



human settlements

**Department:
Human Settlements
PROVINCE OF KWAZULU-NATAL**

POLICY FOR THE DISPOSAL OF SERVICED SITES

1. INTRODUCTION

In 1994 government approved the implementation of the housing subsidy scheme which focused on the delivery of houses to indigent households. One of the many challenges facing government is the impact of inflation on the cost to deliver a house which has increased substantially over the years. In view thereof delivery targets have reduced substantially. According to the Community Survey 2016 the housing backlog in the Province of KwaZulu-Natal is 742 019. In order to address the housing backlog by 2030 the department has to construct 37 100 houses per annum.

In 2008 the Financed Linked Individual Subsidy (FLISP) was approved for implementation. The targeted income groups of potential beneficiaries are persons who earn between R3501 and R15000. On 28 July 2018 the threshold was increased from R15 000 to R22 000. This market which is known as the Affordable Housing Market, commonly referred to as the “Gap” Market has been considered as high risk by developers and financial institutions.

The Integrated Residential Development Programme (IRDP) encourages mixed development which comprises of low income housing, social rental housing and FLISP and serviced sites. Sites can also be reserved for social and community facilities such as religious, commercial, education, and health (clinics/hospitals).

The programme proposes that projects be planned in two phases. The first phase encompassing planning, land acquisition, township establishment and providing serviced residential stands in a variety of price categories as well as stands for other land uses to ensure a holistic and sustainable community. In the second phase houses are constructed for qualifying beneficiaries and the sale of stands to non-qualifying beneficiaries.

2. POLICY INTENT

- a) To sell serviced sites at an affordable price to beneficiaries who are willing to build their own houses and in so doing they will experience the benefits of owning an asset;
- b) To bridge the social-economic divide by allowing people access to the property market; and
- c) To provide security of tenure and to contribute to a vibrant property market.

3. APPLICATION OF THE POLICY

- a) In an Integrated Residential Development Programme project a percentage of sites which will be based on a needs assessment will be identified and made available for the programme;
- b) Infill sites in existing townships in the ownership of the department; and
- c) Sites which municipalities are willing to make available for the programme.

3.1 INTEGRATED RESIDENTIAL DEVELOPMENT PROGRAMME (IRDP)

The programme allows for the allocation of vacant residential sites to persons who do not qualify for subsidies at a variety of prices dependant on income and the profile of the households.

3.1.1 Divorced Applicant: A divorced applicant may purchase a vacant serviced site developed as part of a project financed from any of the National Housing Programmes. Such applications will be at the discretion of the MEC. Such applications will be considered on the merits of each case.

3.1.2 Previously owned fixed residential property: Such a person may only qualify for the purchase of a vacant site. The approval of such applications will be at the MEC's discretion. Such applications will be considered on the merits of each case.

3.1.3 Married or Cohabiting: Such applicants may qualify for the purchase of a serviced site.

3.1.4 Single with financial dependants: Such applicants may qualify for the purchase of a serviced site

3.1.5 Single persons without financial dependants: Applicants falling within this category may apply for the purchase of a serviced site.

3.1.6 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 6months.

3.2 FINANCED LINKED INDIVIDUAL SUBSIDY

A 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.

3.3 HOUSING FUND PROPERTIES

These are 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.

3.4 DISPOSAL OF SITES

3.4.1 Cash Sale

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.

3.4.2. Hire Purchase

The department will explore this option taking the following into consideration:

- a) The availability of the debtor system;
- b) The departments capacity to manage debtors; and
- c) Challenges experienced with regards to the non-payment of debt.

In an Integrated Residential Development Programme Project the municipality may elect to offer the vacant site to the applicant on hire purchase. In such instances the municipality must make the debtor aware that the debt will attract interest, administration fees and rates will be levied against the property. The debtor may elect to pay the rates monthly on his or her utility account or request that the rates amount must be debited to his or her account. The vacant site will be transferred when the debt is paid in full.

4. QUALIFICATION CRITERIA

4.1 The following entry requirements apply:-

- a) The gross household income must range from R3501 to R22 000 per month. Person who earn in
- b) The applicant must be lawfully resident in South Africa (i.e. citizen of the Republic of South Africa or in possession of a permanent residence certificate). Certified copies of relevant documents must be submitted with the application.
- c) Competent to contract: He or she 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. The MEC will apply his discretion to the approval of such cases
- 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. A financial dependent refer to any person who is financially dependent on the applicant.

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

- a) Only one application per applicant/beneficiary 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 five 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 date of purchase, it will revert to the department at the original selling price.

5. DETERMINATION OF THE SELLING PRICE

5.1 INTEGRATED RESIDENTIAL DEVELOPMENT PROGRAMME

In terms of the Integrated Residential Development Programme a vacant site can be sold at stand input cost. In terms of the current subsidy quantum the cost for the provision of a serviced site (stand input cost) in an IRDP project will comprise of:

Cost of serviced stand	R 6 000
Cost of services	R44 000
Township Establishment	R 3 000
TOTAL	R53 000 rounded off 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.

5.2 HOUSING FUND PROPERTIES

Paragraph 14(3) (e) of the Housing Act 107, 1997 reads as follows:

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

The principle of stand input cost will be adopted for these properties. The selling prices of these stands will be aligned to the stand input cost in an IRDP project which is R55 000. The price of the stands will be aligned to the adjustment of the stand input cost as approved by MINMEC from time to time.

6. EXTENT OF SITE

The extent of the site will be in terms of the town planning scheme.

7. MUNICIPAL ENGINEERING SERVICES

Where municipal engineering services are to be implemented for the creation of a serviced site. The policy guideline for the servicing of unserviced sites as approved by the MEC for Human Settlements and Public Works on 13 September 2017 will apply. (Annexure A1).

8. ALLOCATION COMMITTEE

8.1 The Allocation Committee will be responsible for the allocation of the vacant sites.

8.2 The membership of the Allocation Committee will comprise of the following:

- Directorate: Legal Services
- Directorate: Subsidy Administration
- Directorate: Planning
- Directorate: Project Management
- Directorate: Property Management
- Directorate: Product Development

8.3 The Allocation Committee must be approved by the MEC responsible for Human Settlements

9. VETTING OF APPLICATIONS

The Housing Subsidy Directorate will be responsible for vetting and checking of applications prior to the applications being considered by the Allocation Committee

10. DISPUTES AND APPEALS

Disputes or appeals must be considered by the Dispute Resolution Committee appointed by the MEC for Human Settlements.

11. COMPLIANCE

The Directorate Risk Management and Internal Control will be responsible for confirming compliance in respect of applicable qualification criteria and allocation processes.

12. MONITORING AND EVALUATION

The Monitoring and Evaluation Directorate will monitor and report on the targets set for the disposal of serviced sites. The Risk Management and Internal Control Directorate will monitor risk and compliance associated with the allocation of serviced sites. Product Development Directorate will review the policy after two years from date of approval by the M

DIAGRAM OF PROCESS FLOW: ALLOCATION PROCESS

