINI MUNICIPALITY SCALE 1: 250 000



Legend
Urban Informal
N2 & N3 Freeways
eThekweni Municipality Boundary

HOUSING



ETHEKWINI MUNICIPALITY

These pressures stretch our resources to breaking point

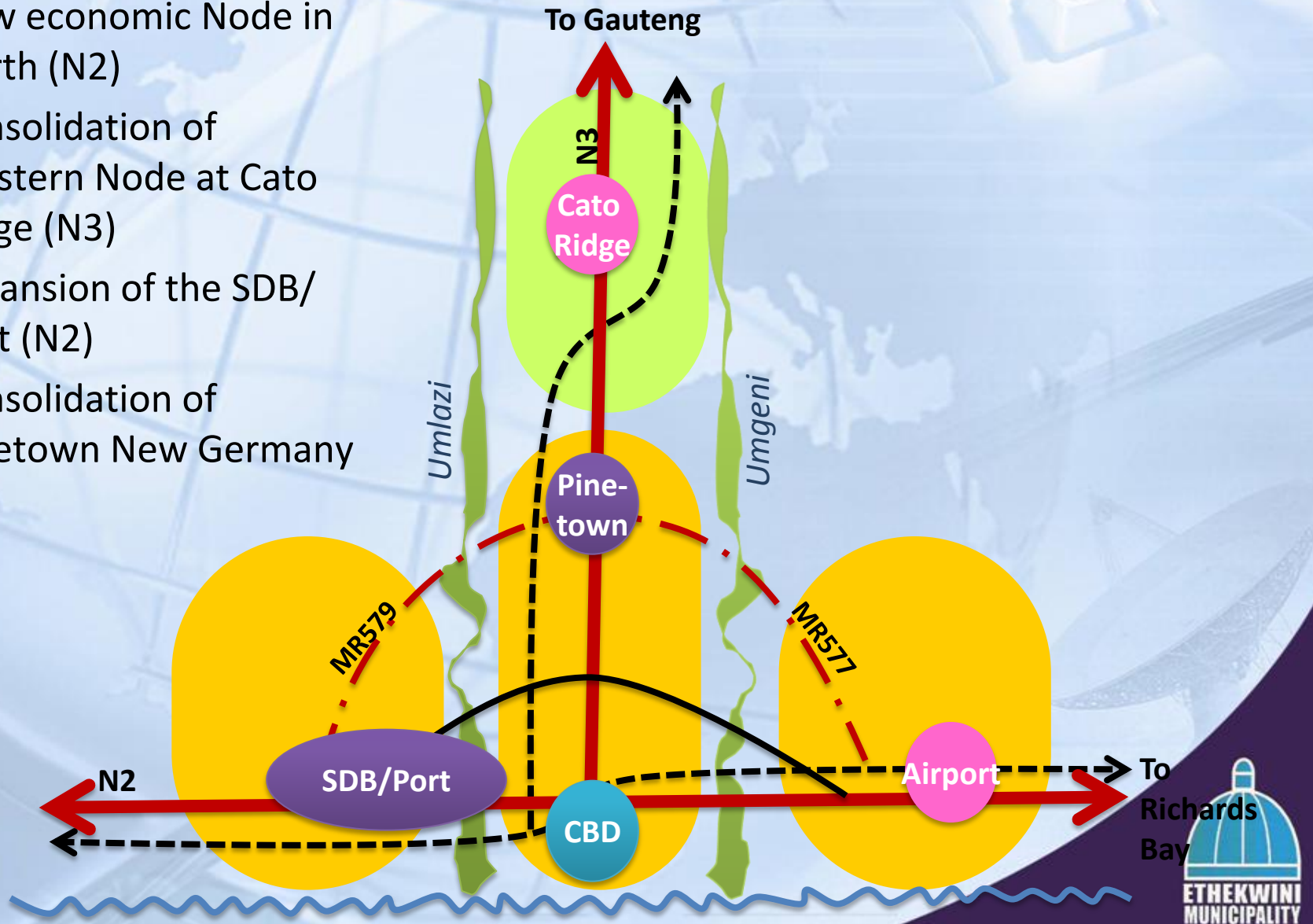
- Recession has a direct and significant affect on city revenues (ability to increase rates & tariff, payment levels) and expenditures (demand for subsidies)
- Limited scope for further increases in borrowing, consumer revenues or grants
 - City will continue to explore borrowing efficiencies (eg AFD), tariff reforms (fairer distribution of costs via sanitation tariff and development charges), enhanced value for money through project selection improvements, careful subsidy management and stringent credit control
- The city's total capital budget has increased at 30% a year since 2006/07, focussed on water services and housing
 - Exceptionally high spending levels reflect our strong project management capabilities and robust project pipeline

The city has tried to make careful trade-offs between long term growth and ameliorating poverty, within available resources

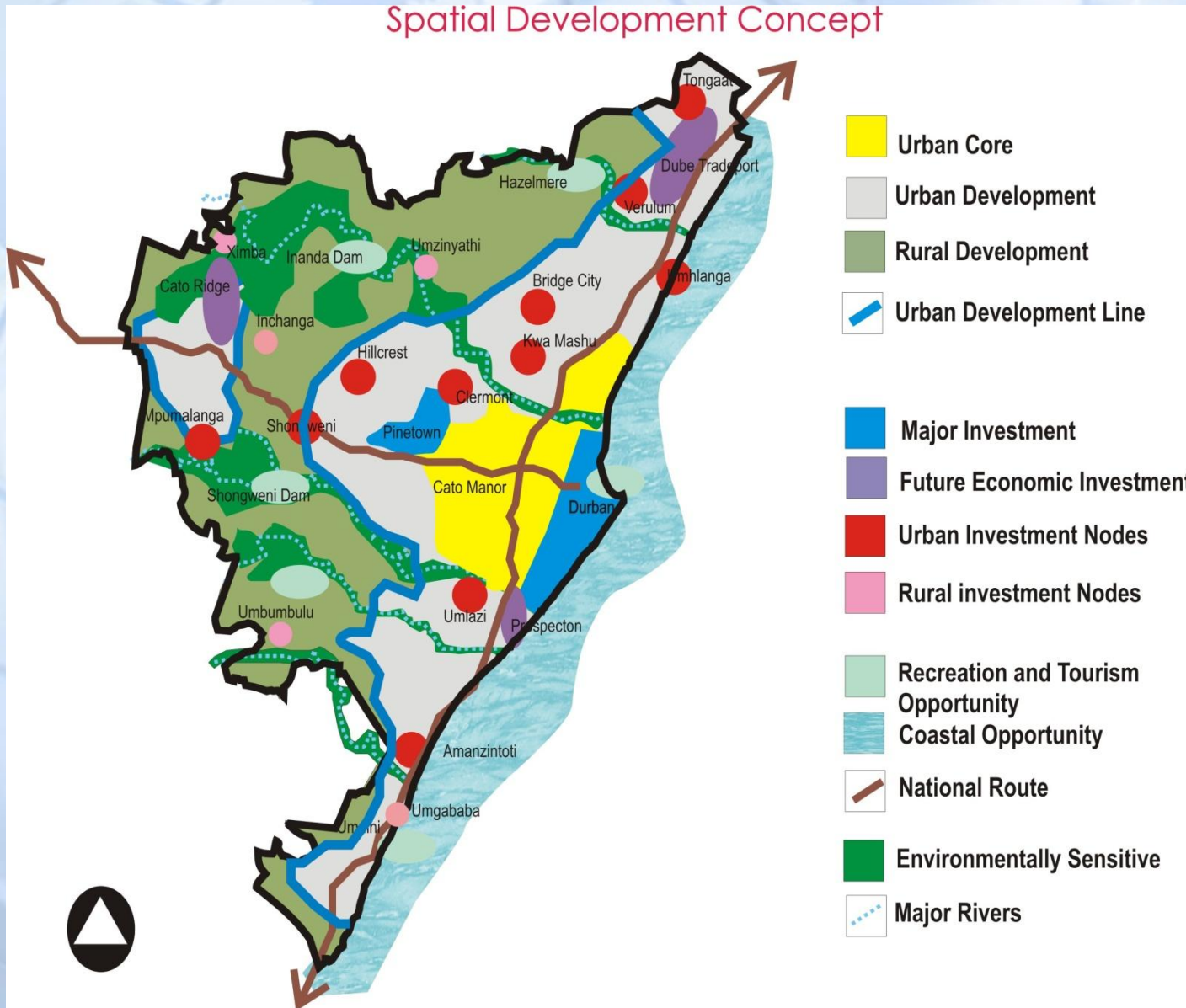
1. Port Expansion, logistics nodes and Back of Port land use plan
2. Priority investment nodes and corridors
3. Sustainable human settlements approach
4. Effective asset and investment management

1. Metropolitan logistics platform

- ❖ New economic Node in North (N2)
- ❖ Consolidation of Western Node at Cato Ridge (N3)
- ❖ Expansion of the SDB/Port (N2)
- ❖ Consolidation of Pinetown New Germany

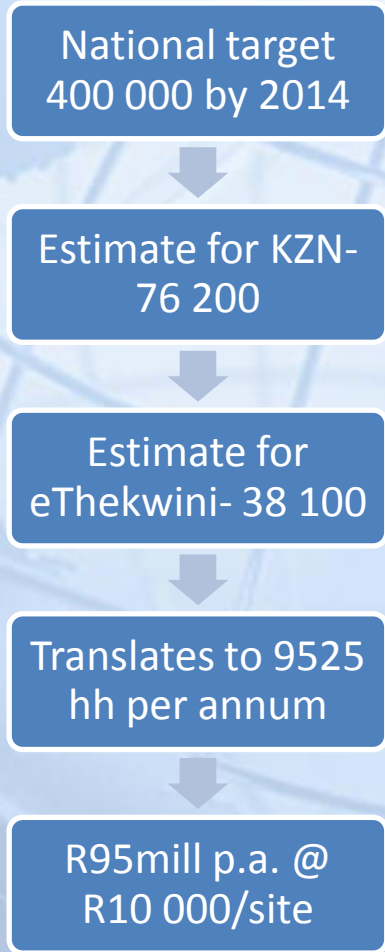


2. Priority investment nodes and corridors

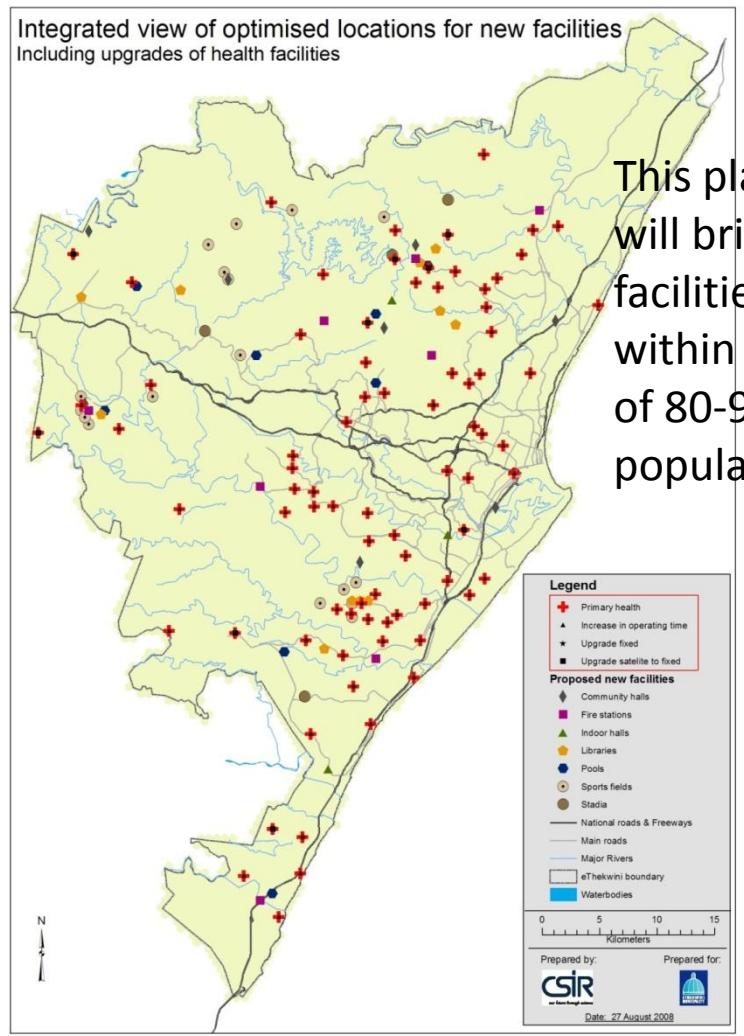


3. Sustainable human settlements approach

Interim Services



Community facilities

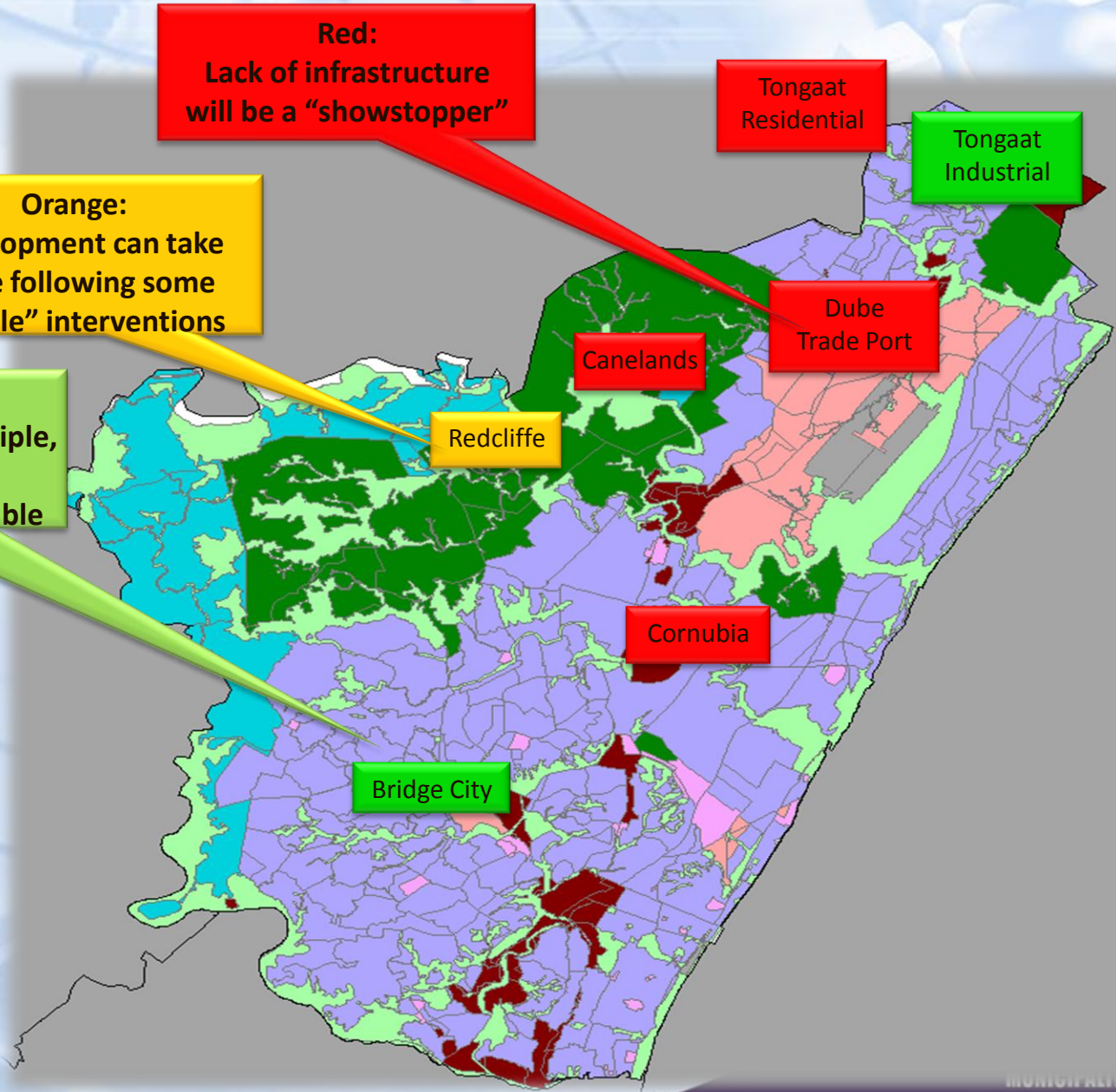


4 Effective asset & investment management

Red:
Lack of infrastructure
will be a "showstopper"

Orange:
Development can take
place following some
"simple" interventions

Green:
Development can, in principle,
occur immediately,
as there is capacity available



Release for Development
of Priority Areas

North

But, the current approach to human settlement financing is NOT working

Unable to achieve required SCALE

- Nearly 150 000 units already delivered but still almost **370 000 hhs** in inadequate housing
- 314 000 hh in informal dwellings, with many NOT eligible for subsidies
- **Long waiting lists** (10 yrs +) increasingly being circumvented (“special cases”)
- Huge scope for **patronage and fraud**
- **Non-subsidy market delivering <1000** units /year, but backlog is 50 000 units
- **Financial sector not being effectively leveraged**

Home ownership increasingly UNAFFORDABLE to even working households

- **Many hhs not eligible** for subsidy (earning btw R3500 – R9000 pm) but unable to afford market prices
- Many **nurses & police** remain in inadequate housing (ref wage settlement)
- Very **thin resale market**
- **Cost of infra backlogs very significant on house prices**
- **FLISP not working (few approvals)**
- doesn't address wider issues of income generation and access to the city, and continues to undermine municipal sustainability

Approach is NOT fiscally SUSTAINABLE

- Current housing subsidy allocation < 50% of demand, within the current subsidy and product parameters (avg unit cost now R140,000, and rising)
- Rising costs of land and infrastructure not fully funded
- **BUT increasing the subsidy will drive prices up further** if value for money issues are not addressed.
- **Public interventions have already distorted private supply** of housing (min price now R240,000) – crowding out
- Location and large-scale nature of projects **reinforces the apartheid city**, which requires long term operating subsidies (t'port, FBS)

Urgent need to renegotiate the “housing contract” with communities: A headstart for all, not all for some!

- **Political and fiscal risk of current approach are rising** - growing community frustration (service delivery protests)
- Current contractor-led, fully-subsidised delivery approach **WILL NEVER** address needs or create a healthy housing market for poorer hhs
- Strong evidence of **community willingness and capacity to co-finance housing** through savings and incremental investment



A new approach must support land production by the city and housing development by households

City must rapidly expand serviced land production

- Regulatory reforms to land management systems (zoning, devt approval, etc) to speed up land release and encourage more intensive land use
- Land banking to ensure expanded, cost-effective and steady supply of serviced urban land over long term
- Releasing state owned land
- Empower municipalities to mobilise their land assets in ways that are productive and redistributive (urban infill, corridor developments, etc)
- This amounts to “accreditation” and complements Outcome 8 focus on serviced land production

Households must be supported to meet their own housing needs

- Shift from entitlement to empowerment and draw on the potential of the housing asset to promote sustainable livelihoods
- Govt support should incentivise use of hh savings and incremental investment
- HH should be empowered to (i) trade-off between cost and location of their home (subsidy mobility); (ii) manage quality of construction
- Requires a fundamental subsidy review
- Requires state to put its land assets behind its development priorities

Additional instruments must complement this basic approach

- Tax incentives for developers to stimulate supply side of market
- Tax relief to protect value of subsidy / employer contributions
- Social and rental housing interventions to address specific additional challenges
- Revisiting FICA requirements for individuals without any address
- Re-instating the ring fencing of individual subsidy benefits in public service labor force
- Use of pensions to guarantee housing loans (esp in public sector)

The city's IDP is being reviewed to manage this shift

Effectively guiding, regulating and managing the built environment

- **Plan 1 (Spatial, natural and built environment) aims to direct and manage the use of the built and natural environment to ensure sustainable and integrated growth and development**
 - Programme 1: Develop and implement a sustainable & integrated spatial planning system;
 - Programme 11: Develop and implement an integrated, efficient and effective application and approval system; and
 - Programme 12: Develop and implement a sustainable land use, environment and building control compliance system.

Investing in sustainable human settlements

- **Plan 3 (Creating a Quality Living Environment) aims to promote access to equitable, appropriate and sustainable levels of household infrastructure and community services, and facilitate access to housing**
 - Programme 1: New Integrated Housing Development & interim servicing of informal settlements;
 - Programme 2: Rental Housing Strategy;
 - Programme 3: Address Infrastructure Backlogs;
 - Programme 4: Infrastructure Asset Management;
 - Programme 5: Integrated Human Settlement Plan (Sustainable Community Facilities);
 - Programme 6: Sustainable public spaces; and
 - Programme 7: Implement an effective public transport plan for the Municipality.

The IDP has always sought to manage the built environment but the key issue is the extent to which the city is able to effect spatial restructuring through unlocking well-located urban land for poor households!

And a “blue sky” strategic review is being conducted to re-position the city

- Review, integrate and focus all existing plans
 - SDP’s, ITP, Housing Plans, Elect Plans, Water Services Plans, SDF, Economic spatial strategy, Durban-Gauteng Freight Corridor 2050 Joint Vision, zonal plans, Imagine Durban, etc
 - Use existing tools to support the process of making choices (eg MSFM)
- Develop unconstrained, shared vision with a focus on high level outcomes in a spatial context
 - densification, urban land availability and tenure, regeneration etc
 - Tackle critical areas such as PT funding, government-owned land, current housing delivery, engagement with key land owners, etc
- Identify a lead sector to drive and enable outcomes
 - public transport?
- The new IDP/SDF must align with this and form a basis for adoption by the incoming council

PROCESS & TIMEFRAMES

Agree High level City Outcomes	Big Picture Spatial fixes	Firm up Non Fixes	Future Proofing	Review Plan	Constraints	Draft - 1	Draft Zero	1st Draft to NT/DHS
06-Jun-11	06-Jul-11	06-Sep-11	06-Oct-11	19-Nov-11	15-Dec-11	31-Jan-12	28-Feb-12	31-Mar-12



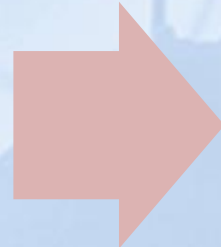
The city will need predictable, secure access to resources to implement this strategy



The **most** strategic issue is LOCATION, LOCATION, LOCATION ...

Land production

- Secure tenure, not flashy top structure, is the key to ensuring access to shelter for all



Urban mobility

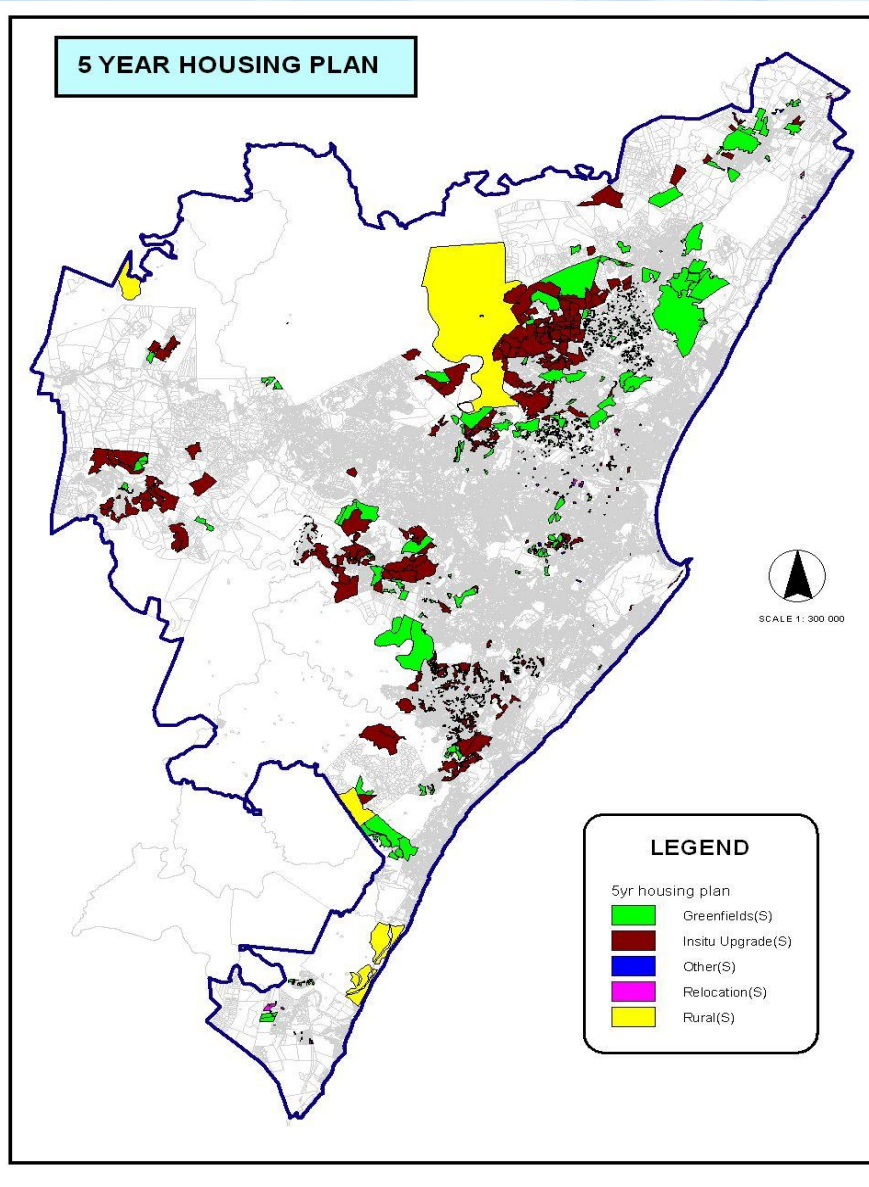
- Good public transport system have greatest benefit for the poor thru shorter commuting times & allows for public housing along major transport corridors which improves access to the economy and social amenity of the city
- Pubic transport systems CREATE well located land

But city-level service standards are also key to sustainability

“some for all, not all for some”

Area	Standard
Rural service standards	One ground tank per household supplied with 300l per day; Urine diversion toilet; Electrification only of densely clustered pockets; All weather surface to all public transport routes and roads within communities having a density greater than 15 person per Ha
Interim Service standards	Communal ablution blocks (toilets and showers) within 200m of served households; Electricity to every dwelling; High mast lighting for security; Emergency access roads for waste removal, fire and emergency vehicles.
Urban service standards	Full pressure house connections; Waterborne sanitation; Electricity connection; All weather surface roads

The key strategic choice is that public housing must **not** lead



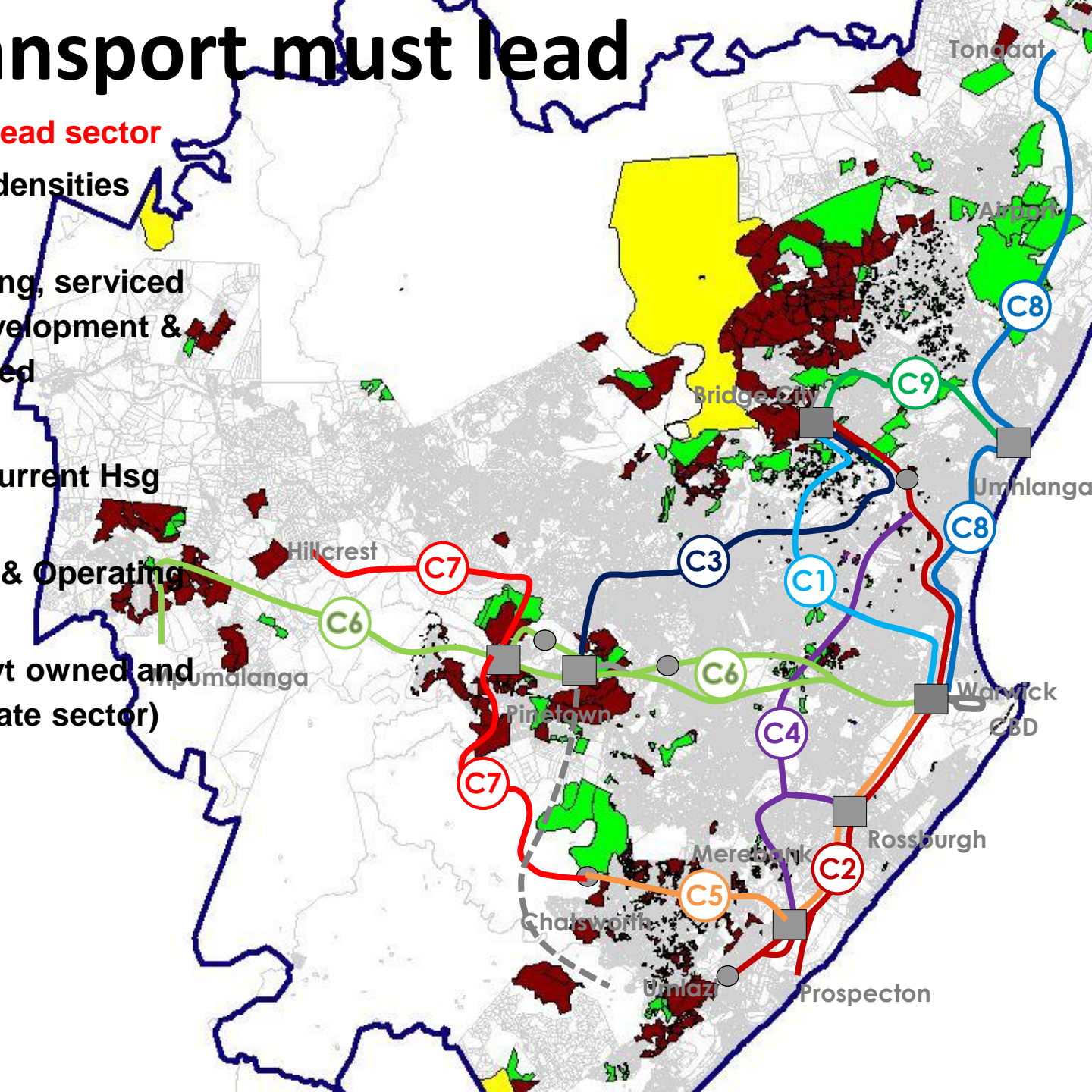
- Public Housing is currently leading, but:
 - Mainly peripheral with long term costs
 - Bulk Infra costs often > R25 000/site
 - No rates revenue returns
 - 16 000 houses needs R100mill to cover free basic services p.a.
 - A “Rolls Royce” for ‘the few’ while ‘the many’ suffer without services in informal settlements
- Challenges:
 - Political shift
 - land in central locations expensive
 - reluctance of land owners to sell
 - higher density typologies > expensive
 - PT not in place

Public Transport must lead

- PT needs to be the **lead sector**
- Housing @ higher densities along PT corridors
- Mix of public housing, serviced land & economic development & social facilities needed

Challenges:

- Poor alignment of current Hsg Plan & PT
- PT funding (Capital & Operating subsidies)
- Access to land (Govt owned and purchased from private sector)

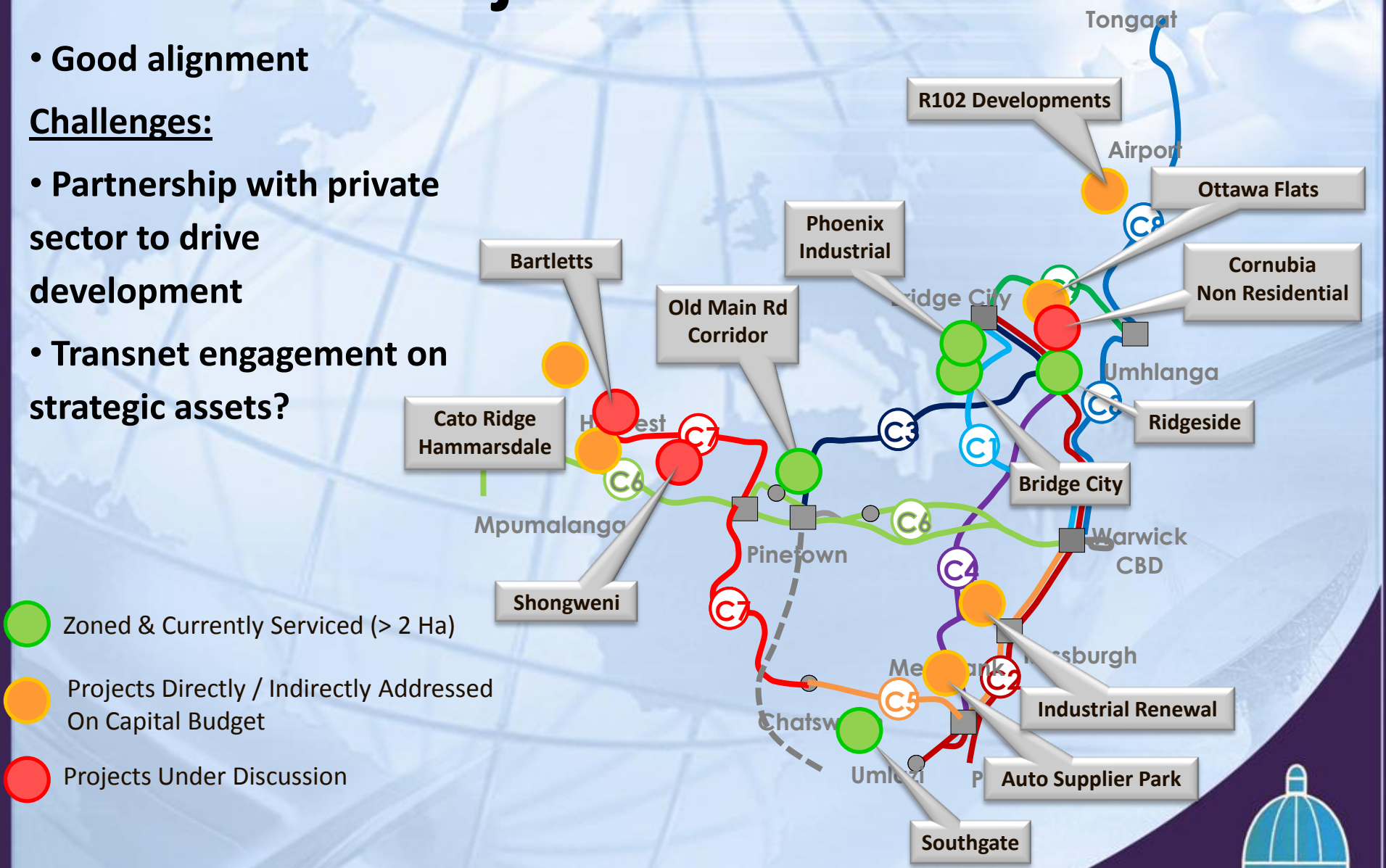


Economic Projects in PT corridor

- Good alignment

Challenges:

- Partnership with private sector to drive development
- Transnet engagement on strategic assets?



Balance of Economic & Social

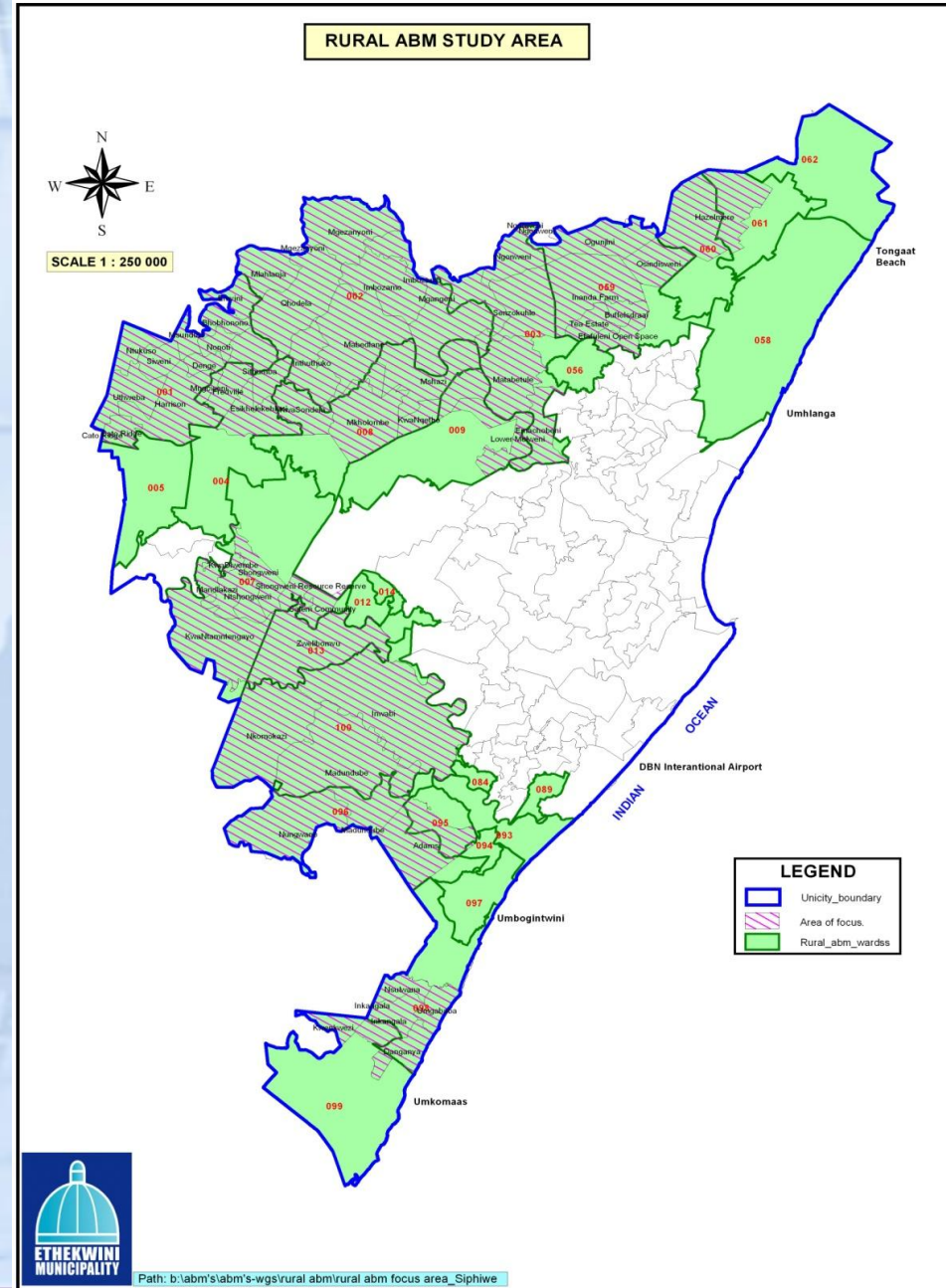
- Next 5 Years emphasis on economic growth to increase rates base. Cornubia, Cato Ridge & Dube Trade Port.
- Ratios such as, for every 1000 public housing units need rates generation of Rx million (high income housing & commercial)
- Give priority to projects where excess bulk capacity exists and/or low infra costs
- Priority to projects in PT corridor
- Challenge is expectation around 5 Year Housing Plan



Priority Area	Infrastructure Response				Annual Rates Return (Rm)	Annual Rates Return / Infrastructure Spend (%)	Economic Index (from EDU)	Social (i.e. Low Cost Housing Opportunities)		
	Description	Phase	Land Release (ha)	All Sectors Combined				No. of Sites	Index	
				Status						Cost (Rm)
Bridge City	All	51		60	13.6	23	6	0	N/A	
Canelands & Surrounds	A	94	W	45	11.5	26	5	0	N/A	
	B	32	S	14	4.4	31				
Cornubia	A	133	RWE	209	16.2	8	18	17 300	1	
	B	607	SRE	459	73.8	16				
DTP & Surrounds	A	666	RWE	289	87.6	30	2	2 400	9	
	B	1 880	SRW	863	438.6	51				
Redcliffe	All	354	SE	73	10.4	14	16	1 160	11	
Tongaat Industrial	All	8		0	1.1	-	8	0	N/A	

eThekweni Rural Areas

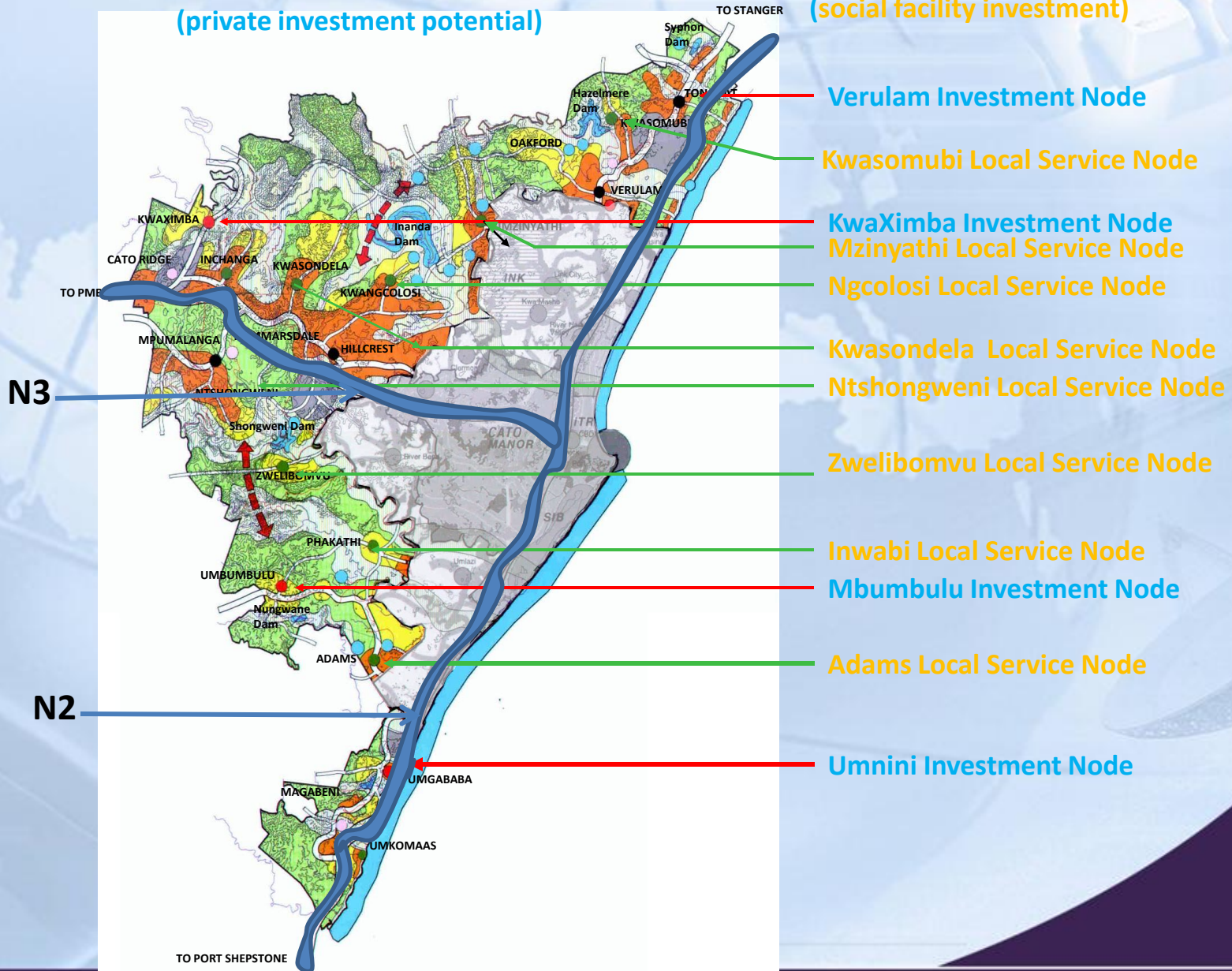
- Falls beyond the “urban development line”
- 67% of EMA land area
- Population of approximately 667 593 (2001 census)
- Dispersed settlement at low densities
- Rugged hilly terrain
- Communal land holding



eThekweni Rural Nodes

INVESTMENT NODES
(private investment potential)

LOCAL SERVICE NODES
(social facility investment)



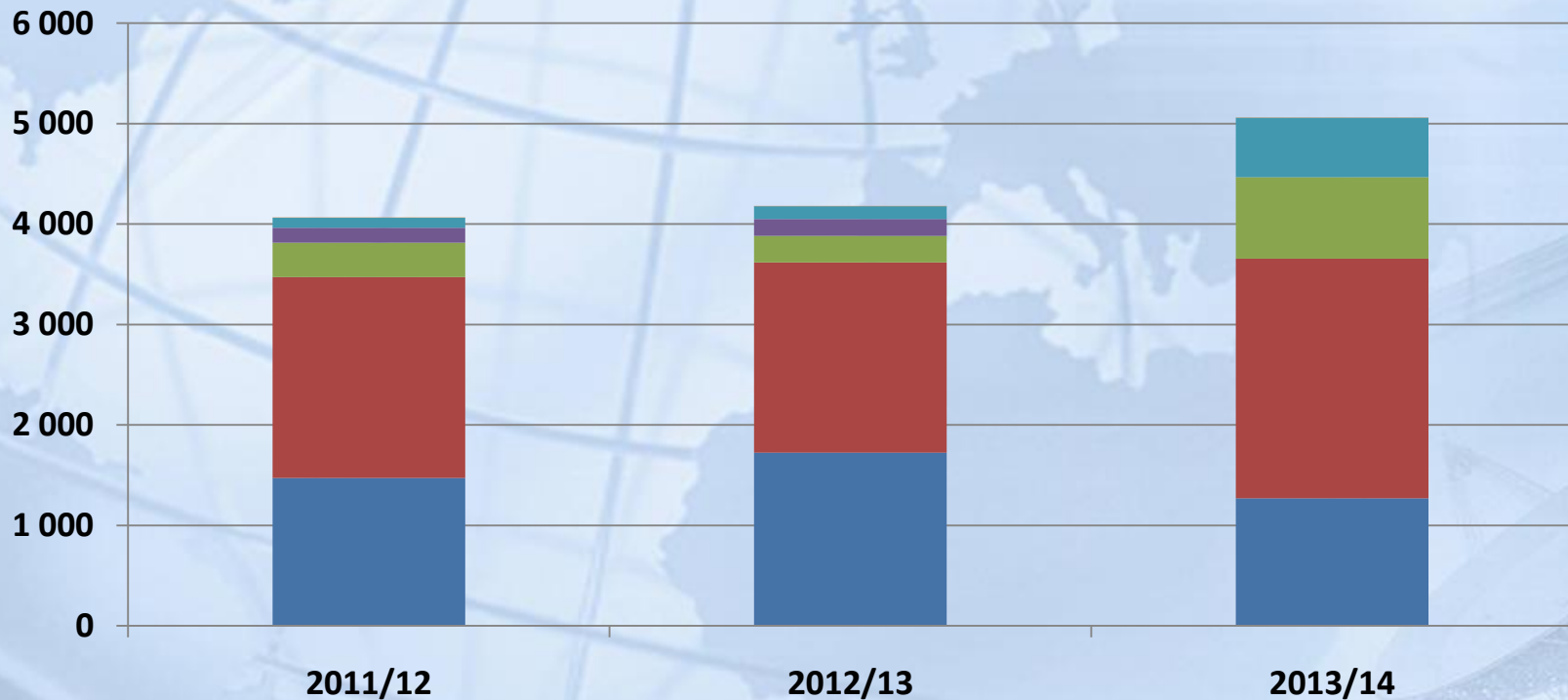
Example of Rural Node

Priority Area		Infrastructure Response				Annual Rates Return (Rm)	Annual Rates Return / Infrastructure Spend (%)	Economic Index (from EDU)	Social (i.e. Low Cost Housing Opportunities)	
ID	Description	Phase	Land Release (ha)	All Sectors Combined					No. of Sites	Index
				Status	Cost (Rm)					
W10	Zwelibomvu	All	817	E	75	0.0	0	21	1 000	14

- Providing services to rural nodes is desirable in that it increases the potential for further development concentrated in nodes to serve rural residents
- It is undesirable in that it is expensive (all services) & there is zero rates return. This is particularly pertinent given our current financial position
- If funds are available, the nodes with the greatest investment potential must be targeted first for sanitation solutions that can support Social Service development & Economic activities
- Challenge is expectation of rural residents and Councilors

Financing our strategy

- R13.32 billion allocated to built environment over MTREF
 - 80% of capital budget, 47% to asset maintenance



■ New Integrated Housing Development
■ Address Service Backlogs
■ Sustainable Supply of Community Facilities

■ Infrastructure Asset Management
■ Rental Housing Strategy
■ Land Acquisition

Measuring our progress

- The city has an increasingly sophisticated performance measurement system based on the SDBIP and IDP
 - Synchronised with MIG-Cities
 - Audited by Auditor-General
- Some proposed indicators have definitional and measurability issues
 - Will create challenge with AG

Performance targets (1)

USDG PRIORITIES	INDICATORS	Target		
		11/12	12/13	13/14
Development Planning that improves urban efficiencies	Increasing densities (Avg Dwelling units / Ha across city?)	Indicator?		
	Improved home-work travel times	Indicator?		
	Provision of social amenities closer to, or in underdevt areas	Service std & indicator?		
	Provision of economic services closer to, or in underdevt areas	Service std & indicator?		
Infrastructure Investment in Land: Bulk, Connector, and Link but excluding Reticulation.	# of serviced land parcels for Incremental housing:			
	– # Hh's in well located informal settlements that will receive basic services	9500	9500	9500
	– # Hh's with basic services that will be upgraded to receive full services (full subsidy – as per projected delivery targets)	13000	16000	16000
	Servicing of land parcels for social / rental housing - # households to receive full services	750	750	750
	Servicing of land parcels for affordable housing - # households to receive full services	1000	1000	1000
	% Capital Budget for new infrastructure	In MIG-Cities		
	% Capital Budget for rehabilitation of infrastructure	In MIG-Cities		
	Money allocated on Operating Budget for Maintenance and Repairs of existing infrastructure	In MIG-Cities		

Performance targets (2)

USDG PRIORITIES	INDICATORS	Target		
		11/12	12/13	13/14
Zoning and land use management	# and type of brownfields devt approvals within the existing urban fabric (subdivision, rezoning, rates rebates for producing “backyard rental accommodation”)	To be calc		
	# proclaimed & serviced land units produced p.a.	To be calc		
Land Assembly & Release of serviced land for integrated development projects	# of serviced land parcels for non residential use	To be calc		
	# serviced land units with secure tenure transferred for incremental housing (income band between R0 – 3,500) (full subsidy. (only Cornubia as an example)	400	900	1500
	Release serviced land (including public and municipal owned land) for accelerated delivery of social / rental housing (Income band R1,500 – 7,500) to increase urban densities	750	750	750
	Release serviced land for affordable housing (Income band between R7,500 – 15,000) for improvement of the property market	1000	1000	1000

Performance targets (3)

USDG PRIORITIES	INDICATORS	Target		
		11/12	12/13	13/14
Process Co-ordination	Average # working days taken from application to approval of development applications by category (township establishment; building plan approval)	To be calc		
Financial Co-ordination	Ratio of annual municipal own investments in land development relative to annual USDG expenditure	To be calc		
	Ratio of total land development investment (USDG and own financing) to IHSDG (housing)	To be calc		
	Ratio of total value of building completed to total municipal capital expenditure	To be calc		
Grant Management	Timely submission of annual plan	In MIG-Cities		
	Timely submission of in-year and annual report	In MIG-Cities		
	Capital expenditure performance (variance of budgeted to actual capital expenditure)	In MIG-Cities		

Coordination with Housing Grant

USDG PRIORITIES	INDICATORS	Target		
		11/12	12/13	13/14
Co-ordination with HSDG Multi Year Plans	# households in informal settlements provided secure tenure and basic services either in-situ or elsewhere	10 400 (full subsidy-80% of annual target) + 9500 (interim services but no secure tenure)	12 800 (full subsidy-80% of annual target) + 9500	12 800 (full subsidy-80% of annual target) + 9500
	Reduction in the # informal settlements (number informal settlements upgraded)	10400	12800	12800
	# additional households with adequate shelter	13000	16000	16000
	# new affordable rental units delivered	750	750	750
	# informal rental upgrades (measurement?)	0	0	0

Conclusion

- **Inadequate scale and control of resources**
 - Additional and secure revenues critical for sustainable public transport
 - Still NO housing accreditation from province, despite ALL OTHER METRO's being granted. Need integration with HSDG
 - Growing unfunded mandates
- **Greater policy clarity required on built environment functions**
 - Human settlements finance: role of USDG (serviced land), relation to housing finance (esp. incremental self-build housing), financing for social facilities (halls, schools, clinics)
 - Public transport finance: capital and operating subsidies
 - Clear timelines are required
- **More strategic use of state-owned land**
 - Completion of government land audit
 - Release of strategic land parcels (on transport routes)
- **Ongoing development of our strategic and operational capacities**
 - Transport and human settlements functions require new capabilities
 - eThekweni has a good base to build from
 - National programmes such as LCSP are vital additions