



human settlements

Department:
Human Settlements
PROVINCE OF KWAZULU-NATAL

Policy Communiqué

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INDEX

PAGE

POLICY FOR THE DISPOSAL OF SERVICED SITES

1

PREPARATION FUNDING COST GUIDELINE FOR CRU PROJECTS

3

POLICY FOR THE DISPOSAL OF SERVICED SITES

The KZN Department of Human Settlements developed a Policy for the Disposal of Serviced Sites which was approved by the former MEC for Human Settlements and Public Works in November 2018.

The main aim of the policy is to enable an integral human settlements delivery mechanism by encouraging the sale of serviced sites at fair market-value to qualifying beneficiaries who are willing to build their own houses. The policy also provides for the disposal of serviced sites at below market-value.

The overall objectives of the policy is to bridge the social-economic divide by allowing people access to the property market by providing alternative affordable solutions; to ultimately provide security of tenure and to contribute to a vibrant property market.

1. APPLICATION OF THE POLICY

- In an Integrated Residential Development Programme (IRDP) project a percentage of sites based on a needs assessment will be identified and made available for the programme. The IRDP allows for the allocation of vacant residential sites to persons who do not qualify for subsidies at a variety of prices dependent on income and the profile of the households.
- A Finance Linked Individual Subsidy Programme (FLISP) beneficiary who does not qualify for financial assistance from a financial institution will qualify for the allocation of a serviced site. The allocation of the vacant site will be considered as the individual's subsidy and he or she will receive no further housing assistance from the state. He or she will be registered on the National Housing Database as a recipient of a housing subsidy.
- Infill sites in existing townships (i.e. townships that were established pre-1994). These properties will be advertised in the media and applicants will be invited to apply for these sites. It must be noted that these townships were established on the principles of the Integrated Development Programme therefore the principles of the programme related to qualification criteria and price will be adopted.

2. DISPOSAL OF SITES

Applicants will be required to purchase the sites on a cash sale basis. The purchase of the site can be financed from the applicants own resources or through a financial institution. The property will be transferred to the applicant once the purchase price has been paid to the department. The selling prices of these stands are aligned to the stand input cost in an IRDP project which is R55 000. The selling price of stands will be aligned to the adjustment of the stand input cost as approved by MINMEC from time to time.

3. REQUIREMENTS AND SPECIAL CONDITIONS

In addition to the standard requirements outlined in the policy, there are several special conditions that apply. Among the special conditions that need to be adhered to, are the most

important being that the successful applicant is strictly required to construct a habitable dwelling on the site within 5 years. It also provides a reversionary clause on the title deed of the site whereby the site will revert to the Department if a habitable dwelling has not been constructed in the stipulated 5-year period.

4. TREASURY APPROVAL

While Treasury Regulation 16A.7.3 requires disposal of these sites at market-value, the disposal of these sites at market-value was considered not to be feasible due to the fact that the targeted beneficiaries in these areas are classified as low income earners. In this regard, Section 16A.7.3 of the Treasury Regulations was applied and Provincial Treasury approval was granted on the 7th of July 2020 whereby properties are sold below market-related values.

1.5 SERVICED SITES GUIDELINE

The Department is currently in the process of finalizing an Implementation Guideline to inform the implementation of the policy for the disposal of serviced sites. The document will be communicated once approved.

The Policy for the Disposal of Serviced Sites can be accessed on the Department's website using the following link:

<https://www.kzndhs.gov.za/Uploads/ProvincialPolicies/Policy-for-the-disposal-of-serviced-site.pdf>

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PREPARATION FUNDING COST GUIDELINE FOR COMMUNITY RESIDENTIAL UNITS (CRU) PROJECTS

The KZN Department of Human Settlements Preparation Funding Cost Guideline for Community Residential Units (CRU) Projects was approved by the MEC for Human Settlements and Public Works on the 1st of July 2020. The Preparation Funding Cost Guideline targets the costs associated with preplanning activities of CRU Projects to support a more accurate assessment of the work undertaken and the costs claimed as well as inform the feasibility of the projects before approval.

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 GUIDELINE

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 | |
| 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% |

| PRE-PLANNING ACTIVITY | DESCRIPTION | Allocated Percentage Cost of Cost Per Activity per Site |
|--------------------------------|---|---|
| 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.

The Preparation Funding Cost Guideline must be read in conjunction with the Guideline for Standards and Costing of CRU developments and the CRU Programme in the National Housing Code, 2009. All Community Residential Units projects in KwaZulu-Natal must be implemented using these guidelines which can be accessed using the following links:

<https://www.kzndhs.gov.za/index.php/features/guideline-documents/community-resident-unit-typologies> (The Department is currently in the process of reviewing the policy guideline and the revised document will be communicated once approved).

<https://www.kzndhs.gov.za/index.php/features/policy-documents/provincial-policies>

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