

CRU PROJECT PREPARATION COST GUIDELINE

(Extract from submission approved by the MEC on 1st July 2020)

1. BACKGROUND

In October 2014, the MEC approved the cost norms for project preparation costs. These costs were based on prefeasibility work that was undertaken on the free-standing conventional low-income units and was predominantly used for these types of projects. However, although these cost norms were in place since 2010, they had not been used for the CRU programme as this programme is based on a different funding model and typology. Furthermore, the costs were outdated and did not meet the current market related rates. In the absence of National Norms and Standards for CRU's and the excessive costs for the delivery of these projects, the Province developed a Policy Guideline for CRU project Standards and Costs in 2014, which is currently under review. The recently approved Preparation Funding Cost Guideline for CRU Projects aims to support the process.

Community Residential Unit (CRU) projects over the recent years have had prefeasibility activities undertaken and paid for from the feasibility funding only when the project was approved. This work was therefore done at risk by the implementing agent and paid for without clear preplanning milestones. In view of the current pipeline of CRU projects awaiting approval, it was determined that there is a critical need to undertake prefeasibility assessments to address key risk areas before approval is granted.

The Department therefore developed a Preparation Funding Cost Guideline to ensure that preplanning activities included as part of the assessments had clear rates for each milestone and to ensure that payments are made for the value of work done.

2. DETERMINATION OF COSTS

In an effort to establish fair costs for the identified preplanning activities, the Department made a call for quotations from all Implementing Agents (IA's) to provide the applicable rates in undertaking pre-planning activities for new CRU projects. These costs had to however be abandoned due them being too excessive. The department proceeded to expand the consultation to the Social Housing Regulatory Authority (SHRA) to evaluate the cost from recent prices given by service providers who submitted bids to complete pre-feasibility studies on identified social housing sites in the Province. These costs per site were from the 2017/2018 financial year and thus had to be adjusted in line with national subsidy quantum adjustment percentage of 5.336%. This resulted in the final proposed cost per site.

3. CRU PROJECT PREPARATION FUNDING

Based on the above determination of costs and the principle applied in the Cost Norms for Project Preparation approved in 2010, the following is the maximum allowable funding for new CRU projects.

Total Cost per site for prefeasibility studies is recommended at **R 123 270.96 per site** broken down as follows per milestone.

The table below illustrates the cost allocation per group of related activities:

PRE-PLANNING ACTIVITY	DESCRIPTION	Allocated Percentage Cost of Cost Per Activity per Site
1. Environmental Assessment		
1.1 Environmental Assessment	<ul style="list-style-type: none"> A desktop environmental impact assessment report should be prepared, which should highlight all the impacts that the proposed development will have on the surrounding environment. A map illustrating where favourable and where unfavourable areas are located. Floodline Analysis 1:50yr Alignment to the Municipal Environmental Management Framework Plan 	10 %
2. Engineering Activities		
2.1 Geotechnical Assessment	<ul style="list-style-type: none"> A desktop geotechnical assessment should be undertaken. Assessment report should highlight all issues which exist on site and be accompanied by a map illustrating where favourable and non-favourable conditions are located. 	30%
2.2 Bulk Service Assessment	<ul style="list-style-type: none"> Confirmation of the current status of provision of engineering services, whether sufficient bulk services and connections is available for a CRU development and if not, what steps need to be taken to obtain the required bulk and connector services 	
2.3 Traffic Impact Assessment	<ul style="list-style-type: none"> Preparation of traffic impact study 	
3. Town Planning and Land Survey		
3.1 Town Planning Report	<ul style="list-style-type: none"> Confirmation of the current town planning status of the property (zoning), whether this is sufficient for CRUs and if not, what steps need to be taken to obtain the required town planning approvals and supporting work required with estimated time frames. Conceptual site layout plan 	25%
3.2 Engineering Survey	<ul style="list-style-type: none"> Preparation of Engineering Survey 	
PRE-PLANNING ACTIVITY	DESCRIPTION	Allocated Percentage

		Cost of Cost Per Activity per Site
4. Confirmation of Demand		
4.1 Confirmation of the Demand for CRUs and Social Survey	<ul style="list-style-type: none"> • Desktop analysis of income levels per household within the ward and neighbourhood • Confirmation of the age group and gender breakdown • Desktop analysis of the demand for CRUs within the municipal area, making use of current statistical information and municipal data. 	15%
5. Financial Viability		
5.1 Site Development Potential	<ul style="list-style-type: none"> • Analysis of Engineering Survey & preparation of SDP Architect 	20%
5.2 Financial Viability	<ul style="list-style-type: none"> • Calculation of preliminary project cost estimates in line with CRU Norms and Standards • Cost recovery plan (Viable financial model for rental collection and maintenance) 	
5.3 Recommendations	<ul style="list-style-type: none"> • Recommendation based on all the above whether the property is suitable 	
TOTAL		100%

Although the above activities have been costed, some projects may not need to claim for all as certain activities may have the information already available. Each application must therefore be carefully assessed before submission for approval of funding. All applications for preparation funding for new CRU projects must be submitted via the Technical Evaluation Committee (TEC) for MEC approval.