



## KWAZULU-NATAL PROVINCE

HUMAN SETTLEMENTS  
REPUBLIC OF SOUTH AFRICA

### THE DISPOSAL OF SERVICED SITES AT MARKET VALUE TO PERSONS EARNING BETWEEN R22, 001 – R40, 000

(Extract of submission approved by the MEC for Human Settlements and Public Works on 7 August 2020)

The MEC approved that a 30% allocation of serviced sites per project be disposed at fair market value to persons earning between R22, 001 to R40, 000 per month.

#### 1. BACKGROUND

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 & Public Works in November 2018. The policy aims at enabling an integrated human settlements delivery mechanism by addressing the affordable housing market and encouraging the sale of serviced sites at affordable prices to qualifying beneficiaries who are willing to build their own housing units.

The main target income group of the policy are persons earning between R3501 to R22,000, who will be eligible to qualify for a serviced site if they provide proof that they can afford to construct/build their own house. In addition, the policy also makes provisions for applicants whose income exceeds the abovementioned threshold, however they will not be subsidized and the serviced sites will be sold at market value to those who qualify, as stated below:

*“Applicants whose income exceeds the provisions of the funding schedule approved by MINMEC: such applicants may apply for the purchase of a serviced stand. The purchase price of the site must be equal to fair market value. The valuation must not be older than six months.”*

This can be attributed to the fact that the housing sector is not delivering stock at the rate and scale needed, nor is it serving the diversity of the market given varying levels of affordability and access to credit. The private sector dictates the cost of land at prices greater than the property’s market value which places the upper middle income market (R15,000-R40,000) in tremendous financial pressure to gain access to housing opportunities, particularly in well located areas of the city.

In view of this, the Department aims to allocate 30% of the serviced sites to persons earning between R22,001 to R40,000 per month who will have the opportunity to purchase the site at a fair market value.

## **2. MOTIVATION**

- 2.1 The cost of land in the private property market is usually greater than the actual market value which makes it difficult for the upper income market (R15 000-R40 000) to gain access to housing opportunities. By disposing land to the upper income market at fair market value, it provides an alternative opportunity to those who are capable to provide for their own housing needs or who can afford to make payments towards a home loan which will ultimately result in the individual owning the property.
- 2.2 The high cost of living places financial pressure on varying income groups making it difficult to own an asset. The sale of serviced sites at fair market value will enable them the opportunity to experience the benefits of owning an asset.
- 2.3 The sale of serviced sites in well located areas where municipal rates are high, may prove to be more affordable to the upper income group, therefore enabling them to manage the costs better than the middle income group.
- 2.4 The sale of serviced sites at fair market value to the upper income market will ensure that sites are sold quicker and the income generated through these sales would enable the Department to maximise service delivery and promote radical economic transformation and social integration.

## **3. QUALIFICATION CRITERIA**

The qualification criteria remains the same as stipulated in the approved policy, however the qualifying income range has been altered to cater for persons earning above the policy threshold, as stated below:

- a) The gross income must range from R22, 001-R40, 000 per month.
- b) The applicant must be a lawful resident in South Africa (i.e. citizen of the Republic of South Africa or in possession of a permanent residence permit).
- c) The applicant must be legally competent to contract (i.e. over 18 years of age or legally married or legally divorced and of sound mind).
- d) Not yet benefitted from government assistance, divorced applicants will be considered on the merits of each case.
- e) Not yet own fixed residential property.

- f) Married or cohabiting (married in terms of civil law or in terms of customary law) or habitually cohabits with any other person. The word spouse includes any partner with whom the applicant habitually cohabits.
- g) Single with financial dependents: The applicant must have proven financial dependents.

In addition to the abovementioned criteria, the following special conditions will apply:

- a) Only one application per person will be allowed.
- b) The applicant/beneficiary must prove that he/she will be able to sustain ownership.
- c) The applicant must be genuinely in need of housing for residential purposes.
- d) The applicant must commit to building a habitable dwelling on the site within a period of 5 years. The dwelling must be approved by the municipality and the National Home Builders Registration Council.
- e) A building clause will be included in the Deed of Sale and endorsed on the title deed of the property that is, a habitable dwelling must be built within a period of 5 years.
- f) A reversionary clause will be endorsed on the title deed of the property, that if the property has not been developed within 5 years from the date of purchase, it will revert to the Department at the original selling price.

#### **4. FINANCIAL IMPLICATIONS**

4.1 The sale of the sites at fair market value is in terms of Section 14(3)(e) of the Housing Act 107, 1997, which states:

“If a Provincial Government wishes to alienate any immovable property that has passed to such Provincial Government in terms of subsection (2), other in property contemplated in paragraphs (a) to (d), the Provincial Government may do so at fair market value, or, if it is not possible for such property to be alienated at fair market value, it must be alienated in the best interests of the State at a price approved by the MEC.”

4.2 Applicants will be required to purchase the sites on a cash sale basis and issue payment to the Department.

4.3 The sale of properties at fair market value will accumulate revenue which can be used for housing delivery.