

# RESEARCH INTO HOUSING SUPPLY AND FUNCTIONING MARKETS

**Banking Association of South Africa:  
Housing Workstream Group**

## Resource Report 3: Land Availability

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# 1 Introduction

The Financial Sector Charter (the Charter) commits the Banks to provide some R42 billion of which the vast majority will be applied to mortgageable loans for housing units, with a maximum value of R180 000 per unit (December 2003), to households in the affordable housing sector (households with a maximum income of R7500) by the 31 December 2008<sup>1</sup>.

The Banking Association of South Africa has established the Housing Workstream Group to ensure that Financial Institutions are able to meet this requirement of the Charter. The Housing Workstream Group needs to fully understand the market in which they will be operating, in particular the current dynamics which shape demand and supply in this market segment.

Accordingly the Banking Association of South Africa appointed Matthew Nell and Associates assisted by The Settlement Dynamics Project Shop to undertake research into Housing Supply and Functioning Markets.

The purpose of the research is to understand the current dynamics and factors influencing the supply and demand for new and existing housing in the 'affordable housing market' (with a mortgageable value of less than R180 000 and targeting people with an income of between R2500 and R7500 per month).

The objectives of the research are to:

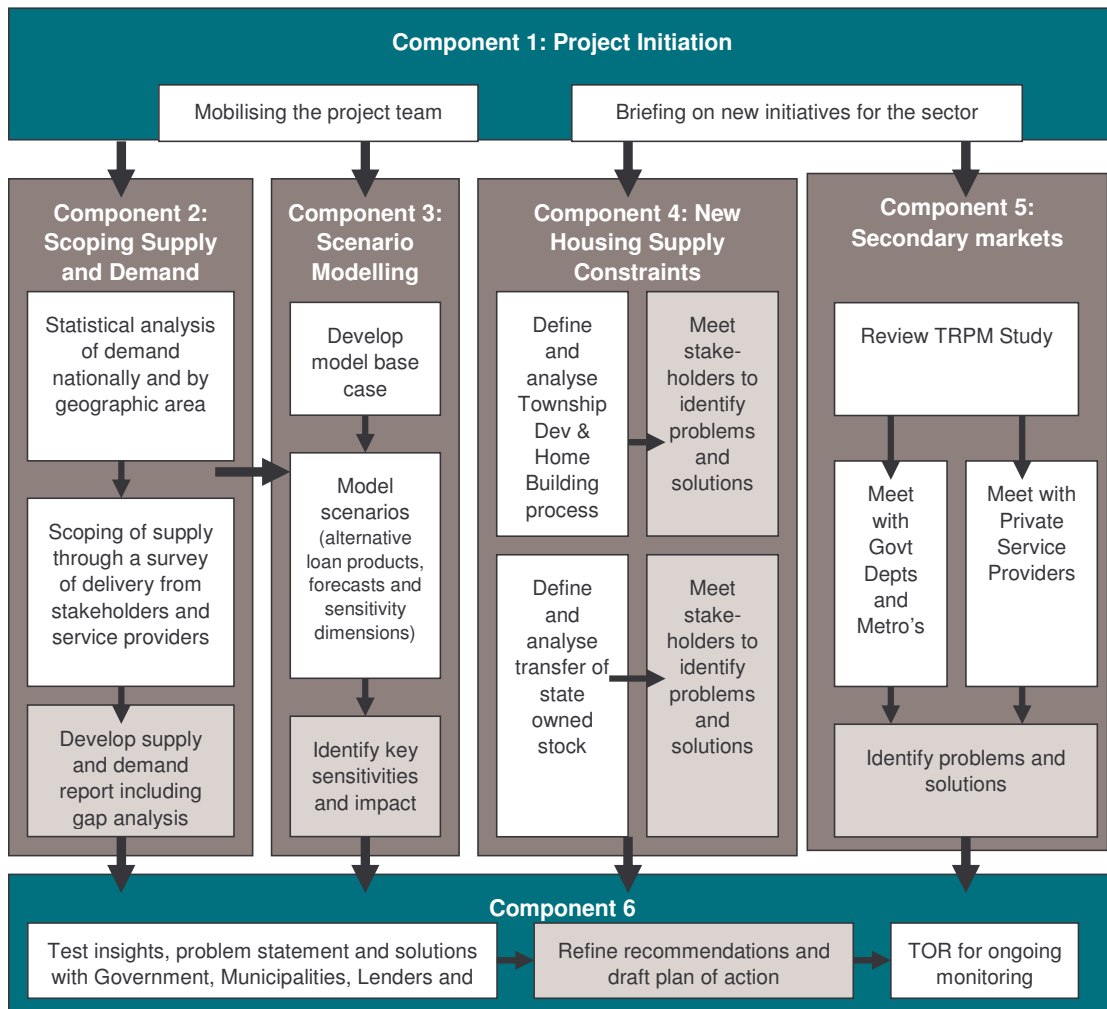
- Scope the supply of and demand for affordable housing
- Define market constraints and dysfunctionalities
- Propose a practical plan of action for the Financial Sector in respect of:
  - The gap between the demand and supply of affordable housing
  - Addressing further demand and/or supply constraints relative to the Financial Charter December 2008 targets

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<sup>1</sup> Both of the target figures (ie income and product price) were set at December 2003 and are subject to escalation in line with CPIX

The research is being undertaken in terms of six components detailed in Figure 1 below.

**Figure 1: Overall Approach**



This report outlines the work undertaken in respect of Component 2: Land Availability and focuses on understanding the supply of land and housing to the target market identified for this study. In this regard three key aspects are reviewed:

- To determine whether adequate land is being identified for subsequent release and development via the integrated development planning (IDP) process which all municipalities are obliged to undertake;
- To determine the extent to which land for housing development within the target range for this study is proclaimed by the surveyor general. The proclamation of a township for development is important as this process creates identifiable stands or erven upon which houses can be constructed;
- To determine the extent to which land identified through the IDP process and then becomes

proclaimed land is finally registered in the name of a beneficiary at a deeds registry.

The report specifically sets out the following:

- Statutory framework
- IDP housing and land allocations
- Allocation of housing subsidy funding
- Conclusions

## 2 Statutory Framework

### 2.1 Integrated Development Plans (IDP's)

The Local Government Transition Act (No. 209 of 1993) requires municipalities to prepare Integrated Development Plans (IDP's). In preparing these plans municipalities must take into account the Development Facilitation Act (No. 67 of 1997) as well as so-called Land Development Objectives (LDO's) developed in terms of this Act. Integrated development plans are an operational mechanism for implementing LDO's and these plans should ensure that the physical delivery objectives established in the LDO's are tied to an appropriate financial and institutional framework.

### 2.2 The Housing Act (No. 107 of 1997)

A key part of this Act is to designate certain roles and functions to national, provincial and municipalities in terms of the housing function.

As laid out in the Housing Code (page 29 uF) this is as follows:

“The primary role of municipalities is to take all reasonable and necessary steps within the framework of national and provincial legislation and policy to ensure that the inhabitants within their jurisdictional areas have access to adequate housing on a progressive basis. To achieve this the functions of municipalities are:

- To initiate, plan, coordinate and facilitate appropriate housing development within its boundaries. This can be undertaken either by promoting developers to undertake projects or by the municipality itself undertaking the role of developer.
- Prepare a local housing strategy and set housing delivery goals.
- Set aside, plan and manage land for housing development.
- Create a financial and socially viable environment conducive to housing development.
- Facilitate the resolution of conflicts.
- Provide bulk engineering services where there are no other service providers.
- Administer any national housing programme in respect of its area of jurisdiction if accredited to do so.
- Expropriate land for housing development if the land cannot be acquired through other means. In this regard the permission of the MEC for Housing must be obtained and the expropriation must occur in terms of the requirements set down in the Expropriation Act, 1975 (Act No. 63 of 1975).

Municipalities do not always have a dedicated Housing Department as in the case of national and provincial governments. Housing is often undertaken as part of the functions of the Planning or Engineering Departments.

The Housing Act provides for the accreditation of municipalities to administer the national housing programme. Accreditation allows the municipality to undertake similar functions to a Provincial Housing Development Board in that it receives, evaluates and approves or declines applications for subsidies in its area of jurisdiction. Two levels of accreditation are provided for:

- Level one involves the administration of non-credit linked individual subsidies only.
- Level two involves the administration of non-credit linked individual subsidies, project linked subsidies, project linked consolidation subsidies and institutional subsidies and the management of the payouts of residual amounts of non-credit linked and individual consolidation subsidies.

To be accredited a municipality must apply to the MEC for Housing in terms of the procedures set down by the provincial government. The accreditation process will include an evaluation to ensure that the municipality is able to effectively undertake the administration, manage the allocation of subsidy funds and meet monitoring and reporting requirements.”

### 3 IDP Housing and Land Allocations

The previous section of the report clearly indicates the responsibilities of municipalities with respect to land and housing. This section of the report reviews and comments on the extent to which these responsibilities are discharged, in that the 20 largest urban centres<sup>2</sup> being examined.

IDP information has been obtained from two sources; the IDP Nerve Centre maintained and run by Boutek (CSIR) and by sourcing documentation from municipal web sites. A couple of comments about the information obtained are considered relevant before reviewing the substance of the various municipal plans.

- The information available is not complete in that it has not been possible to access relevant IDP information for all 20 large urban centres. Information has been sourced for 11 of the 20 centres.
- Information obtained is of inconsistent quality and varying dates. Wherever possible 2004 or 2005 data has been sought. In some cases only 2002 or 2003 data has been available for review.
- In certain instances direct telephone/e-mail contact was made with relevant officials to discuss and clarify points.

#### 3.1 Bombela

- Identifies a total growth of 228 557 households in the area between 2005 – 2008.
- The IDP commits itself to “promote the availability of residential and employment opportunities in close proximity or integrated with each other”.
- In terms of the spatial development framework the intent is to concentrate urban and rural development into corridors and multi-functional nodes.
- The plan only refers to the demand for housing in the R0 – R3 500 income range. In order to satisfy the estimated demand at this level a further 1 117 ha is noted as being required at an average density of 12 units per hectare.
- The plan seeks to encourage residential densification by:

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<sup>2</sup> Nelson Mandela Metropole, Buffalo City Municipality, Mangaung Municipality, Matjhabeng Municipality, City of Johannesburg, Ekurhuleni Municipality, Tshwane Municipality, Emfuleni Municipality, eThekweni Municipality, Msunduzi Municipality, Polokwane Municipality, Thulamela Municipality, Emalahleni Municipality Council, Mbombela Municipality, Sol Plaatje Municipality, City Council of Klerksdorp, Rustenburg Municipality, City of Cape Town, Drakenstein Municipality, Mafikeng Municipality.

- encouraging smaller erven in new developments
- the subdivision of single residential stands
- residential infill
- enabling second dwelling units
- encouraging multi-storey developments in nodes.

Comments:

- There is no focus on housing development other than within the current subsidy limits (R0 – R3 500);
- No responsibility to facilitate housing development in the affordable housing sector is noted;
- Specifics with respect to the identification and development of new residential areas (across all income ranges) are absent in the plan.

### 3.2 Cape Town Metro

The points below are extracted from the 2005/06 revised IDP documentation.

- Chapter 4 of the plan entitled “Creating Integrated Settlements” clarifies the focus of the IDP as follows “... to address the need for adequate shelter and services by reducing the number of people living in informal settlements, providing improved and better quality living environments in new and existing settlements and ensuring that new settlements for poorer households are located closer to core areas of employment, recreation, economic and transport opportunities.”
- The key elements of the Integrated Human Settlement Strategy are identified as being:
  - promotion of area based urban renewal in terms of the N2 Gateway Project and the Khayelitsha/Mitchells Plain nodes;
  - increasing shelter and service provision “... targeted at low income households,” and those living in informal settlements in particular;
- Improving settlement planning by:
  - the identification of well located land that can be acquired for affordable housing. This land will focus on infill sites close to the urban core;
  - improving the design and management of residential areas;
  - improving the housing form with increasing emphasis on medium to high density housing projects; and

- dealing with procedural and policy blockages preventing the efficient rollout of new settlements.
- Administering and maintaining Council’s housing stock;
- Developing the urban core “... to shift urban growth from the periphery of the city to the urban core through facilitating mixed use, mixed income and medium to high density development on well located land.”
- Decentralized industrial and commercial development with the aim “... to stimulate the industrial and commercial growth of centers located within, or in close proximity to zones of extreme poverty.”
- Creating environmentally sustainable neighbourhoods.
- In order to achieve the objective of developing the so-called urban cores specific reference is made to sites identified for the development of social (i.e. rental) housing at Culemborg, Ysterplaat, Wingfield and Youngsfield. A total of 530 ha of developable land to provide up to 25 000 housing units is noted. Other areas identified include District 6 and the urban development zone (includes the CBD and extending south to Salt River, Observatory and parts of Mowbray and the Klipfontein Corridor area up to Vanguard Drive). The Bellville CBD and surrounding areas are also identified in which National Treasury is providing tax incentives to encourage private sector developers to redevelop the areas in question.
- The Cape Town Metro IDP contains useful KPI (Key Performance Indicators) and targets as follows:

**Table 1: Programme 1 Areas Based Urban Renewal**

<b>Programme 1: Area based Urban Renewal</b>		
<b>Components</b>	<b>KPI</b>	<b>Target</b>
N2 Gateway	No. of housing opportunities delivered as well as ancillary services, community facilities, public open spaces and roads	22 000 dwelling units together with ancillary services, community facilities, public open spaces and roads
Presidential Urban Renewal	Progress on key deliverables	Key deliverables achieved
<b>Programme 2: Increasing Shelter and Service Provision</b>		
<b>Components</b>	<b>KPI</b>	<b>Target</b>
New Housing (excluding N2 Gateway)	No. of new subsidized housing opportunities.	7 250
Informal Settlements Upgrading (in situ)	No. of upgrades commenced	4 800 upgrades commenced
<b>Programme 3: Improving Settlement Planning</b>		
<b>Components</b>	<b>KPI</b>	<b>Target</b>
Land for Housing	% of capital budget spent	100% of capital budget R40m
Dignified Spaces	% of Budget allocated for	90% of Budget allocated for

	dignified spaces spent	dignified spaces spent
<b>Programme 4: Administering and Maintaining Council's Housing Stock</b>		
<b>Components</b>	<b>KPI</b>	<b>Target</b>
Tenure Options Programme	No. of Tenant Associations and Registered Tenant Forums established	9 Tenant Associations and 1 Registered Tenant Forum established
Unit Maintenance	No. of units completed on Planned Maintenance Programme	2 000 Units completed on Planned Maintenance Programme
<b>Programme 5: Developing the Urban Core</b>		
<b>Components</b>	<b>KPI</b>	<b>Target</b>
Strategic Land Parcels	No. of social housing opportunities delivered	1 050 social housing opportunities delivered
<b>Programme 5: Decentralized Industrial and Commercial Development</b>		
<b>Components</b>	<b>KPI</b>	<b>Target</b>
Develop Programme	Decentralised Industrial and Commercial Development programmes prepared and adopted	Decentralised Industrial and Commercial Development programme prepared and adopted
<b>Programme 7: Environmental Management</b>		
<b>Components</b>	<b>KPI</b>	<b>Target</b>
Energy Audits retrofitting of Council Buildings	No. of audits completed and retrofits implemented	5% reduction in local government electricity consumption by 2010
Kuyasa Clean Development Mechanism Housing Project	No. of houses with Solar Water Heaters	100
Solar Water Heaters Project (City-wide)	No. of houses with Solar Water Heaters	10% of households by 2010
Air Quality Management Plan	No. of days that International Standards are exceeded	2006 = 148 days
Kyayelitsha Air Pollution Strategy	Develop a Strategy	Complete by 2006
Bellville Solid Waste Landfill Clean Development Mechanism Project	Project Completion	85%

#### Comments:

- The focus of this plan is clearly on facilitating housing delivery for the urban poor and in the promotion of social/rental housing;
- A capital budget of R40m has been set aside to acquire land for housing (i.e. for social housing promotion);
- The new housing target of 7 250 indicates that its KPI is the number of new subsidized housing opportunities; again a focus on the income segment below R3 500 per month;
- The identification of well located land (with particular emphasis on infill sites) for affordable housing is noted as important. However, no further details are noted in the published IDP;

- The use of Treasury's tax incentive programme to encourage urban renewal in targeted areas is highlighted for private sector developers.

### **3.3 Buffalo City**

The points below are extracted from the 2004/05 IDP Review process.

- Section D of the document notes that a key spatial planning and land use objective is to "Provide adequate land and services for urbanizing (existing and new) communities at higher densities."
- Regarding land administration the first objective identified is to "optimize land usage and improve viability and sustainability."
- Two strategies (amongst others) are noted as being necessary to achieve the land administration objectives of Buffalo City. These are:
  - "Undertake a comprehensive survey of land needs"; and
  - "Undertake a land audit to identify suitable land to meet the identified needs."

Comments:

- This IDP is still framed at a generalized level of objective and strategy;
- No specific actions are identified to facilitate or enable greater affordable housing delivery;
- A review of the prioritized programmes and projects (2004/5 – 2006/7) indicate no specific planned actions or expenditure to promote housing delivery outside of the current subsidy limits (i.e. up to R3 500/month).

### **3.4 Msunduzi**

- The focus of this plan is overwhelmingly to address the housing needs of the very poor;
- Reference is made to a total of 49 identified projects, of which 38 have approved subsidy funds;
- The housing programme is fundamentally framed in terms of the needs identified. That is, upgrade approximately 17 000 informal housing units, provide for a waiting list of 15 000 families and address rural housing needs of approximately 25 000 units.

Comments:

- This particular IDP's focus and orientations does not address land identification, acquisition or development for housing other than those with incomes below R3 500/month.

It is worth noting however that telephone contact with this council revealed that some attention is currently being given to identifying additional areas of land to support middle income housing development up to a R7 500/month income level. The details of this exercise are not, unfortunately, available until Council formally approves the areas identified. All indications are that land sufficient to accommodate the demand for housing in the target range identified will be earmarked timeously.

### 3.5 Tshwane

The notes below are extracted from the IDP 2005 Revision Cycle 3 Exercise.

- The plan notes, "The provision of different housing typologies in strategic locations in close proximity to economic, social and transport opportunities is a key focus area."
- In discussing the implementation of the above housing objective it is noted that, "In some cases it will imply that the municipality might actually have to purchase land that is suitably located in order to support public-private partnerships in the development of different housing typologies..."
- Unfortunately the recently prepared Tshwane Housing Strategy has not been approved by the Council. This document contains, obviously, the specifics with respect to land housing development.

Comments:

To confirm the status of the Tshwane Housing Strategy telephonic contact was made with Mr Francois Swanepoel, the responsible official at the municipality. He made the following comments:

- The housing and land delivery strategy focuses on the provision of housing for those whose incomes are below R3 500 per month.
- Approximately 20% of the assessed housing need is for households whose incomes are greater than R3 500 per month.
- As regards housing provision for this 20% of households Council is reliant on private sector developers and the "market".

- Approximately 65% of the housing backlog is experienced in areas to the north of Tshwane where new housing delivery and the upgrading of informal housing areas is being implemented.
- In order to address the housing needs of those in the R3 500 – R7 500/month income category the official noted that developments at Lotus Gardens ( $\pm$  700 units) and Olievenhoutbosch Ext 36 ( $\pm$  1 600 units) were planned. However, it was the intention of Council to promote the development of other medium to high density housing in better located infill sites to meet the demand of this segment of the market.
- Mr Swanepoel indicated that the housing strategy prepared would need extensive revision to bring it into line with the Minister’s Breaking New Ground housing plan.

### 3.6 City of Johannesburg

Key points noted in the July 2005 IDP available on the city website note as follows:

- “There are substantial backlogs in housing. Approximately 120 000 new units are needed to address the 90 plus informal settlements located in the city. Over 25 settlements need to be relocated and 50 plus upgraded in-situ. Further, there is an established need for the provision of rental stock, especially in the inner city. The development of new housing will place pressure on the provision of bulk services and social services. It is therefore a critical component of the infrastructure management approach.”
- Regarding the issue of land the Chapter 5 sector plan discussing housing indicates a key challenge as being the “audit and identification of land for housing purposes.” Reference is made to a study undertaken by the Gauteng Department of Housing (2004) to identify land held by private owners (and which was suitable for housing development) and another land audit undertaken by the city in 2003.
- In the section of the report discussing urban form it notes, “The regional feasibility study indicates that approximately 46 359 stands are potentially available for housing development.”
- In identifying the key housing challenge the report notes, “The major challenge facing housing ... is the unavailability of adequate financial resources and (the) proper channelling of such resources to housing needs.”

Comments:

- The Johannesburg IDP reviewed contained no specifics on land identified to enable middle income housing development;
- The statement of the housing problem for the city focuses primarily on the needs of

the very low income households in informal settlements. Rental housing promotion in the inner city is also referred to.

- The need for additional bulk services in new areas of residential development is underlined but no specific information is provided;
- The “unavailability of adequate financial resources ...” is noted as the key housing challenge. This would again suggest that the housing challenge is seen as that of the very poor who could be better housed but for the limited availability of housing subsidies from the provincial government.
- Informal discussions with certain housing officials also confirmed that the city holds the view that the private sector and the market mechanism must drive middle income housing development. The council’s role in this scenario is to facilitate new developments through forward planning, selective new bulk infrastructure development and, thereafter, responding to new township establishment and development applications.

### **3.7 Sol Plaatje Municipality**

- The service delivery objectives of this municipality with respect to services and housing delivery is noted as follows:
  - To provide all households with access to basic electricity by July 2009;
  - To reduce electricity distribution losses;
  - To provide all households with basic sanitation by July 2009;
  - To eradicate all bucket systems within the formal residential areas by July 2006;
  - To provide all households with a metered water connection by July 2009;
  - To provide all informal settlements with a water standpipe within 200 metres of every dwelling by 2006;
  - To reduce water distribution losses;
  - To provide all households with a weekly solid waste removal system by 2006;
  - To ensure that all informal settlement areas are upgraded within the next three years;
  - To ensure that all citizens are sheltered in a formal structure by 2010;
  - To facilitate easy access to public amenities for all residents.
- Comments:
- Information of a more specific nature dealing with land identification for middle income housing development, infrastructure development programmes to enable such development etc were not available for review on the Council website.

### 3.8 Matjabeng Municipality

- In the 2003 IDP housing development is viewed as a priority. The housing objectives are:
  - to make land available to areas that have access to economic opportunities;
  - develop an integrated housing plan
  - formalise informal settlements by 2005
  - ensure quality control of housing construction
  - ensure security of tenure and land ownership by 2005.
  
- Actions Identified Include:
  - Land: Identify government owned land; purchase private land where necessary.
  - Infrastructure: Provide services to informal settlements and develop 2 614 stands by 2008, determine minimum standards.
  - Tenure: Provide tenure to those in informal settlements; implement ownership of Council owned houses.
  - Houses: Provide 1 000 formal houses (within subsidy units) on stands per year.

#### Comments:

- From a municipal point of view the IDP focuses on low income households and while the municipality recognises a role with respect to housing, the lack of a detailed plan makes further analysis difficult. In short, the information is not accessible to determine the extent to which provision is being made for middle income housing.

### 3.9 Mafikeng

For 2005 the municipality has only released a list of projects for which funding has been obtained.

The information is insufficient to determine the Council's intent with respect to the opening up of land and the provision of bulk infrastructure for middle income housing provision.

### **3.10 Mangaung**

The points below are extracted from the Mangaung Housing Policy (June 2004), a part of the Mangaung Integrated Development Plan. The housing policy document identifies the immediate challenges as:

- Developing an allocation policy for municipal rental housing
  - Registering applicants for housing assistance
  - Sourcing finance to develop housing in low income areas
  - Managing the spread of informal settlements and land invasions
  - Promoting integrated housing development.
- The only points of relevance of this plan are the statements:
    - The Housing Sub-Directorate shall devise strategies to attract private sector participation in housing
    - The Housing Sub-Directorate shall designate land portions as identified in the Housing Sector Plan for middle and high-income housing development

(Note: The plan is silent on the details on both of the above points.)

- The approach to the development of new housing developments is stated as points of intent only. For example, the housing policy notes:
  - The Council shall support and participate in, where feasible, the development of a variety of high, middle and low-income residential developments which combine single residential as well as cluster housing on both greenfield and urban renewal, in-situ upgrading or infill planning sites.

Comments:

- The housing policy document does not contain specific details or programmes with respect to land delivery or infrastructure provision in order to deliver on the intent of Council with respect to middle income housing.

### **3.11 eThekweni (Durban)**

The IDP of this municipality could not be obtained for review on the website. Contact with a senior housing official to clarify the situation yielded an e-mail response. (Note: Only key or illuminating points are reproduced below.)

- “eThekweni are in the process of thinking about the opportunities that the middle

income credit linked grant may offer as well as the limitations of the policy (which are largely to do with affordability and building costs).”

- “The inner city may offer opportunities. However, land availability and cost ... of building or renovation/conversion make this a delicate balance between affordability and social goals and requires that the city make some kind of concession/investment/reward, or alternatively a cross subsidy tax from ... high income residential investments ...”
- “The old ‘township’ centres, nodes and activity corridors are being investigated for ‘middle’ income, medium density housing. These include areas in KwaMashu, Umlazi and Clermont.” (Note: No information on specific areas is available at present as investigations are in progress.)
- “... The R42bn committed for housing will not involve local authorities in any substantive manner. Local government will provide planning approval and perhaps bulk services, if appropriate. It is therefore difficult to be more specific as the policy is crafted so as to promote private sector development with local government being the regulators, as in any other residential development...Local government may be able to provide some facilitation role but as presently crafted the policy expects individuals to approach banks who will then process applications for the subsidy.”
- “The secondary ‘township’ property market may offer some opportunities; this however is very dysfunctional in Durban at present.”
- “...The banking sector needs to start getting into the ‘market’ (as well as engaging with developers and local government) and start making potential clients aware of the policy if anything substantial is going to happen by 2008.”
- “Finally, a comment, developers are very wary of undertaking any developments under R200 000 and this makes the policy unworkable as it will only then apply to the very top end of the income bracket who will receive the lowest subsidy which makes very little difference. If, however, developers were able to develop units from approximately R90 000 (including all costs) then this may be affordable for the R3 500 income bracket and above.”
- “It appears that the banks and national housing have devised this policy in the absence of private developers who they expect to be the essential drivers of the process...”

### **3.12 Comments on the IDP Review Process (2005)**

A countrywide exercise was recently completed to hear presentations from municipalities on the latest updated IDP plans, and including those for the housing sector. A senior researcher who participated in the exercise made the following observations:

- Many local authorities across the country are struggling to develop adequate housing sector plans;
- Those municipalities which are considering accreditation (to receive government housing subsidies) tend to be further advanced. The example of Ekurhuleni was noted in this regard.
- A key issue which emerged from the IDP review process is that the responsibility for housing is very often not seen as a core competence by local government;
- This competence is mostly seen as facilitatory and regulatory. This is especially the case as regards bonded housing in which the private sector is seen as the primary drivers.
- During the countrywide review process it was assessed that the plans of between 12-15% of municipalities were satisfactory from a spatial development perspective.
- In rural areas and smaller towns there is a very strong wait-and-see attitude to the question of land reform. (Note: The inference drawn from this is that restitution issues and land redistribution activities are creating additional uncertainties from a planning and infrastructure investment perspective.)

### **3.13 Conclusions**

On the basis of the review of the IDP plans obtained for this study the following additional observations are offered:

- Specific details on land identified for middle income housing and the bulk infrastructure required to open it up for development is consistently lacking;
- In almost all instances local government views the housing challenge as providing for the “poorest of the poor” rather than viewing the totality of housing need, including the middle income group;
- The private sector and the housing market are seen as the drivers of middle income housing development;
- The actions which are necessary to spur housing delivery in this middle income market are rarely, if any, discussed in the housing sector plans;
- Local authorities tend to have framed their housing policies and plans within the context of a subsidy policy targeted at those earning up to R3 500 per month;
- The much wider focus on housing delivery discussed in the Breaking New Ground plan has not been adequately internalised and understood by local government. Consequently plans, where they exist, will need revision and updating. Tshwane is a case in point in this regard.



## 4 Allocation of Housing Subsidy Funding

In view of the trend amongst municipalities whose IDP documentation was reviewed, to focus their efforts on housing those with incomes up to R3 500 per month, it was considered useful to examine what subsidy funding was in actual fact being earmarked. In this analysis particular focus is given to credit linked housing subsidy projects. It is, after all, this market segment which would be of the greatest interest to the home loan institutions.

Table 2 below illustrates the housing subsidy allocations approved for the period 2004/2009 in 16 of the top 20 urban centres<sup>3</sup>.

**Table 2: Total Number of Housing Subsidies Approved in Selected Urban Centres**

2004/05	2005/06	2006/07	2007/08	2008/09
22 905	157 205	189 211	112 879	23 965

Table 3 below shows the breakdown of housing subsidy allocations per project type for the same 16 municipalities.

**Table 3 Breakdown of Housing Subsidy Allocations**

Project Type	2004/05	2005/06	2006/07	2007/08	2008/09
In-situ upgrade	6 527	56 777	73 175	31 898	8 620
Greenfields	9 864	81 607	95 220	40 171	11 825
Credit linked	370	3 349	7 026	21 289	4 854
Social Housing (Rental)	440	610	2 018	1 500	-
In fill Housing	4 334	6 303	7 077	5 769	-
Consolidation	-	150	600	2 768	-
Peoples Housing Process	-	997	2 009	750	-
<b>TOTAL</b>	<b>21 535</b>	<b>149 793</b>	<b>187 125</b>	<b>104 145</b>	<b>25 299</b>

Commenting on the figures:

<sup>3 3</sup> Notes:

1. Nelson Mandela Metropole, Buffalo City Municipality, Mangaung Municipality, Matjhabeng Municipality, City of Johannesburg, Ekurhuleni Municipality, Tshwane Municipality, Emfuleni Municipality, eThekweni Municipality, Msunduzi Municipality, Polokwane Municipality, Thulamela Municipality, Emalahleni Municipality Council, Mbombela Municipality, Sol Plaatje Municipality, City Council of Klerksdorp, Rustenburg Municipality, City of Cape Town, Drakenstein Municipality, Mafikeng Municipality. [Note: No figures supplied from Emfuleni, Thulamela, Emalahleni and Mbombela]

- There is little doubt that in-situ upgrading [i.e. upgrading of informal settlements] and the provision of new greenfields RDP housing stock are due to receive the largest allocation. In total some 26,8% of allocations are being utilized for the upgrading of informal or shack settlements; and 36,2% for the period concerned goes to the construction of new greenfields projects. That is, an overall total of 63% of available subsidy allocations.
- In contrast only 36 888 or 5,6% of the subsidy allocations between 2004/2009 are intended to support credit linked projects.

Table 4 overleaf illustrates the various planned credit linked and social housing project municipality by municipality.

**Table 4: Credit Linked and Social Housing Allocations per Municipality (2004 to 2009)**

Municipality	Project Name	Project Type	Number of Units and Phasing	
Polokwane	Seshego x 65	Credit linked	1 500	07/08
	Rama Park	Credit linked	150	05/06
			150	06/07
	Seshego Zone 1	Credit linked	200	05/06
	Seshego Ext		225	06/07
	Mankweng Unit F	Credit linked	500	06/07
	Polokwane Rental Stock (PHA)	Social Housing	500	07/08
	Annandale	Social Housing	500	06/07
			500	05/06
	Sol Plaatjie	Roodepan	Social Housing (Flats)	408
Eco Village (Pilot Project)		Social Housing (Now eligible for loans)	13	05/06
Lerato Park (Pilot Project)		Social Housing	500	06/07
			500	07/08
Hull Street		Credit linked	100	05/06
			150	06/07
Greenpoint		Credit linked	70	05/06
			150	06/07
Cape Town	Military Road	Social Housing	400	05/06
	Steenberg			

Municipality	Project Name	Project Type	Number of Units and Phasing	
	Military Road	Social Housing	40	05/06
	Bo-Kaap			
	Pickwick Road	Social Housing	500	06/07
	Woodstock			
	Dillon Lane	Social Housing	30	06/07
	Woodstock			
	Victoria Walk &	Social Housing	80	06/07
	Melbourne Street			
Mbombela	Hazeyview	Credit linked	30	05/06
			30	06/07
			30	07/08
			30	08/09
	Kabokweni and	Credit linked	218	05/06
	Whiteriver		218	06/07
			218	07/08
			218	08/09
	Nelspruit	Credit linked	179	05/06
			179	06/07
			179	07/08
			179	08/09
Matjhabeng		Middle income	250	05/06
			250	06/07
Drakenstein	Paarl East	Credit linked	400	05/06
			400	06/07
	Saron	Credit linked	25	05/06
			25	06/07
	Gouda	Credit linked	25	05/06
			25	06/07
	Wellington	Credit linked	50	05/06
			50	06/07

Municipality	Project Name	Project Type	Number of Units and Phasing	
Klerksdorp	Tigane Ext 4	Social Housing	100	05/06
			150	06/07
Rustenburg	Silule Pilot Project	Credit linked	800	07/08
			1 000	08/09
Johannesburg North	Doornkop Phases 1+2+3	Credit linked	150	06/07
			1200	07/08
	Doornkop Phases 1+2+3	Credit linked	1 200	08/09
			1 200	09/10
	Olievenhoutbosch South	Credit linked	2 225	07/08
			2 225	08/09
Cosmo City	Credit linked	1 500	05/06	
		1 500	06/07	
Ekurhuleni	Reiger Park Ext 8	Credit linked	144	05/06
			1 155	06/07
	Modderfontein 76IR Ptn 32	Credit linked	3 230	06/07
	Finaalspan 114IR	Credit linked	2 100	06/07
	West Rand Area	Credit linked	5 000	06/07
	Reiger Park	Credit linked	1 000	06/07
Tshwane	Absa Project	Credit linked	600	06/07
	Olievenhoutbosch		1 000	07/08
	Soshanguve East Ext 3	Credit linked	1 115	06/07
	Soshanguve East Ext 4	Credit linked	1 413	06/07
Msunduzi	Lincoln Meade	Credit linked	1 050	07/08
	Westgate	Credit linked	195	06/07
	Foundary Park	Credit linked	1 440	or
	Other Areas		200	07/08
				07/08
			08/09	
Nelson	Motherwell	Social Housing	50	07/08

Municipality	Project Name	Project Type	Number of Units and Phasing	
Mandela	Southend	Social Housing	500	07/08
	Chatty	Credit linked	300	07/08
	Wells Estate	Credit linked	300	07/08

Table 5 below illustrates, in summary form, the planned allocation of subsidies for credit linked and social housing in the respective municipalities during the period 2005-2009:

**Table 5: Summary of Credit Linked and Social Housing Allocations per Municipal Area (2005-2009)**

Municipality	Project Type	2005/09
Polokwane	Credit linked	2 725
	Social	1 500
Sol Plaatjie	Credit linked	470
	Social	1 421
Cape Town	Credit linked	0
	Social	1 050
Mbombela	Credit linked	1 708
	Social	0
Matjhabeng	Credit linked	500
	Social	0
Drakenstein	Credit linked	1 000
	Social	0
Klerksdorp	Credit linked	250
	Social	0
Rustenburg	Credit linked	1 800
	Social	0
Johannesburg (North)	Credit linked	11 200
	Social	0
Johannesburg (South)	Credit linked	
	Social	
Ekurhuleni	Credit linked	12 629
	Social	0
Tshwane	Credit linked	4 128
	Social	0
Msunduzi	Credit linked	2 885
	Social	0
Nelson Mandela	Credit linked	600
	Social	550

## 5 Conclusion

This component of the report indicates that although many municipalities around South Africa have prepared housing sector plans as part of their IDP process, one must draw the conclusion that explicit planning for the middle income group from a land/housing perspective needs further attention. Understandably because the maximum monthly income limit of the housing subsidy has been R3 500 for so long now, this has almost certainly conditioned the thinking of planners and policy makers at the municipality. A more open ended approach and one which gives greater emphasis to those who can afford bonded products up to R200 000 will be necessary by municipalities if the objectives of the Financial Services Charter are to be met.

Regarding the approval of housing subsidies (for both credit linked and social housing projects) it is interesting to note that in the 20 largest urban centers examined , a total of 44 416 housing subsidies have been approved. To gain some perspective as to whether this allocation of housing funds could be considered sufficient an analysis was done of the extent to which new households will be formed with incomes of between R2 500 and R7 500 between the period 2005 and 2008. This is shown in Table 6.

Adjusting the total figure for those municipalities who did not provide information on housing subsidy allocations, the demographic model indicates a growth of 101 510 households between 2005 and 2008 with incomes between R2 500 and R7 500 per month. However if only 44 416 credit linked and social housing subsidies have been approved for expenditure over this period only some 40% of this potential demand for housing may be satisfied with subsidy supported housing products. The other 60% will need to be given greater attention in the years ahead by municipal planners to identify land for development; by government by extending its allocation of housing subsidy assistance; and by the private sector to provide the financing and products necessary.

**Table 6: Projected Growth in the Number of Households per Income Cohort for Selected Urban Centres for the Period 2005 – 2008**

Source: Econometrix Demographic Model, Sept 2005.

<b>Urban Centre</b>	<b>2005/2008 R2 500/R3 500</b>	<b>2005/2008 R3 501/R5 500</b>	<b>2005/2008 R5 501/R7 500</b>	<b>TOTAL</b>
Nelson Mandela	2 398	2 024	1 620	6 042
Buffalo City	375	316	254	945
Manguang	329	278	223	830
Matjhabeng	105	89	71	265
Johannesburg	9 499	8 014	6 418	23 931
Ekurhuleni	7 028	5 929	4 749	17 706
Tshwane	4 361	3 679	2 946	10 986
Emfuleni	207	175	140	522
EThekweni	7 452	6 287	5 035	19 296
Msunduzi	588	497	398	1 483
Polokwane	281	237	189	707
Thulamela	80	68	54	202
Emalahleni	162	136	109	407
Mbombela	57	48	39	144
Sol Plaatjie	152	128	102	382
Klerksdorp	150	127	102	379
Rustenburg	298	251	202	751
Cape Town	7 034	5 934	4 753	18 472
Drakenstein	182	154	123	359
Mafikeng	59	44	40	143
<b>TOTAL</b>	<b>40 797</b>	<b>34 420</b>	<b>27 568</b>	<b>102 785</b>