



KWAZULU-NATAL PROVINCE

HUMAN SETTLEMENTS
REPUBLIC OF SOUTH AFRICA



KWA-ZULU NATAL DEPARTMENT OF HUMAN SETTLEMENTS

SOCIAL HOUSING POLICY AND LEGISLATIVE PERSPECTIVE:

**SOCIAL HOUSING POLICY AMENDMENTS PROPOSED BY THE
KZN RENTAL HOUSING PSC**

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GROWING KWAZULU-NATAL TOGETHER



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LIST OF ACRONYMS

| | |
|------------------------|------------------------------------------------------------|
| KZN | :Kwa-Zulu Natal |
| KZN Rental Housing PSC | : Kwa-Zulu Natal Rental Housing Project Steering Committee |
| RZs | : Restructuring Zones |
| SHIs | : Social Housing Institutions (SHIs) |

| | |
|------|---------------------------------------|
| ODAs | : Other Deliver Agents |
| SHRA | : Social Housing Regulatory Authority |
| HDA | : Housing Development Agency |
| CCG | : Consolidated Capital Grant |
| SHF | : Social Housing Foundation |
| CRU | : Community Residential Units |

1 INTRODUCTION

1.1 PURPOSE

This document serves to provide a perspective of the social housing policy, the constraints thereof in implementing social housing within the Kwa-Zulu Natal province. The perspective presented in the document not only identifies the challenges experienced in implementing the social housing programme under the current policy instruments, it further identifies the existing gaps in the policy and provides proposals to address such gaps and constraints.

1.2 BACKGROUND

The Social Housing Act clearly sets out the roles and responsibilities to be undertaken by all the relevant stakeholders in implementing the social housing programme including the three spheres of government, the SHRA and Social Housing Institutions (SHIs). Accordingly, the Kwa-Zulu Natal Department of Human Settlements hosts monthly Rental Housing Provincial Project Steering Committee (KZN Rental Housing PSC) meetings. These function as a platform to table the implementation of the programme within the province, challenges incurred by all stakeholders, more particularly those that are stagnating the progress in implementing the social housing project pipeline.

It is evident from the numerous engagements at the KZN PROV PSC that there are constraints with the social housing policy and legislative directives that are impacting negatively on the efforts to promote the implementation of various projects. The dialogue held in the KZN Rental Housing PSC meetings has probed for a processes to be initiated towards bringing to official highlight such constraints and proposals to amend the policy. This will serve to address such constraints and impact on the staggering progress in rolling out affordable and adequate rental housing opportunities under the social housing programme.

1.3 STRUCTURE OF THE DOCUMENT

The logic of this document highlights the perspective of social housing policy in the relevant context and purpose to highlighting its constraints and proposals to amend to policy to address such constraint and in turn promote an enabling environment to enhance the social housing sector and its implementation. The document comprises of the following sections:

- *Section One:* Introduction and Background
- *Section Two:* Social Housing Policy Perspective (context of implementing the social housing programme within the KZN Province)
- *Section Three:* Towards Social Housing Policy Amendments

2 THE SOCIAL HOUSING POLICY PERSPECTIVE

2.1 SOCIAL HOUSING PROGRAMME AND POLICY INSTRUMENTS

The social housing programme serves as crucial rental housing option to bring upon social, spatial and economic restructuring within primary urban areas of activity and opportunities, thereby addressing structural, economic, social and spatial dysfunctionalities and contributing to Government's vision of an economically empowered, non-racial, and integrated society living in sustainable human settlements.

The social housing programme is a significant instrument in the rental housing sector that seeks to respond to the inaccessibility of affordable rental housing opportunities that are well-located within

areas of socio-economic activities and opportunities. As a rental housing option, social housing is especially important to the poor, offering choice, mobility and an opportunity to those households who do not qualify for an ownership subsidy nor the average market-related rentals offered by the private sector, especially in good locations.

Social housing has shown that it is able to significantly contribute to urban regeneration and to urban efficiency. It can meet objectives of good location, integration, and viability. The sector can facilitate local economic development through supporting local economies. It makes a financial contribution to local authorities by way of regular payments for rates and services. Social housing has been shown to promote the effective and efficient management of rental and or collective forms of accommodation (with emphasis on long term management and maintenance). This contributes to social integration, social stabilisation and crime.

It saves to highlight the policy framework that sets the parameters of the social housing programme, which has been taken into extensive cognisance in formulating the policy perspective enclosed within this document:

- Constitution of the Republic of South Africa, 1996.
- Housing Act, 1997 (Act 107 of 1997) Part 1 Section 2
- Rental Housing Act, 50 of 1999
- White Paper on Housing (1994)
- Urban Development Framework (1997)
- Social Housing Act, 16 of 2008
- National Housing Code, 2000 (Part 3: Social Housing Policy)
- Comprehensive Plan for the Development of Sustainable Human Settlements (2004)

Focus is emphasized on the Social Housing Policy as set out in the National Housing Code. The Policy adheres to the general principles laid down in the Housing Act, 1997 (Act 107 of 1997) Part 1 section 2. The Social Housing Policy also complies with relevant sections of the Rental Housing Act, 1999 (Act 50 of 1999) and is read in conjunction with White paper on housing (1994), the Urban Development Framework (1997), Social Housing Act, 2008. The following objectives of the Social Housing Policy are taken into cognisance:

- Promote urban restructuring through the social, physical, and economic integration of housing development into existing areas, likely to be urban or inner-city areas.
- Promote the establishment of well-managed, quality rental housing options for the poor.
- Respond to local housing demand.
- Deliver housing for a range of income groups (including, inter alia, middle income, emerging middle class, working class and the poor in such a way as to allow social integration and financial cross subdivision.
- Support the economic development of low income communities in various ways.
- Foster the creation of quality living environment for low-income persons.
- Encourage the involvement of the private sector where possible.
- Promote the use of public funds in such a manner that stimulates and facilitates private sector investment and participation in the social housing sector.
- The social housing policy also provides room for both the regulatory and capacity building functions and emphasizes that both are critically necessary for the growth and development of the sector.

The Kwa-Zulu Natal Rental Housing PSC for Rental Housing identifies with the mandate of the social housing programme as well as roles and responsibilities of key stakeholders in the social housing sector set out in the policy framework. Whilst there is an appreciation of what has been achieved through the programme in enhancing adequate and affordable rental housing opportunities that are well located, there is a series of emerging challenges with implementing the programme under the currently policy prescripts. These challenges have influenced a much more gradual rate of rental housing delivery within the Kwa-Zulu Natal province under the programme. This has substantiated for the KZN Rental Housing PSC to initiate the process to bring to highlight and submit gaps that have been identified in the policy and proposed intervention in address and towards enhancing a more rapid delivery of social housing within the province.

2.2 THE KZN RENTAL HOUSING PSC

The success of the Social housing programme is very dependent upon co-operation and alignment between the different spheres of government in each province. The use of the KZN Rental Housing Steering Committee (PSC) is used to assist to achieve the necessary co-operation and alignment with all Government Linked Rental housing initiatives and stakeholders. The KZN Rental Housing PSC consists of a good representation of the various key stakeholders in the social housing sector, including:

- KZN Department of Human Settlements
- National Department of Human Settlements
- Representation from all the municipalities with gazetted restructuring zones
- Accredited Social Housing Institutions (SHIs)
- Other Deliver Agents (ODAs)
- Social Housing Regulatory Authority (SHRA)
- Other stakeholders including debt funding financial institutions, NASHO, NHBRC and more are invited on a regular basis

The functions of the PSC are guided by the Terms of Reference (TORs) that have been adopted as a guiding tool in all undertakings of the PSC, TORs are attached as Annexure A.

The objectives of the KZN Rental Housing PSC can be summarised as follows:-

- Assist to develop a strategy and implementation plan for enhancing the delivery of Rental Housing in the Province.
- To align the efforts within the province by ensuring cooperative planning and budgeting, prioritization and monitoring of Rental Housing initiatives.
- To facilitate the sourcing and acquisition of funding to support the delivery of Rental Housing projects in the Province.
- To identify and support capacity building programmes for the delivery of Rental Stock in the Province.
- To facilitate the removal of blockages to Rental housing implementation including financing, construction and management of the stock.

The policy constraints that are enclosed in this document have been identified by the various stakeholders that provide a varied and comprehensive caption of the dynamics between the theory

(policy) and practice (implementation on the ground), where the gaps are and the proposed practical interventions to address these gaps. The policy constraints presented concerns various aspects of the social housing programme, including the finance model and access to funding, the system of project approvals, restructuring zones, access to land, unit typologies, and capacity building.

2.3 POLICY CONSTRAINTS AND IMPLEMENTATION OF SOCIAL HOUSING

Presented below are the policy constraints submitted by members of the KZN Rental Housing PSC.

2.3.1 Review and Amendments of the Social Housing Policy

The Social Housing Policy and Regulations were formulated during the period around 2008 and this has not been amended. The policy, regulatory and financial framework is currently inadequate to facilitate the emergence of a vibrant social housing sector.

Social Housing Institutions have more experience since the emergence of the policy in 2008, which needs to be included in the revised SH Policy and regulations, so it becomes more relevant and takes into account challenges on the ground.

2.3.2 Funding Model and Access to Funding

Access to funding was a fundamental challenge cited by many SHIs. Although access to funding provided to SHIs has been through various streams, such as the NHFC, amongst others, better funding models and better financing models have to be looked at for the sustainability of affordable housing. The lack of funding has implications on direct bearings on the SHI expansion and growth programmes.

The release of the CCG funding for the projects are of a concern in that the last 20% of the tranche are held back until all the units are allocated to the beneficiaries. This means that the SHI needs to find 20% of the CCG funding to bridge the development costs. (If CCG for a project is R 100 million, the SHRA will hold back up to R 20.0m until the project is fully let). This means that the SHI must have reserves or access to capital of R 20 million. In addition, debt funding must be used, to bridge the GAP, and which makes the financial model unsustainable.

The CCG remains stagnant for years even though construction CPI is at times double digit.

The SHRA and the NHFC assessment criteria (project financial viability) are not aligned. Both the SHRA and the NHFC are both entities of Human Settlements, but are functioning independently.

2.3.3 Access to Land

Apart from the legal aspects relating to land, the two critical factors, which need to be addressed, are the availability and the cost of land. No comprehensive registers exist. The cost of suitably located land within Restructuring Zones (RZs) is very high and impacts on the ability to deliver housing at affordable levels.

The main issue associated with getting access to land, as cited by SHIs, was the time taken to get a lease or piece of land.

The land in most restructuring zones is in high demand and very expensive. SHI's find themselves competing with private developers for land in these areas.

In addition to land being a problem, related challenges put forward by SHIs in the effective implementation of the programme was largely legislative in terms of the over regulated and complicated framework in which SHIs can and do operate in, the time taken to get plans and environmental plan approved and the relationship with Municipalities. Land audits and rapid land release programs need to be addressed with urgency.

2.3.4 Income Bands and Loss of Employment

The target income band is from R 1 500.00 to R 15 000.00. The reality is that in the target income band below R 3 000.00, permanent employment is a challenge. Most of the potential candidates in this income band are part time workers with no fixed income.

2.3.5 Training and Capacity building for SHIs

Social housing organisations require extensive capacity building in the very early stages of their initiatives, so that they can access the various resources, which exist. Insufficient mechanisms exist to facilitate this process.

This largely constituted internal SHI issues which formed part of the management processes, such as capacity, lengthy processing of evictions, operational and maintenance costs.

2.3.6 Civic Education and Social Housing Awareness

The lack of education of tenants was also seen to be a key impediment to the effective implementation of the Social Housing Programme. This is supported by many of the stakeholders.

More engagement with the public around educating them on what social housing is. Currently SHIs are open to attack from forums etc. as there is a misunderstanding in the market as to what exactly it is that they do.

2.3.7 Design Issues

An important characteristic of social housing is its concern with the social aspects of providing physical living environments that enable the achievement of social goals. The design needs to suit the needs of the residents. With the subsidy amount only being able to provide a starter / incremental type house, additional finance is a pre-requisite to providing adequate housing. Where new housing is provided via the housing subsidy scheme, there is considerable resistance to units, which are not free standing. While social housing is not by definition high density, the restrictions on finance and affordability would necessitate higher densities for social housing. A big challenge is changing attitudes towards a higher density type of housing. Many complex design considerations need to be considered, including:

- the scale of the project, modes of access and circulation,
- spatial layout of the housing area – maximising
- collective space, orientation, etc,
- spatial layout of individual units – maximising internal space, thermal efficiency, et c
- levels and quality of finish – short term capital cost savings against long term maintenance costs

All of the above must be considered to keep the unit costs within a very tight budget.

2.3.8 General Constraints to Implementing Social Housing

There is a general frustration, especially for newly accredited SHI to implement the first project. All odds are stacked against the SHI, not only access to land but long after the SHI was able to navigate the serviced land issue the bankability of the project becomes an issue, Systems that the Department of Human Settlement has put in place of funding is failing new SHI's and frustrating them. SHI's are left with nowhere to turn to cause the commercial banks don't even look at a Social Housing Project.

It is proposed that Municipalities need to prioritise the planning submissions for social housing projects and fast track their approvals especially once the project has been approved by SHRA. Most projects delay because of the backlog in Municipalities

3 TOWARDS SOCIAL HOUSING POLICY AMENDMENTS

3.1 SYNOPSIS OF SOCIAL HOUSING POLICY GAPS AND PROPOSALS FOR THE AMENDMENT OF SOCIAL HOUSING POLICY

Presented below is a synopsis of the identified constraints of the Social Housing Policy and Programme and the interventions hereby submitted by the KZN Rental Housing PSC to address the identified constraints.

Table 1 Policy Constraints and Proposed Interventions

| No. | IDENTIFIED POLICY CONSTRAINT | PROPOSED INTERVENTIONS |
|-----|----------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1. | Review and Amendments of the Social Housing Policy | Policy needs to be reviewed on a more regular basis. |
| 2. | Funding Model and Access to Funding | <ul style="list-style-type: none"> The CCG needs to be reviewed with inflation. The proposed Housing Bank needs to come with a clear mandate of helping the Social Housing sector and; ease on its project assessing tools unlike the present NHFC, which has the mandate but all policies that make it impossible for newly accredited SHI to access funding. |
| 3. | Access to Land | <ul style="list-style-type: none"> National Government needs to address the land issue with municipalities to accommodate social housing near commercially active areas. Land which is at least 2km outside of a RZ needs to be considered for Social Housing Development. The HDA needs to undertake a comprehensive land audit and establish an asset register of all available land within PRZs. |
| 4. | Income Bands and Loss of Employment | <ul style="list-style-type: none"> Policy to be updated more frequently in terms of income bands and in line with inflation. At present the income bands are only reviewed after several years which results in potential social housing tenants lost to the system on an annual basis as their salaries increase. I.e. The catchment of R15000 results in less potential social housing tenants as the year's progress because of the movement of the economy Income band mix – look at consideration of where units are placed. For example higher income earners in our Acacia Park development and lower income earners at Aloe Ridge. This results in skewing of the |

| No. | IDENTIFIED POLICY CONSTRAINT | PROPOSED INTERVENTIONS |
|-----|----------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | | <p>guideline rental mix and results in a development perhaps falling short of its costs.</p> <ul style="list-style-type: none"> • Incorporation of CRU into the project as it is fully subsidised might alleviate this problem. • Demand is high in for primary units and lower for secondary units. A further grant could be considered on capex for projects with this sort of mix. |
| 5. | Training and Capacity Building for SHIs | <ul style="list-style-type: none"> • Enabling of the social housing sector by creating short courses like in the days of the Social Housing Foundation. SHRA could perhaps provide this capacity. • Skills are lacking in some respect as we get new employees in and we find it's a long learning curve before they are up to speed. • The SHRA, albeit a regulator, needs to ensure and facilitate ongoing training for the sector. |
| 6. | Civic Education and Social Housing Awareness | <ul style="list-style-type: none"> • The education of tenants would be in the form of providing information to tenants on how the housing subsidies work, and • How when their economic situations improve, they could move out of the Social Housing into private rentals and ownership, to allow access for other residents and enable the continuous supply of affordable rental housing. |
| 7. | Design Issues | <ul style="list-style-type: none"> • Alternative building methods should be considered for social housing sector especially those that are being used already in private developments. |

4 CONCLUSIONS AND RECOMENDATIONS