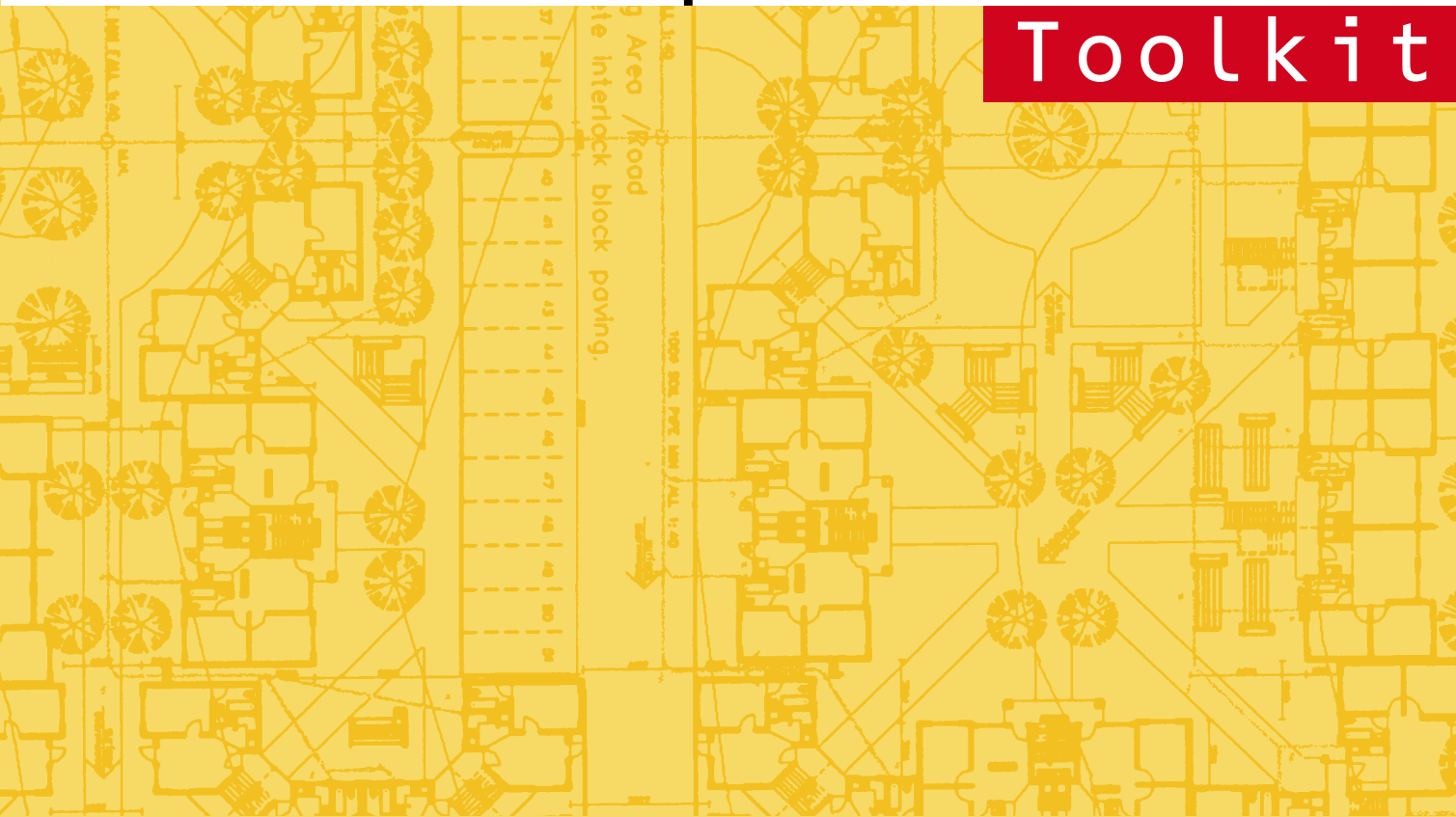




CRU Implementation

Toolkit



The background of the cover is a detailed architectural site plan of a university campus. The plan shows a grid of buildings, walkways, and green spaces. A large, prominent 'X' is drawn across the center of the plan, indicating a central area or intersection. The text 'CRU Implementation Toolkit' is overlaid on the plan, with 'CRU Implementation' in a white sans-serif font and 'Toolkit' in a white sans-serif font inside a dark grey rectangular box.

CRU Implementation Toolkit

March 2010

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Disclaimer

All care has been taken in the preparation of this document and the information contained herein has been derived from sources believed to be accurate and reliable. The Social Housing Foundation does not assume responsibility for any error, omission or opinion expressed, or for investment decisions based on this information.

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Social Housing Foundation
Johannesburg, South Africa

Telephone: 011 274-6200

Fax: 011 642-2808

www.shf.org.za

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Introduction to the community residential units (CRU) implementation toolkit

1. Background

The CRU Programme is an initiative of the National Department of Human Settlements (NDoHS). The overall aim of this programme is the provision of secure, stable rental tenure for lower-income persons and households.

It is one of three sub-programmes within the NDoHS's Rental Housing Strategy:

- Social Housing
- Community Residential Units
- Informal Rental.

2. The need for rental housing in South Africa

For most low-income families in South Africa, the choice of housing alternatives is very limited. The high cost of housing coupled with low affordability levels, and the lack of access to capital and loan finance, severely restrict ownership choices for low-income households to places on the periphery of urban areas.

The formal market-linked rental housing sector is often unaffordable to low-income households that are obliged to seek rental in the informal sector in backyard structures. These are often in poorly located parts of the urban areas which provide poor amenities and usually have insecure tenure.

High rates of migration into urban areas, both from within South Africa and from neighbouring states, have also added to the increased competition for housing. Many households in urban areas rent backyard shacks or reside in informal settlements where they face problems of overcrowding, poor health and adverse environmental conditions.

Government is intent on finding alternative solutions to increase the availability of low-cost, decent housing to low-income households in areas where these households will have access to social and economic opportunities. To this end, the NDoHS has developed a National Rental Housing Strategy with its three linked programmes of Social Housing, Community Residential Units, and Informal Rental.

While the last of these programmes is still under development, the first two are formally-launched programmes that target households with regular monthly incomes from R800 to R7,500. They are directed at providing good quality, affordable rental housing stock with secure tenure to households with incomes of R7,500 and less. A further objective of these programmes is to provide opportunities, within the government's human settlements policy, that facilitate the access of tenants living in this stock to socio-economic infrastructure.

This in turn provides lower-income households with greater housing choice and assists in the economic and social integration of the country's urban environments.

While each of these programmes has its own framework, they are intended to complement each other in achieving a supply of good quality and affordable rental stock for low-income households. This Toolkit deals specifically with the CRU Programme but also outlines its relationship with the Social Housing Programme.

3. Purpose of the toolkit

This Toolkit is intended to:

- introduce the CRU policy and its place in the National Rental Housing Strategy
- explain the process to follow to ensure that CRU projects are sustainable
- highlight how the risks inherent in this programme should be effectively managed
- identify the roles and responsibilities of key stakeholders and the institutional structuring to ensure that delivery takes place
- indicate what tools and templates are available to assist implementers of the programme in carrying out their responsibilities.

4. Target audience for the toolkit

The Toolkit is intended for the use of implementers of CRU projects at both provincial and local government levels. This would include the relevant employees of government departments and municipalities; members of technical organisations that work with government; and members of the provincial CRU steering committees. It is also useful for social housing institutions (SHI) and other rental agents that might undertake the management of CRU stock, as well as service providers responsible for delivering different aspects of CRU programmes and projects.

5. How to use the toolkit

The Toolkit has been designed to assist persons involved in the various phases of CRU implementation. It is therefore structured according to the implementation process for sustainable CRU programmes and projects, and is intended to contribute to effective co-operative governance.

Within each of the phases there is a list of available templates and other more detailed support documents. Some are specific to the CRU Programme, while others are more generic documents, linked to other social housing sector programmes but also applicable to CRU projects. A full list is available at the end of this Toolkit. These documents are numbered according to the numbering system of the archive on the Social Housing Foundation (SHF) website with details of where it is possible to access and download them.

6. Definition of terms

Here are some definitions of terms that occur often in the text of this Toolkit. It is useful to know them so that you are clear about what they mean, how they differ, and how they interlink.

Term	Explanation
Activity	A thing that is done to contribute to the carrying out of a phase or process towards project and programme outcomes.
Phase	One whole series of activities that co-ordinated together achieve an important milestone towards the overall project objectives and outputs.
Process	The series of activity steps that require following in a particular order in order to achieve the sub-outputs and full output of a project or programme.
Project	This is the organising and directing of activities and resources in a co-operative way to achieve a practical and agreed output, generally in a specific locality. In the CRU programme it involves projects that provide or upgrade rental housing in specific locations, usually a single site within a particular municipality.
Programme	This is a set of projects that are completed within the framework of the same set of rules and directed at similar objectives and outputs. The delivery of CRU programmes is co-ordinated mainly at a provincial level, but involves engagement with projects across one or more municipalities within the province.
Detailed document	A document that gives greater detail on particular elements mentioned in this Toolkit. These are intended to help you understand areas that are of more significance in greater depth.
Template	A pattern or model of a document / form which can be filled in or adapted according to your needs.
Core activities	These are activities that have an immediate and direct impact on the delivery of the project and programme outputs (for example, construction; detailed planning).
Support activities	<p>These are clusters of activities that are necessary to ensure that aspects of a programme and /or project are carried out effectively. In CRU there are a number of such clusters, but the three most significant are:</p> <ul style="list-style-type: none"> • Community consultation and engagement • Contracting and contract management • Financing and financial management.

7. Acronyms

CRU	Community Residential Units
ECR	Economic Cost Recovery
EEDBS	Enhanced Extended Discount Benefit Scheme
EIA	Environmental Impact Assessment
IDP	Integrated Development Plan
M&E	Monitoring and Evaluation
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MTEF	Medium-Term Expenditure Framework
NDoHS	National Department of Human Settlements
NHBRC	National Home Builders Registration Council
PDoHS	Provincial Department of Human Settlements
PFMA	Public Finance Management Act
PMT	Project Management Team
PSC	Provincial Steering Committee
SCCCA	Southern Cape Coastal Condensation Area
SHF	Social Housing Foundation
SHI	Social housing institution
SLA	Service Level Agreement
SPSH	Support Programme for Social Housing
ToR	Terms of reference

8. Structure of the toolkit

The Toolkit is structured as follows:

Introduction

Section A: Summary of CRU policy

Section B: CRU process overview and risk management

Section C: CRU programme development and management

- Programme and institutional development
- CRU strategies and project pipelines

Section D: CRU project development and implementation

- Project planning and feasibility
- Detailed design
- Construction
- Stock and tenancy management

Section E: Key functional activities

- Community consultation and facilitation
- Contracting and contract management
- Financing and financial management

WARNING BOX

WARNING: This Toolkit is not enough!

While the Toolkit can assist CRU implementers to successfully implement CRU programmes and projects, it is not sufficient in itself. The real success of CRU delivery is dependent upon the users of this Toolkit working within their own organisations and co-operating with other people from key stakeholder groups, and where necessary using other toolkit materials. Some suggestions follow, including:

CRU templates and detailed guides

Included in each of Sections C-E there is a list of other relevant documents that can help in rolling out the CRU Programme. There is a full list of these and other relevant guides and documents in appendix. Many of these documents and templates are on this disk. You can access them by going to the appendix and clicking on the required document.

- **Support Programme for Social Housing (SPSH) documents**

Although prepared for the National Social Housing Programme, this set provides a number of documents that will be useful to people setting up and managing CRU rental programmes and projects. They are obtainable from the SHF website.

- **Social Housing Toolkit**

This provides specific assistance for the management agencies responsible for managing rental stock and linked tenancies. It also provides valuable information for government agencies entering into management agreements with other agencies.

- **Public Sector Toolkit**

This deals more specifically with the respective roles and responsibilities of provincial and local government for the different rental programmes including CRU. It has more detailed information on the organisational structuring and systems involved in the development and management of CRU programmes and projects.

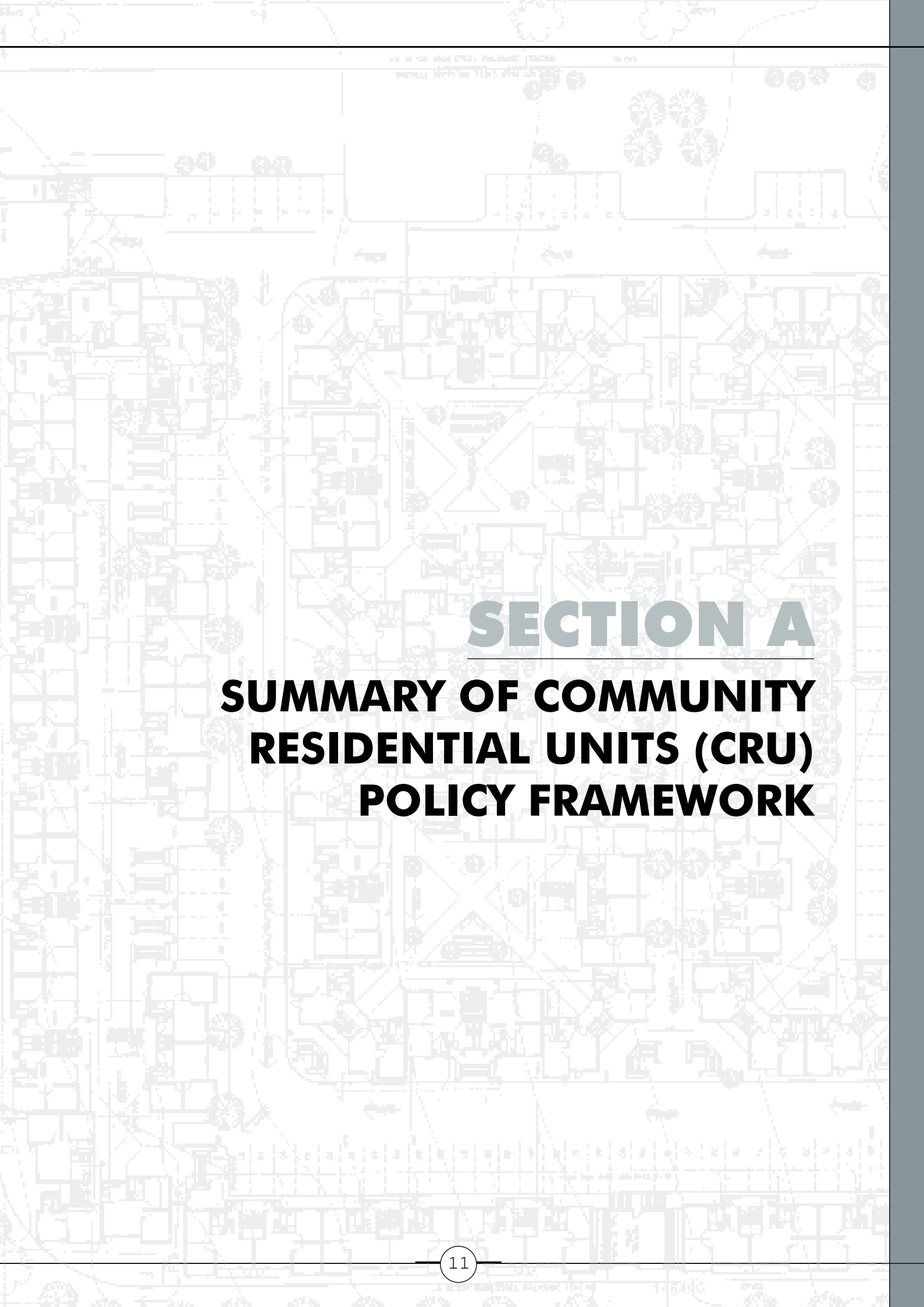
Other linked guides There are other guides that can be used in conjunction with this that provide more details on good practice in the planning of CRU projects and the approach to developing the physical stock and management of the stock in the longer term. Of particular use and relevance is the following guide:

Social Housing Institutions – Operations Manual (SHF)

This is a comprehensive manual that assists in all aspects of the function and work of a SHI. All of the information is adaptable if the municipality decides that it will undertake the responsibility for the development and long-term management of the stock. The manual is divided into the following sections:

- Part 1: Client services
- Part 2: Stock development and maintenance
- Part 3: Financial management
- Part 4: Internal management
- Part 5: Management information

The Toolkits and Guides listed in section A of the template are not available on this disk. They can be accessed via the SHF website.



SECTION A

**SUMMARY OF COMMUNITY
RESIDENTIAL UNITS (CRU)
POLICY FRAMEWORK**

1. Introduction

The framework for the CRU Programme is contained in the **Community Residential Units Policy Framework and Programme Guideline**. It is important that stakeholders involved in the development and management of CRU stock and linked tenancies have a thorough knowledge of this document.

The CRU Programme provides a once-off capital grant for the development, redevelopment, and upgrading of stock, and supports the long-term maintenance of publicly-owned stock that is being used for affordable rental housing.

2. The policy intent of the CRU Programme

The programme intends to contribute towards:

- Stabilising the housing environment and market especially in township, suburb and inner-city areas
- Supporting the integration of public housing into the broader housing market and environment
- Ensuring the creation of sustainable public housing assets
- Addressing dysfunctional and/or distressed buildings in cities
- Providing rental accommodation for lower-income groups that are not at present being serviced by the social or other housing programmes.

3. Target of the CRU Programme

The CRU Programme targets households with regular monthly household incomes of between R800 and R3,500. The beneficiaries of the CRU programme are limited to:

- Existing residents in housing stock – both qualifiers and non-qualifiers
- Displaced persons from informal settlement upgrading, emergency housing, evictions, etc.
- New applicants on waiting lists (both families and individuals) earning R3,500 per month or less
- Indigents and aged people able to pay a certain amount towards rental and services.

4. CRU development sites

The grant applies to the range of different development options listed below:

- Public hostels
- “Grey” hostels, which are hostels that have both public and private ownership
- Public housing stock that forms part of the Enhanced Extended Discount Benefit Scheme (EEDBS), but which cannot be transferred to individual ownership, or better achieves national housing objectives by remaining in public ownership
- Public housing stock developed after 1994

- Existing dysfunctional, abandoned and/or distressed inner-city or township buildings that have to be taken over by a municipality
- Buildings owned by provinces or municipalities.

CRU serves as a **possible replacement** of the Hostels Redevelopment Programme; however, it specifically excludes government employee hostels and accommodation which is primarily used by government employees.

WARNING BOX

Not all hostel rectification should be done through CRU projects

It is important to know that, although CRU replaces the existing Hostels Redevelopment Programme, it is not always appropriate to use CRU when dealing with hostel redevelopment. The approach to each hostel rectification project needs careful assessment (see the sub-section titled “Project Planning and Feasibility” under Section D).

In some instances, a better response would be the provision of RDP units on the hostel site. In other instances, the poor location of the hostels might result in the development of a better-located site for CRU stock with the qualifying hostel dwellers moving to this development, and the hostels being demolished so the site may be used for other purposes.

This is important, as the automatic use of CRU for hostel redevelopment can result in the inappropriate use of this substantial per-unit subsidy.

5. CRU development options

The CRU Programme will fund the following development options, depending upon feasibility:

- Stabilisation
- Refurbishment
- Conversions
- Infills
- New build
- Complete redevelopment
- Complete redevelopment of hostel complexes, incorporating one or a combination of more than one of the following options: stabilisation, refurbishment, conversions, and infill.

6. Ownership

CRU financing is only applicable to developments on land owned by municipalities and provincial government Human Settlement Departments. The land and top structures must remain in the ownership of either provincial or local government, and cannot be transferred to tenants or any other ownership entity. The broader policy environment encourages provinces to transfer such assets to the municipalities in which the development is located.

7. Management of stock and tenancies

While the top structures remain in government ownership, the owning entity can ensure the effective and efficient management of the stock and linked tenancies through any of the following alternatives:

- the municipality
- a social housing institution (SHI)
- another rental management agency with the required capacity.

Whichever entity is chosen, it must manage the stock within the terms and conditions set out for the programme.

INFO BOX

Choosing the best management alternative

The quality and efficiency of the long-term stock and tenancy management is a critical factor in the sustainability of CRU projects. Choosing the wrong option can result in a project that fails for a number of reasons including:

- Inappropriate allocation and targeting
- Unsustainable rentals
- Low rental collections
- Deteriorating stock
- Hijacking of control of buildings.

The relevant government agency must therefore carefully assess the best management option. If no option exists, the project should not proceed and the capital should not be spent developing the stock.

8. Type and source of the capital grant

The CRU grant is specifically for project preparation and development of the stock. It is intended to cover the total cost of the development so that no loan finance is required. By excluding any loan finance repayment in rentals it is possible to keep the rentals affordable.

The grant is provided through provincial government annual housing allocation from national government. It is up to each province to decide how much of its annual allocation it wishes to use on CRU projects.

9. Quantum of subsidy

The amount of subsidy that is paid for a project is dependent upon the type and size of the project. The amounts for the grant are determined by the national department and published as part of the CRU Programme Guidelines. Any changes to the grant amount(s) must be made by the national department and published for the guidance of provinces and municipalities.

The amounts are determined using the rules that apply a fixed cost per project as well as relevant square metre variations.

The grant covers all or some of the following elements, depending upon the type of project:

- Project feasibility
- Construction costing
- Aspects of community consultation
- Regularisation of occupants in existing building
- Demolition
- Construction
- Professional fees
- Once-off maintenance grant after five years.

The grant does not cover the cost of purchasing land, nor the planning and zoning preparation of the land.

10. Operational financing of stock management

There is no subsidy for the operational costs of the management and administration of the stock. This must be financed through Economic Cost Recovery (ECR) rentals (see Section E3: Financing and financial management for CRU) that fully covers all management and administration costs. If a municipality or other entity chooses to subsidise any of these costs the subsidy must be explicit and properly cover the relevant cost element.

11. The role players within CRU

WARNING BOX

Variations in who does what?

The CRU Policy Framework and Programme Guidelines provides broad guidelines on the roles and responsibilities of various stakeholders. However, it is not possible to be prescriptive as there are differences between provinces dependent upon their own policies, procedures and protocols.

In some cases, the province takes responsibility for implementing grant-financed housing projects. In other cases the responsibility is given to the municipality. In yet other cases, various parts of the implementation process are the responsibility of different spheres of government.

There are also differences between municipalities. With the move to accreditation of municipalities there will be additional variations.

Therefore this Toolkit cannot state categorically who should do what in different phases of a project. This must be sorted out within the local context. To accommodate such variations, this Toolkit uses the following generic terms to refer to particular functional role players:

- **'landowner'**
- **'funding entity'**
- **'contracting entity'**
- **'management entity.'**

On different projects different spheres of government can take on one or more of these roles. These generic terms are explained in more detail in the table below.

Generic terms used in the toolkit for key stakeholders	
'landowner'	This refers to the sphere of government that owns the land and with it the developed top structure. Within the policy the landowner can be either a municipality or a province.
'funding entity'	This is the sphere of government that allocates and streams the financing for a CRU project. While this is generally the provinces with accreditation, this function could shift to municipalities.
'contracting entity'	This is the sphere of government responsible for the external service providers which do the work that is required in different phases of the process.
'management entity'	This is the entity that is designated to undertake the management of stock and tenancies on a CRU project. This can be either a sphere of government; a social housing institution; or a private property management agency.

The critical responsibilities of the key role players in CRU programmes and projects are outlined in the table below.

Key stakeholder	Description of responsibilities
NDoHS	<p>It is the responsibility of the NDoHS to oversee the development of policy and standards applicable to the implementation of the CRU programme. It is also responsible for guiding, co-ordinating and monitoring the national programme roll-out.</p> <p>In partnership with provincial government, the NDoHS will monitor the longer-term management of this stock in accordance with CRU policy. These responsibilities also apply to stock that is developed and owned by provinces.</p>
Provincial Departments of Human Settlements (PDoHS)	<p>Provincial departments are the lead players in CRU implementation. They are tasked with the overall coordination and management of the programme; financing of CRU projects; management of project feasibility; and the monitoring and evaluation of projects during capital construction and when under management.</p>
Municipalities	<p>Municipalities participate in the selection, assessing, planning, design and implementation of suitable CRU projects. An important aspect of this role is the municipal responsibility to ensure the effective and efficient management of completed stock. Municipalities are also expected to seek ways of providing rental relief for residents of CRU projects where appropriate. Where a municipality is accredited, it will assume many of the existing provincial government responsibilities in its municipal area.</p>
Provincial CRU Steering Committees	<p>Task teams will be set up in each province to assist the province with the development of provincial CRU strategy; the selection and prioritising of projects; monitoring and providing feedback on the programme as a whole; and providing technical support and assistance in monitoring progress being made in each phase of implementation.</p>
Contracted service providers	<p>Contracted providers will deliver a dedicated service to the projects they are contracted to. This service will be regulated by the specific performance contract entered into with the particular client, but also by inputs made by the Project Management Team. Examples of the work that contracted service providers might undertake include:</p> <ul style="list-style-type: none"> • Project feasibility studies • Facilitation • Project planning • Construction • Project management • Stock and tenancy management.
Project Management Team (PMT)	<p>As part of the CRU process a PMT should be formed for every project. This will involve at least the implementing representatives from the relevant province and the municipality. The PMT can include other technical people involved in the project. The responsibility of the PMT is to support the project manager in assessing the quality of work and ensuring that contracted service providers have the right information and support to carry out their contractual responsibilities. The PMT is important in the assessment of project feasibilities.</p>
Existing occupants and potential beneficiaries	<p>Those households occupying sites for redevelopment, or others with a direct interest in the project, should be engaged in consultations about the projects, and should be involved in helping to determine the types of development and units. However, it is important that this is linked to the ECR rentals for units and the tenant's responsibility to pay. A key principle is that although these inputs are very important they should not be the sole determinants of how the management entity should proceed with the development.</p>

12. CRU and social housing

People are often confused about the difference between the CRU and Social Housing Programmes. While both are part of the National Rental Housing Programme they differ, but should nevertheless complement each other in the provision of rental housing for households on low to moderate incomes.

A key objective of the Social Housing Programme is spatial restructuring, i.e. building integrated, non-racial societies. It focuses on a household income bracket of R1,500-R7,500 per month, and requires private sector (profit and non-profit) involvement in the development, management and funding of projects. Prior to the development of social housing projects, appropriate land must be acquired and the site zoned for social housing development.

The funding provided for social housing from the NDoHS covers a proportion of the capital costs, while the rest is financed through a loan repayable by an element in the rentals. Non-profit organisations can also access an institutional grant that helps them to set themselves up to undertake a development, and to effectively manage stock and linked tenancies.

The table below highlights the key differences between the two programmes.

	Social Housing	CRU
Target	Household monthly income R1,500 - R7,500	Household monthly income R800 - R3,500
Location	Well located in Restructuring Zone	Not necessarily in Restructuring Zone though location is factor in prioritising
Ownership	Land "ownership" passed to SHI either as freehold or leasehold	Must be owned by and remain in ownership of municipality or province.
Financing	Mainly through mixing of Restructuring Grant and Institutional Subsidy fixed amount dependent on mix of household incomes. Covers only part of development cost, rest financed through loan finance and/or equity investment	CRU Subsidy - quantum varies as per nature of development. Attempts to cover total development costs within grant.
Rentals	Based on ECR with both loan repayment and return on investment element included	Based on ECR without loan repayment or return element i.e. only management and administration costs.
Management	Managed by SHI	Can be managed by municipality, SHI or management agent.



SECTION B

**THE CRU IMPLEMENTATION
PROCESS AND RISK
MANAGEMENT**

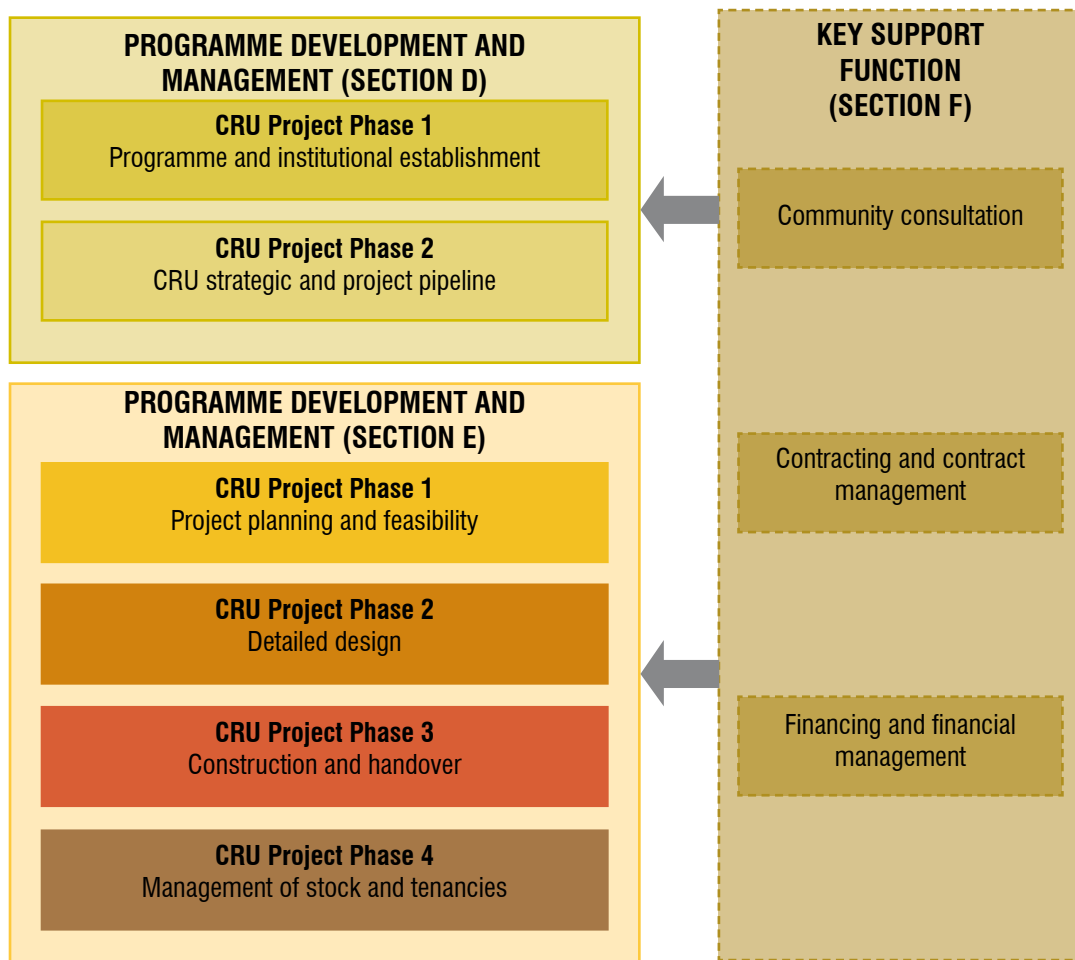
This section deals with the process to be followed in preparing and delivering both CRU programmes and projects. It also explains why following this process is very important for the effective risk management of a programme with high subsidies per unit and requiring informed management to ensure sustainability.

1. The CRU implementation process – an overview

The CRU implementation process consists of :

- **Two key process elements** that each have phases:
 - **programme** development and management
 - **project** development and management
- **Key support** functions that cross all phases of each element.

The diagram below shows how programmes, projects and support functions are linked, and each is dealt with in more detail in Sections D – F.



The use of this process is designed to achieve two interlinked objectives:

- to assist in effectively managing the high risks in the programme
- to ensure that the programme can deliver sustainable projects.

CHALLENGE BOX

Engaging the community – CRU and community development

The success of any CRU project is highly dependent on two key factors: the quality of the technical inputs, and the effective engagement of communities in the planning and development of the project. Although the CRU grant provides financing for community consultation (see Section E) there is the danger that its use is measured in meetings held and not in the quality of real engagement with key stakeholder groups. Truly effective engagements permit these groups to give form to the project, and link it to broader community development objectives in the area.

To achieve this, community and stakeholder engagement should form an integral part of all the phases in the CRU process. In each phase of the project, the objectives of engagement should be to ensure that the key stakeholders:

- Properly understand the potential and constraints of the project
- Are able to articulate their preferences and influence development choices within these parameters
- Commit to the long-term sustainability of the project
- Help ensure that it is properly linked to community development objectives and initiatives of the surrounding area.

Those managing CRU programmes and projects must ensure that this engagement occurs throughout all project phases so that the project has the buy-in of local communities, reflects their needs and demands, and makes the best use of available CRU resources.

Before moving on to a more detailed description of the various phases in the process, it is necessary to better understand the risks inherent in the programme, and how the process facilitates the management of these risks.

2. CRU and risk management

The development and management of CRU stock is a form of business, albeit “not for profit”. It is, in most instances, a “marginal” business as it uses restricted resources to produce good “products” used by households with low incomes, who often have not previously had to make regular payments for housing. In such a business risks are high and require very skilled and committed management to deal with them effectively.

The CRU Programme provides significant grant financing per unit, more than any other housing programme in the country. This is intended to ensure the use of government land and housing assets to provide decent quality rental housing to low-income people in good locations. In preparation and implementation of CRU projects it is critically important to ensure that the financing is:

- Used to produce the best possible product on time and within the constraints of available resources
- Linked to a clear demand
- Managed in such a way that its use is sustainable over the lifetime of properly-maintained properties.

2.1 Careful use of capital through all phases

It is critically important that this large capital investment is applied effectively through all stages of the implementing of CRU projects to ensure that it meets the objectives of the programme. Often implementers are under so much pressure to deliver that they are “encouraged” to take short cuts. This often results in the delivery of projects that are not sustainable. The process plan is designed to help implementers properly manage the risks inherent in CRU programmes and projects at each phase.

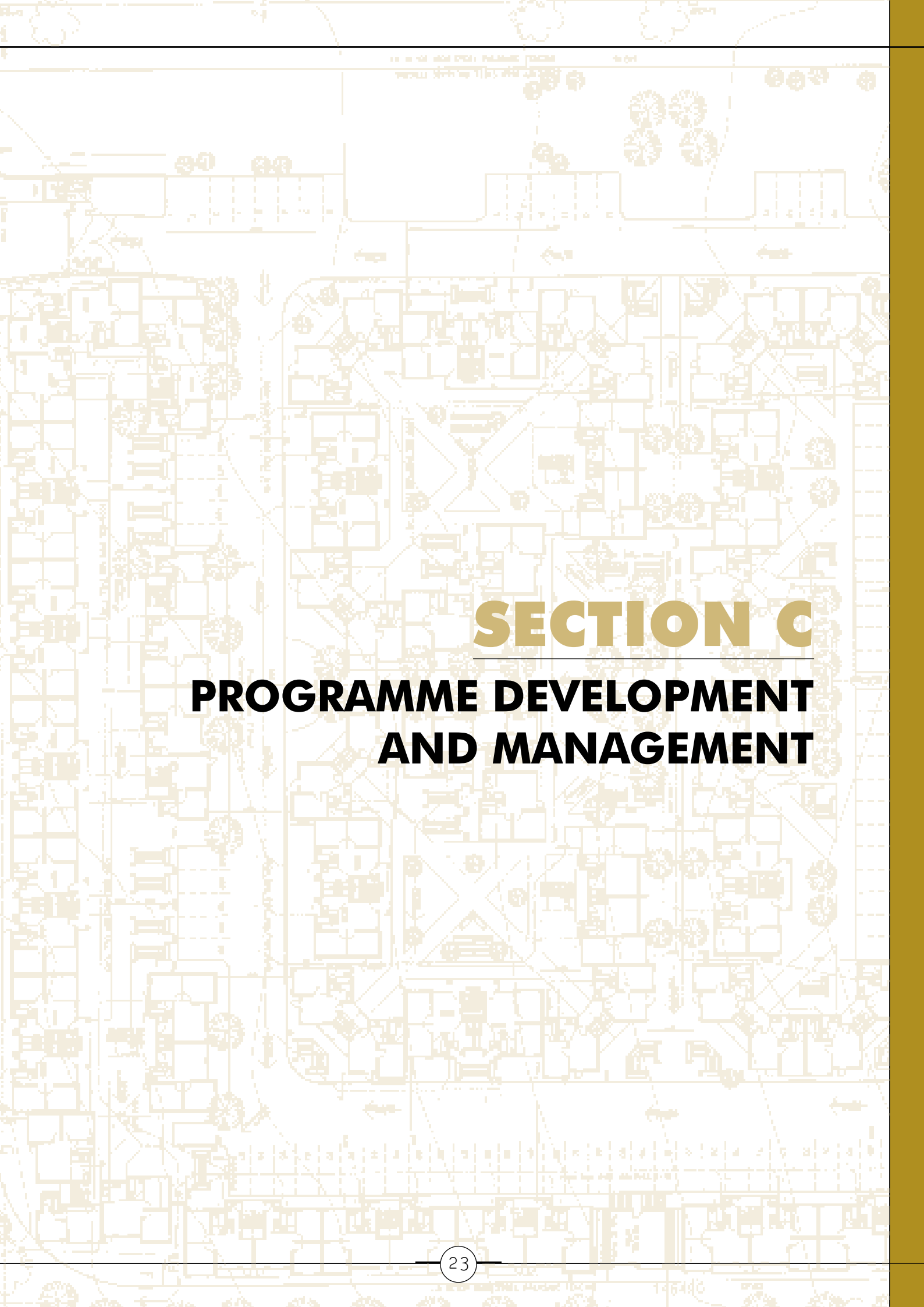
EXAMPLE BOX

Example of risk management

A typical example of risk is the demand to get the units built quickly and then worry about the management afterwards. This often results in developed units that are not linked to demand and affordability levels, and with no management institution or systems in place. The money might be spent, and units are on the ground, but the wrong people move in; or those who move in do not have tenancy agreements, or are not given a system through which to pay rent; or no systems are in place to manage the maintenance of the assets. Soon such projects are unmanageable with deteriorating stock occupied by the wrong people who are not paying rent. Such projects are a waste and the capital invested in them has not achieved the objectives of the CRU Programme.

It is clear that implementers who do not follow the proper process are at real risk of developing unsustainable projects, and misusing the financial resources entrusted to them.

The Toolkit will now focus on each phase in the process and in doing so highlight how it is important to manage risk in order to ensure the delivery of sustainable projects.



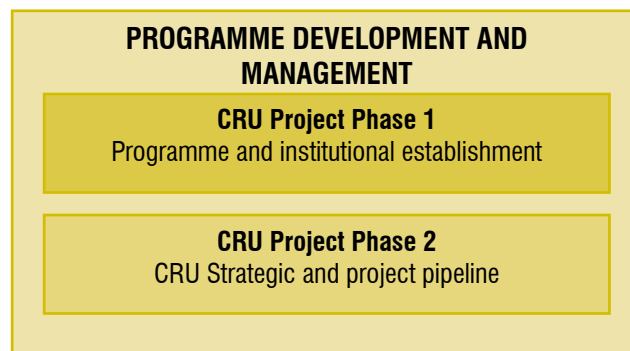
SECTION C

PROGRAMME DEVELOPMENT AND MANAGEMENT

This is the critical first part of the process that helps to properly structure the programme as a whole from the very beginning. It aims to ensure that:

- the right relationship is established between the province and the municipalities involved in the programme
- both the province and municipality have the necessary institutional structuring and capacity to properly manage the programme with its linked projects
- the key government stakeholders participate in developing appropriate strategies and prioritised project pipelines to ensure the efficient and effective use of CRU financing.

The Programme Development and Management Element has two phases as outlined in the diagram below.



C1. Programme and institutional establishment phase

The effective delivery of CRU projects requires close co-operation between the provincial and local spheres of government, and between both these spheres of government and other key stakeholders. The success of a CRU programme is very dependent upon provinces providing the institutional structuring of the programme in order to facilitate strategic planning, project identification and prioritising, as well as the administrative systems to deal with the appropriate financing and effective contract management of the process of project delivery.

This phase is geared to putting in place the necessary institutional arrangements and involving the key stakeholders within this process.

Objectives

To have in place:

- the necessary awareness of the NDoHS **CRU Policy Framework and Programme Guideline** to allow for the informed structuring of the programme in the province
- the provincial structure to properly manage the roll-out of the CRU programme in the province.

Outputs

- Provincial unit to manage CRU in place, with the capacity to manage and regulate the CRU Programme
- Provincial systems and procedures in place to manage the CRU Programme.
- Provincial Rental Housing Steering Committee established and CRU Programme integrated into its work programme

Policy and legislation

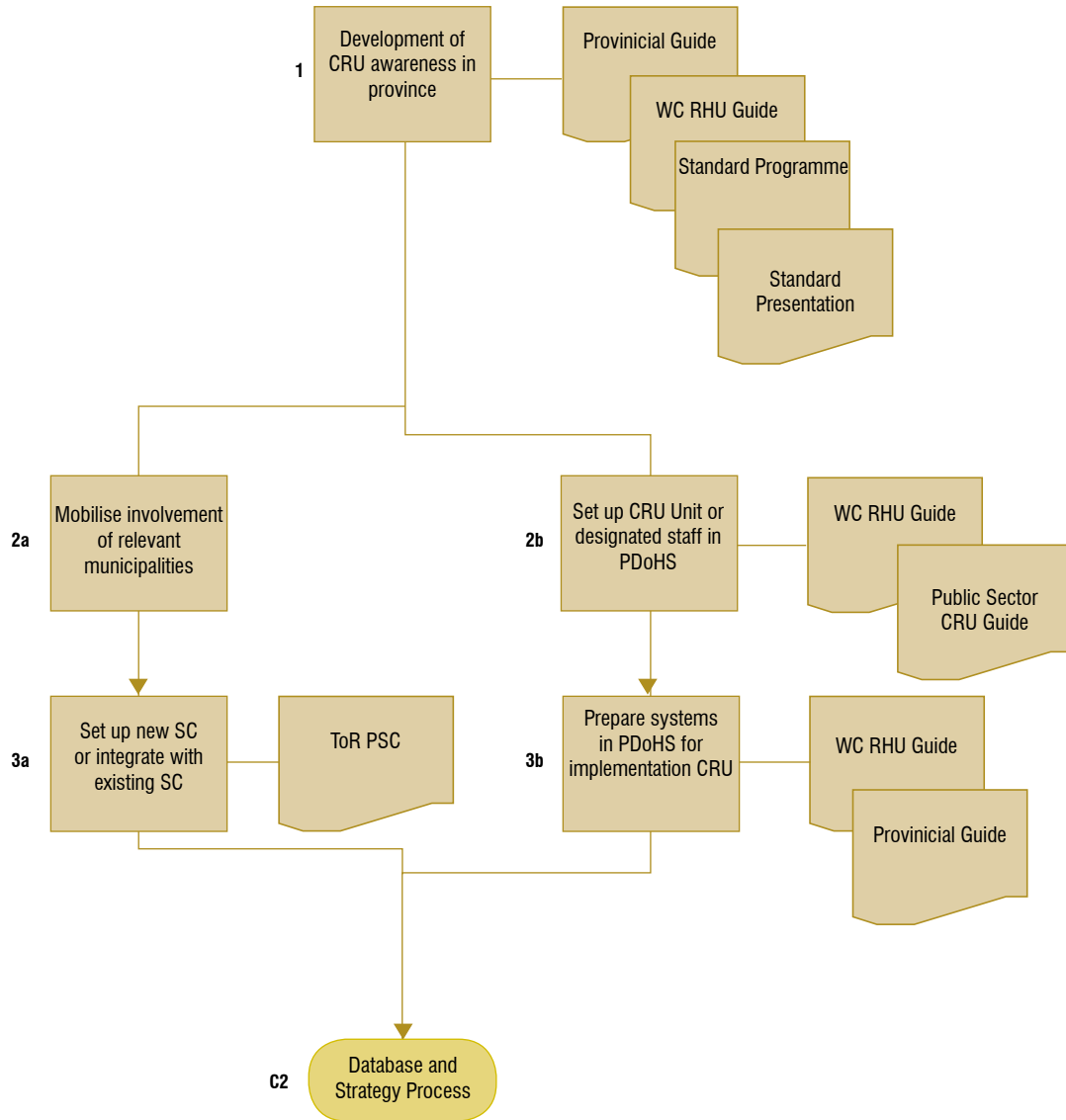
- CRU Policy Framework and Programme Guideline
- Breaking New Ground
- PSC Framework and Terms of Reference

Role players/responsibilities

The key role players for this phase include:

- The PDoHS
- The NDoHS
- The Provincial Steering Committee
- Municipalities

C1: PLAN AND PROGRAMME ESTABLISHMENT PROCESS



Process

TABLE C1: PLAN AND PROGRAMME ESTABLISHMENT PROCESS

No.	Responsible agency	Activity	Explanation
C1:1	NDoHS	Develop CRU awareness in provincial office.	Encourage thorough understanding of CRU policy and approach amongst key managers and politicians in the province. Assist them in beginning to plan their approach to rolling out the programme in their province.
C1:2a.	PDoHS	Mobilise involvement of municipalities.	Ensure that the key municipalities to benefit are properly informed about the programme, and of how they should go about preparing for their own CRU strategies and projects.
C1:2b	PDoHS	Establish CRU Provincial Steering Committee (PSC) or integrate into existing steering committee.	<p>The PDoHS will need to establish a PSC comprising the provincial, municipal and relevant resource organisations to assist province to develop and roll out the provincial CRU programme.</p> <p>In some cases the existing PSC might be expanded to cover CRU as well; in other cases it will be necessary to set up a separate PSC. Each province will have to determine the model that would best suit its operational needs.</p> <p>This structure is critical for successful implementation of the CRU programme within a province. The core functions of the PSC are:</p> <ul style="list-style-type: none"> • Assist the implementation of the CRU policy and programme in the province • Support programme coordination, monitoring and evaluation • Serve as a technical reference team.
C1:3a	PDoHS with support from NDoHS	Set up CRU unit or designate programme staff in the PDoHS.	The provincial DoHS is assisted in establishing a separate unit for the management of this programme, or at least in designating staff to undertake the running of the programme who have access to relevant systems and sufficient budget to effectively manage the programme.
C1:3b	Manager of Social Housing Unit with support of Senior Manager in the PDoHS	Prepare systems in PDoHS for implementation of CRU programme.	<p>Involve people from different directorates and sub-directorates in preparing the systems for:</p> <ul style="list-style-type: none"> • Project identification and assessment • Financial allocation • Financial management • Contracting and contract management • Monitoring and evaluation.
C2		Database and Strategy Development Phase	

Documents and templates

No. on web	Document/template	Description
B2.1	TOR For Rental PSC	Template that can be used when setting up a Provincial steering Committee (PSC).
B2.2	WC CRU Process and Procedures - CRU Programme	Describes the structuring of responsibilities for rental within a provincial human settlements dept.
B2.3	SMART Partner Arrangements between Municipalities and SHI's	The approach to setting up the necessary systems and procedures to undertake provincial govt responsibilities for rental programmes.
TK.5	Public Sector Rental Housing Toolkit	Guide that considers the involvement of provinces and municipalities in the planning and implementation of rental programmes.

C2. CRU database and strategy phase

With the institutional arrangement in place, the organisational base exists to develop an overall strategy for CRU in the province. This should include the development of a simple **database** to provide information about the existing government housing stock, land, and buildings available to form part of the CRU Programme.

Working together, the province and municipalities can use the preparation of this database as the focus for the development of **CRU municipal and provincial strategies** that include **prioritised project pipelines** as well as **five-year indicative budgets**. This would then form the basis for the annual budget allocation and the roll-out of CRU projects in the province.

Objectives

To have properly prepared **database**, **strategy** and **project pipeline** linked to the province's Medium-Term Expenditure Framework (MTEF) to guide the efficient and effective implementation of the CRU Programme in the province.

Outputs

- Provincial CRU strategy prepared and agreed to by key stakeholders
- Provincial database on existing CRU stock and potential CRU projects (by municipality)
- Five-year provincial CRU projects pipeline with indicative budgets, and linked to provincial MTEF
- Municipal CRU strategies and databases prepared and agreed to in some municipalities

Policy and legislation

- CRU Policy Framework and Programme Guideline
- Municipal (Integrated Development Plan (IDP) Approach
- Municipal IDP – Housing Chapter requirements
- Municipal Finance Management Act (MFMA)
- Public Finance Management Act (PFMA)

Role players/responsibilities

The key role players for this phase include:

- The PDoHS Rental Housing Unit
- The PSC
- Municipalities

Management information

- Number of projects on the CRU database
- Status of projects on the database
- Number of projects on the 3-5 year MTEF
- Number of strategies approved.

C2: DATABASE AND STRATEGY PROCESS

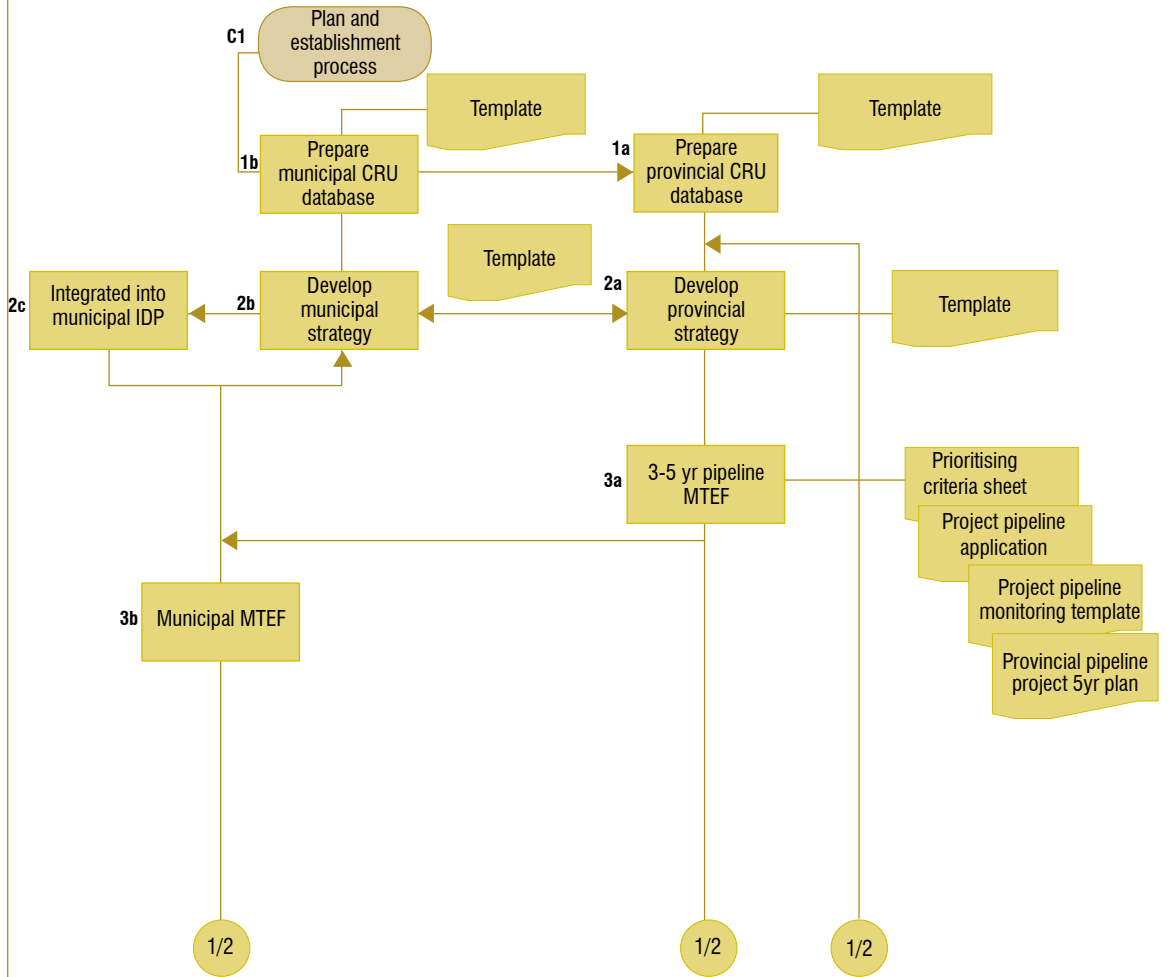


TABLE C2: DATABASE AND STRATEGY PROCESS

No.	Responsible	Activity	Explanation
C2:1a	PDoHS	Collection of information and preparation of provincial CRU database.	Preparation of CRU database on provincial CRU properties including existing hostels, flats and houses, and potential infill and greenfield sites for CRU. In the process potential CRU projects in the province are to be identified. Integrate this data with information from municipalities into the provincial CRU database.
C2:1b	Municipality with PDoHS	Collection of information and preparation of municipal CRU database.	Preparation of CRU database in each municipality including existing hostels, flats and houses, and potential infill and greenfield sites for CRU. In the process potential CRU projects in the municipalities are to be identified. Data to be entered into a simple database.
C2:2a	PDoHS in consultation with PSC	Provincial CRU strategy with five-year Provincial Housing Strategy (PHS) Plan and CRU project pipeline.	On the basis of the CRU databases and interaction with municipalities, prepare a CRU strategy for a 3-5 year period. The strategy will define the provincial approach to CRU; the project pipeline; a five-year budget plan.
C2:2b	Municipality with assistance of PDoHS	Municipal CRU strategy with identified CRU projects.	On the basis of the information collection process, prepare a municipal CRU strategy with identified CRU projects for incorporation into the CRU provincial pipeline.
C2:2c	Municipality with assistance of PDoHS	Integration into municipal housing plans and IDPs.	It is critical to ensure that this is properly integrated into the preparation of the Housing Chapter in the IDP and through this linked to the budgeting process.
C2:3a	PDoHS	Integrate the financing of CRU five-year pipeline into the provincial MTEF.	Ensure that the financial projections for the five-year cycle are integrated into the provincial MTEF. If funding not identified in MTEF then review pipeline.
C2:3b	Municipality	Integration of financing of municipal CRU five-year pipeline into the municipal MTEF.	Based on agreed programme and the provincial MTEF, to incorporate the proposed grant allocation into the municipal MTEF.

C2: DATABASE AND STRATEGY PROCESS

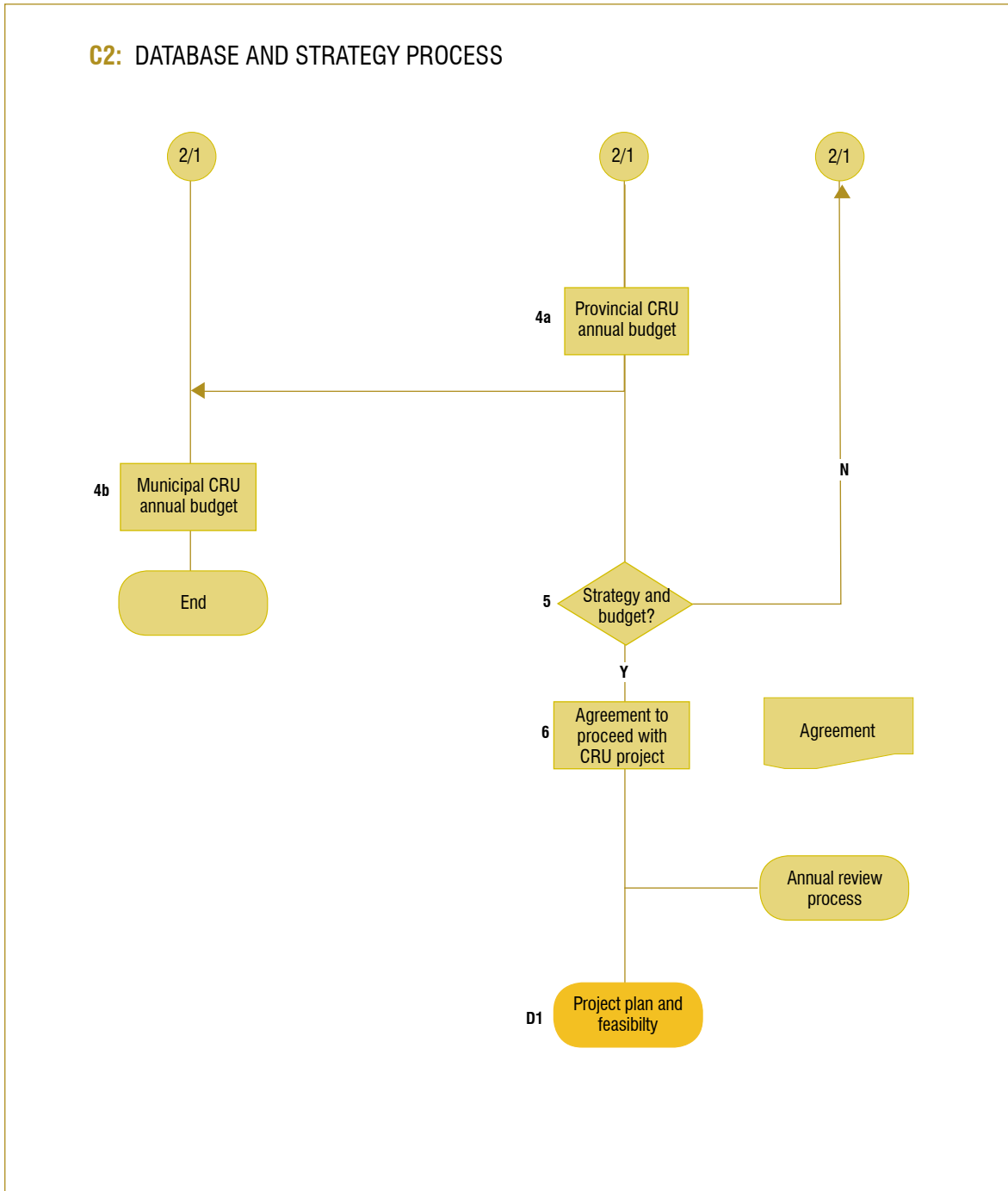


TABLE C2: DATABASE AND STRATEGY PROCESS

No.	Responsible	Activity	Explanation
C2:4a	PDoHS	Integration of the following year's CRU projects and financial requirements into provincial annual budget.	Ensure that the required financing is embedded in the annual budget commitments of the PDoHS. This involves using the strategy and the pipeline to inform the budget allocation process.
C2:4b	Municipality	Integrate CRU financing into the municipal budget.	Based on allocations in the DoHS budget, integrate any agreed financing for this municipality into its municipal budget.
C2:5	PDoHS	Check if in line with strategy and budget.	If correct, go to process D1. If not correct go back to step 2a.
C2:6	PDoHS	Agreement to Proceed with CRU project.	Formal agreement for implementing agent to proceed with project planning and feasibility on priority project. Provisional financial commitment to whole project based on initial project proposal.
C2:7	PDoHS with municipalities	Annual review of strategy	On an annual basis, to assess the progress with implementation of strategy and new developments, and make any revisions to the database and/or strategy. This should include continued technical and capacity development support for the municipalities. The co-operation agreement can be contained within a Service Level Agreement (SLA) between the municipality and province.
D1		Project Planning and Feasibility Process	

Documents and templates

No. on web	Document/template	Description
B3.1	CRU - Municipal CRU Database	Excel database template for use in listing CRU properties with details in municipalities.
B3.3	CRU - Provincial Strategy Format	Format for preparation of CRU provincial strategy but can adapted for rental housing strategy.
B3.4	CRU - Municipal Strategy Format	Format for preparation of CRU strategy but can adapted for rental housing strategy.
B3.5	CRU- Project Pipeline Application	Application form for municipalities to submit application for a CRU project to be considered for pipeline.
B3.6	CRU - Provincial Pipeline Projects – 5 Year Plan (Template)	Template in excel for CRU Project Pipeline can be adapted to incorporate all rental projects.
B3.7	CRU - Criteria for prioritisation of pipeline projects	Deals with criteria at Provincial level in prioritising the CRU project pipeline.
B3.8	CRU - Project Pipeline Monitoring Template	Template to assist in the monitoring of CRU projects up to completion and handover of units.
G3.4	CRU: Managing Risk in CRU Projects	An overview on managing risk within a CRU project.
J1-10	Supply and Demand of Rental Accommodation in South Africa	Provides national overview + breakdowns per province to assist in preparation of strategy



SECTION D

PROJECT DEVELOPMENT AND MANAGEMENT

This part of the process involves the planning, assessment and delivery of priority projects within the pipeline. It is a critical element because, if done properly, it should ensure that only the right projects are developed and that they are developed in such a way that they are sustainable as rental projects over the life cycle of the developed units.

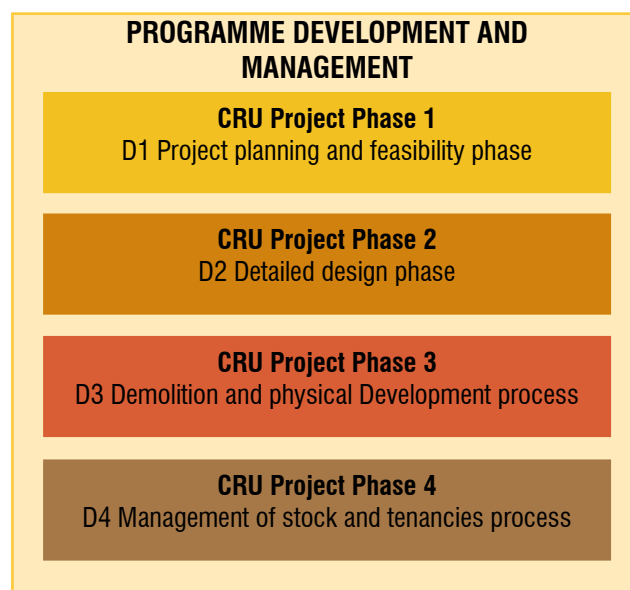
Project development and management involves not only the planning and delivery of the physical stock but also ensuring that there are viable plans in place for dealing with:

- existing occupants
- efficient and effective arrangements for the management of stock and linked tenancies
- effective allocation of units
- setting of ECR rentals that are transparent and known to tenants before they take up tenancies.

The Phases must therefore deal with much more than the site specifications and technical delivery of physical units. Active involvement must be mobilised across a range of skill competencies including:

- Quantity surveying
- Land planning
- Layout and unit design
- Construction
- Business planning for long-term rental
- Institutional assessment and structuring of rental management
- Rent setting
- Community development
- Community consultation
- Project management.

This element has the following key phases that draw on this pool of expertise.



D1. Project planning and feasibility phase

This is a critical phase that helps to effectively design the totality of the project including the physical development, the allocation of units and the plan for the long-term management. It also provides the place for realistic assessment of the viability of the project and the possibility to decide not to proceed with a project if it is not viable before large amounts of capital finance are spent.

If the management agent is already identified and is not the implementing agent then it is critical that it is involved as a key partner from this phase onwards.

WARNING BOX

Assessing feasibility and viability

In assessing viability and feasibility it is necessary that all four of the following factors are shown as feasible and viable before there is agreement to proceed with the capital funding:

- Land suitability and availability
- Layout and unit design
- Demand and affordability for targeted market
- Established capacity with ability to take on management of stock and linked tenancies.

If any one of these factors is not feasible or viable the project should not proceed. Even if the land is available, and the layout and unit design is fine, if there is no established capacity to manage the stock then the project should not proceed. If it does the project will fail as the built units will not be effectively managed, resulting in the deterioration of stock and possible loss to non-targeted income groups.

Objectives

- To ensure that all the aspects of the CRU project are properly planned and feasible for effective and efficient implementation.
- To ensure that where a proposed project is not viable that money is not wasted on capital construction.

Outputs

An agreed plan for a viable CRU project that includes all of the following;

- Land packaging plan
- Agreed site layout and unit design
- Capital and operational financial plan
- Management plan for the completed units
- Affordable ECR rentals for the different types of units
- Agreed unit allocation plan

- Zoning and planning applications submitted
- Plan for demolition (where applicable)
- Regularisation process complete (where applicable)
- Temporary re-housing plan (where applicable)
- Key community stakeholders consulted and supportive of project

Or

A confirmed decision not to proceed because project is not viable.

Policy and legislation

- CRU Policy Framework and Programme Guideline
- Municipal land planning and building regulations
- MFMA
- PFMA.

Role players/responsibilities

- PDoHS: Rental Housing Unit
- Municipalities with priority CRU projects
- PMT
- Feasibility consultancy team
- Designated management agency
- Likely beneficiaries and surrounding community

Management information

- Number of tenders
- Quality of tenders
- Number of appropriate feasibilities

D1: PROJECT PLANNING AND FEASIBILITY PROCESS

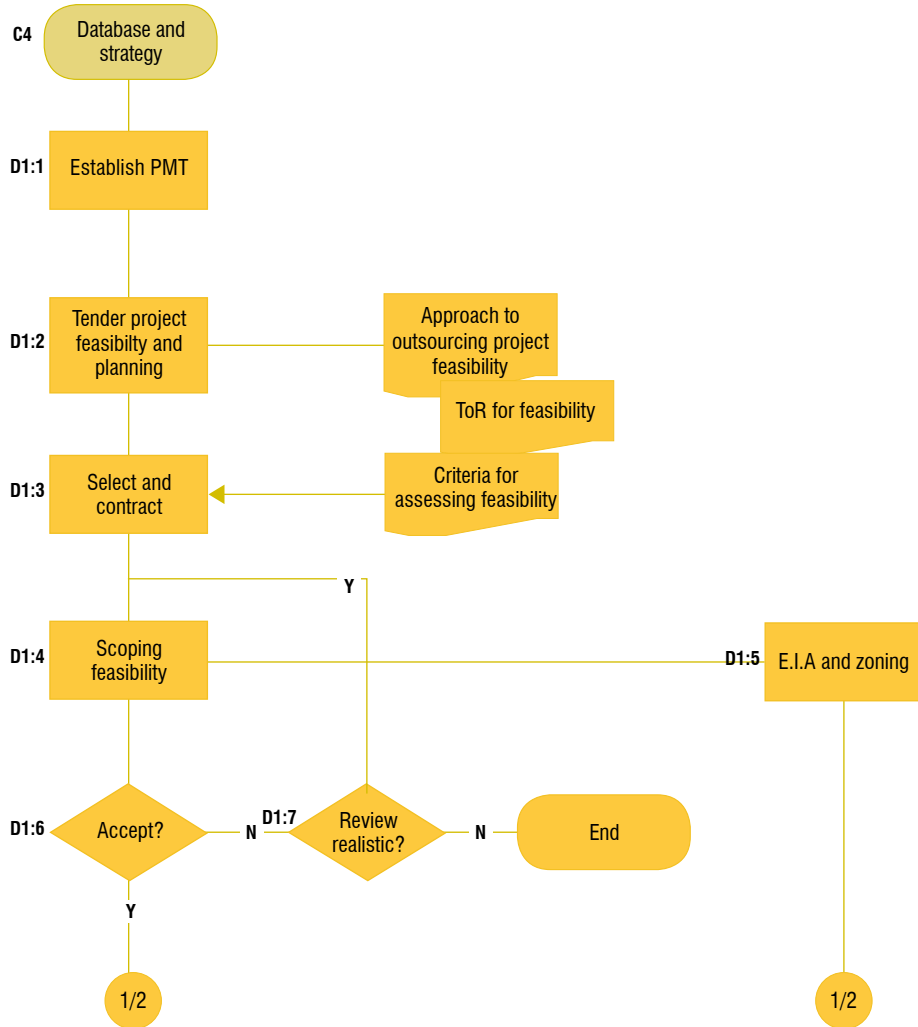


TABLE D1: PROJECT PLANNING AND FEASIBILITY PROCESS

No.	Responsible	Activity	Explanation
D1:1	PDoHS	PMT formed.	For each CRU project a PMT is set up involving representatives from (at least) the province and the municipality involved. The PMT undertakes the intergovernmental co-ordination and control of the project.
D1:2	PDoHS or municipality (whichever is the implementing agent)	Tendering of consultancy to set up project planning and feasibility team.	Based on prepared ToR, either the province or municipality tenders (through the official tendering process) and appoints a consultancy which sets up a project planning feasibility team. This team is to undertake the feasibility and project preparation stage of the CRU project process. There is a separate subsidy allocation for this stage, which is intended to ensure that the project is properly planned to ensure the delivery of a sustainable project.
D1:3	PDoHS and PMT	Select and contract a service provider.	Through the procurement procedures, to select a service provider able to undertake the required work to quality and within the time frame and cost parameters in the contract.
D1:4	PDoHS and PMT	Scoping feasibility prepared	The appointed consultancy team carries out the initial scoping feasibility intended to check that there are no major impediments to the development of a sustainable CRU project. If there are, further work on the project should be reviewed or stopped.
D1:5	Consultancy feasibility team or other team designated by PDoHS or municipality.	Start Environmental Impact Assessment (EIA) and zoning process.	This can take up to 18 months and runs concurrently with the other processes. It is not specifically financed within the CRU budget.
D1:6	PDoHS and PMT	Accept feasibility report.	If the team indicates the project is feasible, go to step 8 (full feasibility.) If not, go to step 7, Review?
D1:7	PDoHS and PMT	Check if revision is realistic.	If yes, go to step 4. If no, end the process.

D1: PROJECT PLANNING AND FEASIBILITY PROCESS

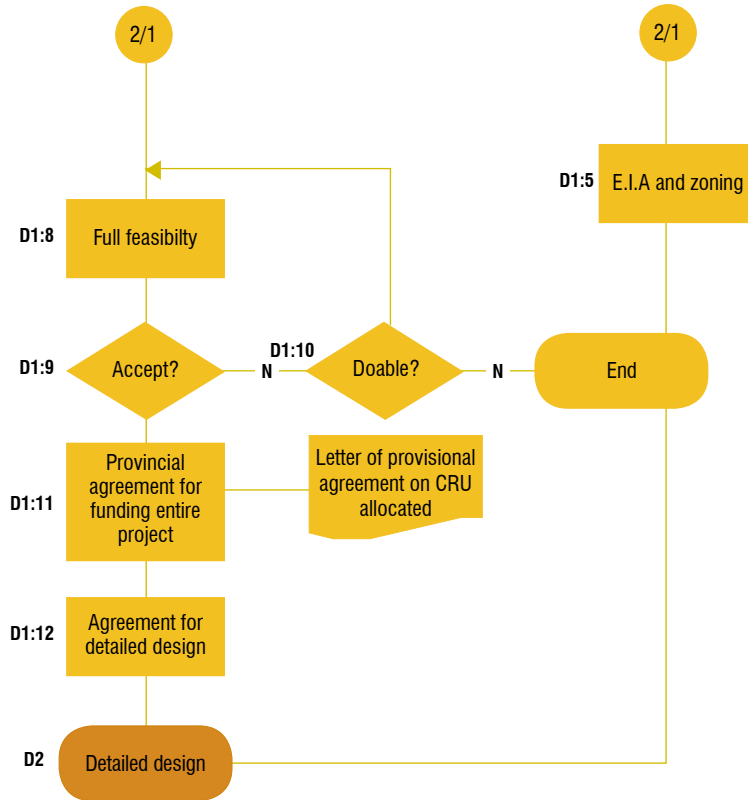


TABLE D1: PROJECT PLANNING AND FEASIBILITY PROCESS

No	Responsible	Activity	Explanation
D1:8	Feasibility consultancy team	Carry out full feasibility	Proceed with detailed project preparation and feasibility across all the key areas of the project. This will form the detailed basis for final viability assessment as well as the plan for the implementation of the total project (see information box below).
D1:9	PDoHS and PMT	Accept full feasibility report?	If yes, go to step 11. If no, go to step 10.
D1:10	PDoHS and PMT	Is it possible to make the project work with changes to the existing planning?	If yes, go back to step 8 and resolve identified shortcomings that makes project unviable If no, end the process.
D1:11	PDoHS	Provisional agreement to fund entire project	Based on approval, the PDoHS agrees to the provisional allocation of the finance for the entire project.
D1:12	PDoHS	Firm agreement for detailed design	Based on approval, the PDoHS agrees to a firm commitment of the amount for detailed design, costing and construction tendering, and contract preparation.
D2		Detailed Design	

Documents and templates

No. on web	Document/template	Description
B4:1	CRU -TOR: Expression of Interest for Project Planning and Feasibility Study	Details the requirements of the service provider(s) required to carry out detailed planning and feasibility assessment on CRU projects.
B4.2	CRU - Project Assessment Template	Template to help structure assessing the feasibility of a CRU project.
B4.3	Criteria and Approach for assessing Feasibilities	Outlines the overall criteria an approach for assessing the feasibility of CRU project.
B4.7	CRU - Provincial Agreement to Proceed to Detailed Design	Letter template from province to municipality.
B4.10	CRU - Approach to Assessing setting Up Management of Stock	Outlines the critical stock and tenancy management indices that require assessment in feasibility of CRU project.
B4.13	CRU - Preparation of Economic Cost Recovery (ECR) Rentals on CRU Projects	Approach to setting of Economic Cost Recovery rentals for CRU projects.
B4.14	CRU - Guidelines for dealing with Community Consultation in CRU	Helps in preparing the and implementing the plans for community consultation on a CRU project.
B4:15	CRU - Guidelines for approach to regularisation, decanting and long term housing.	Approach within CRU framework, to dealing with households in occupation of buildings proposed for development.
D.20	Social Housing Finance Review 3 2010: Rent Setting	Approach to setting of rental for SH but with lessons for CRU stock.

D2. Detailed design phase

This phase involves the detailed design and costing of the site layout and the planned units, based on the agreed plan from the Project Planning and Feasibility Phase. It is a technical phase that involves mainly architectural, town planning and quantity surveying skills. It also involves a limited amount of community consultation in fine-tuning the physical design in line with the budget framework. In essence, this phase involves the preparation of the details of the physical development plan to the point where it can be contracted out for the development to proceed.

Objectives

- To prepare the site layout unit design to the point where it is ready and costed for tender and contracting for construction.
- To prepare the necessary tendering and contracting documents.

Outputs

- Final layout and unit designs prepared as ready to build.
- Full costing of the entire physical construction and any demolition for the project within the CRU financial framework.
- Tendering documents for any demolition, and for the construction and/or refurbishment.
- Physical development tendered.

Policy and legislation

- CRU Policy Framework and Programme Guideline
- Municipal land planning and building regulations
- MFMA
- PFMA.

Role players/responsibilities

- PDoHS
- Municipalities
- PMT

- Management agency
- Design consultancy team (could be the same as the project planning and feasibility team)

Management information

- Number of tenders
- Quality of design

D2: DETAILED DESIGN PROCESS

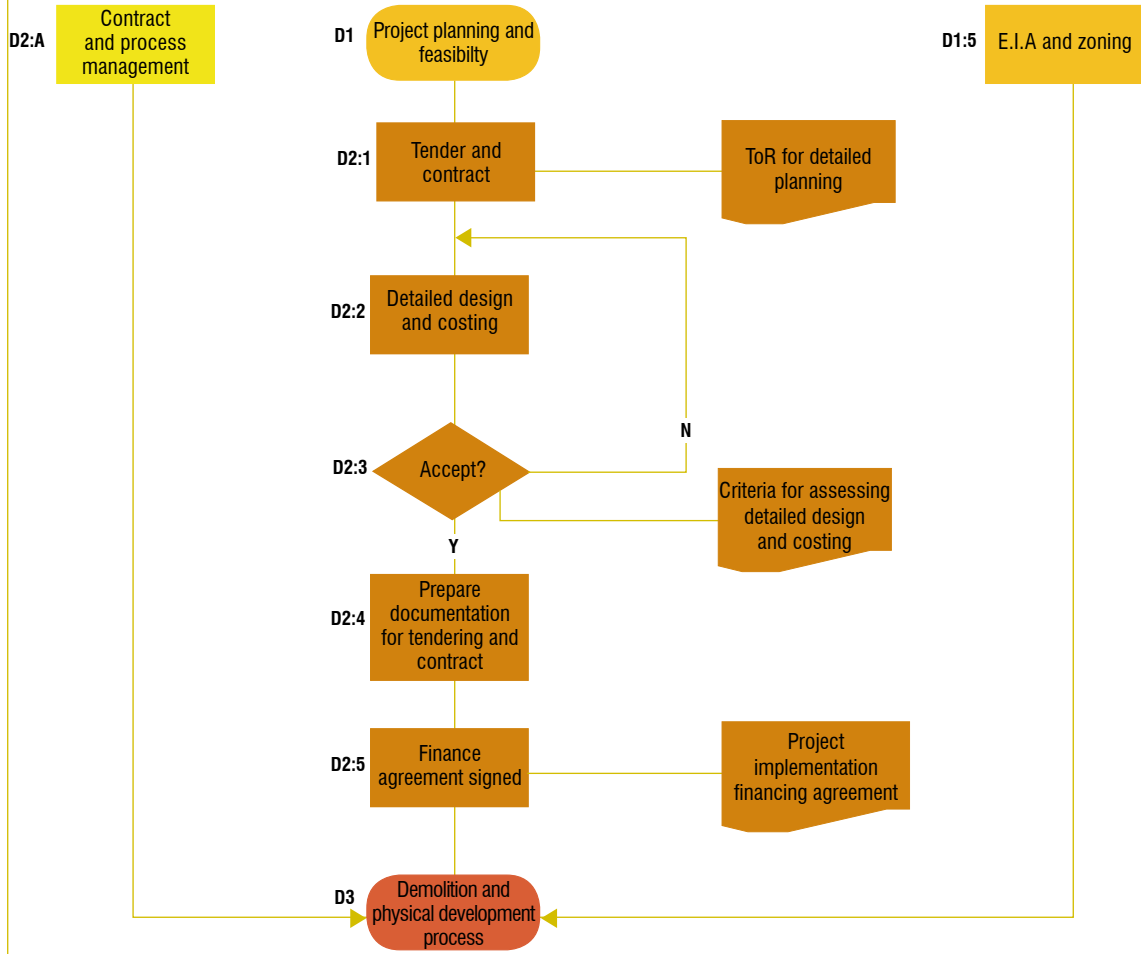


TABLE D2: DETAILED DESIGN PROCESS

No.	Responsible	Activity	Explanation
D2:1	PDoH or accredited municipality	Tendering and contracting for detailed design.	It is possible to include this with the contract for the feasibility, dependent upon the approval of the feasibility report. It makes sense to keep the detailed design with the professionals who have produced an acceptable initial layout and unit design as part of the feasibility phase. If tendered separately, ensure that there is continuity in full handover of all work done in the feasibility phase to the new team.
D1:5	Consult feasibility team or other team designated by PDoHS or municipality	Continue EIA and zoning process.	Although started in the previous phase, if not completed it must continue in order to ensure that the necessary authorisations have been obtained by the time the construction on project is ready commence.
D2:A	Project manager with PMT	Contract and process management	The designated project manager works closely with the PMT and is responsible for the overall management of the contract with appointed service providers.
D2:2	Contracted service providers Landowner Contracting entity Management entity	Detailed design and costing.	This requires the preparation of all the “to build” design documents that are the basis for building approval, and the tendering documents. It is also necessary to do a detailed costing against specifications and ensure that it falls within the financing available within CRU. It is crucial that the service providers work closely with the landowner and management entity through the PMT.
D2:3	Contracted service providers Contracting entity	Accept detailed design and costing?	Detailed design and costing presented by service providers; contracting entity must assess whether it meets contractual conditions and CRU financial framework. Then detailed design and costing to be used for obtaining approval to move to demolition and construction. If yes, go to step 4. If no, go to step 2.
D2:4	Contracted service provider	Preparation of tendering and contracting documents.	Prepare the necessary tendering and contract documentation for the contracting of any demolition or construction work on the basis of the completed detailed design, costing and the applicable tendering policies and procedures.
D2:5	Province and municipality	Finance agreement for project construction signed	Approval for the project to proceed and necessary budget allocation secured. Financing agreement signed.
D3		Demolition and Physical Development. Process	

Documents and templates

No. on web	Document/template	Description
D.4	Guidelines for social housing design (Greenfields)	Helps to inform the design of Greenfield social housing projects but also has lessons for CRU.
D.5	Best Practice Guide of design and planning for sustainable Social Housing projects	Helps to define design brief for rental housing for low income households.
D.14.1	Project Management Principles	General principles for good project management critical to managing the development of rental units.
D.14.2	Model construction agreements for SH dev. Projects	Contract template for contracting of construction.
D.14.3	Professional Services contracts	Contract template for contracting of professional support services for development of rental housing stock.

D3. Demolition and physical development phase

This is the phase in which the site development work and construction is tendered; a contractor or contractors appointed; and the actual physical development of the site takes place. It relies on the skills of building and construction. Contract management skills within the contracting government entity are also important. These skills are critical in monitoring progress and ensuring that the quality and timing of development is according to the terms of the agreed contract.

Objectives

- To ensure that any demolition required is carried out in terms of the agreed contract.
- To ensure that the physical developments are carried out to the standards, and within the cost and the time agreed in the contract.

Outputs

- Any demolition completed in accordance with contract
- Site layout, infrastructure and units completed as per contract
- Site developments and units handed over to the “landowner” after full snagging and agreed rectification plan.
- Final sign-off after all the snagging works and any identified defects are satisfactorily rectified by contractor(s)

Policy and legislation

- CRU Policy Framework and Programme Guideline
- Municipal land planning and building regulations
- MFMA

- PFMA
- National Home Builders Registration Council (NHBRC) regulations

Role players/responsibilities

- PDoHS: Rental Unit, Technical Directorate Finance Department
- Municipalities with CRU Projects
- Management agency
- PMT
- Contractors
- Community and their representatives

INFO BOX

Involvement of the management agent

During the project planning and feasibility stage at the latest, a decision should be made on which entity will manage the stock and linked tenancies. This should then result in a contract and service-level agreement between the property owner and the management agent.

From then onwards the management agency must be a member of the PMT and participate in decisions about the project as well as in monitoring and evaluating progress and quality.

It is particularly important that the management agent is closely involved with the contracting agent in the contract management of the construction. It is imperative that the management agent is involved in the inspections, preparation of snagging lists and the handovers of property. For it is this agency that will take responsibility for the effective management of the physical stock once the construction contractors leave the site. Therefore the management agency must ensure that its own risks are properly managed and that is not left with “undones” or “poorly dones” by the contractor. Rectifying these will add costs, resulting in higher rentals.

Management information

- Number of tenders
- Construction progress reports
- Inspection report

D3: DEMOLITION AND PHYSICAL DEVELOPMENT PROCESS

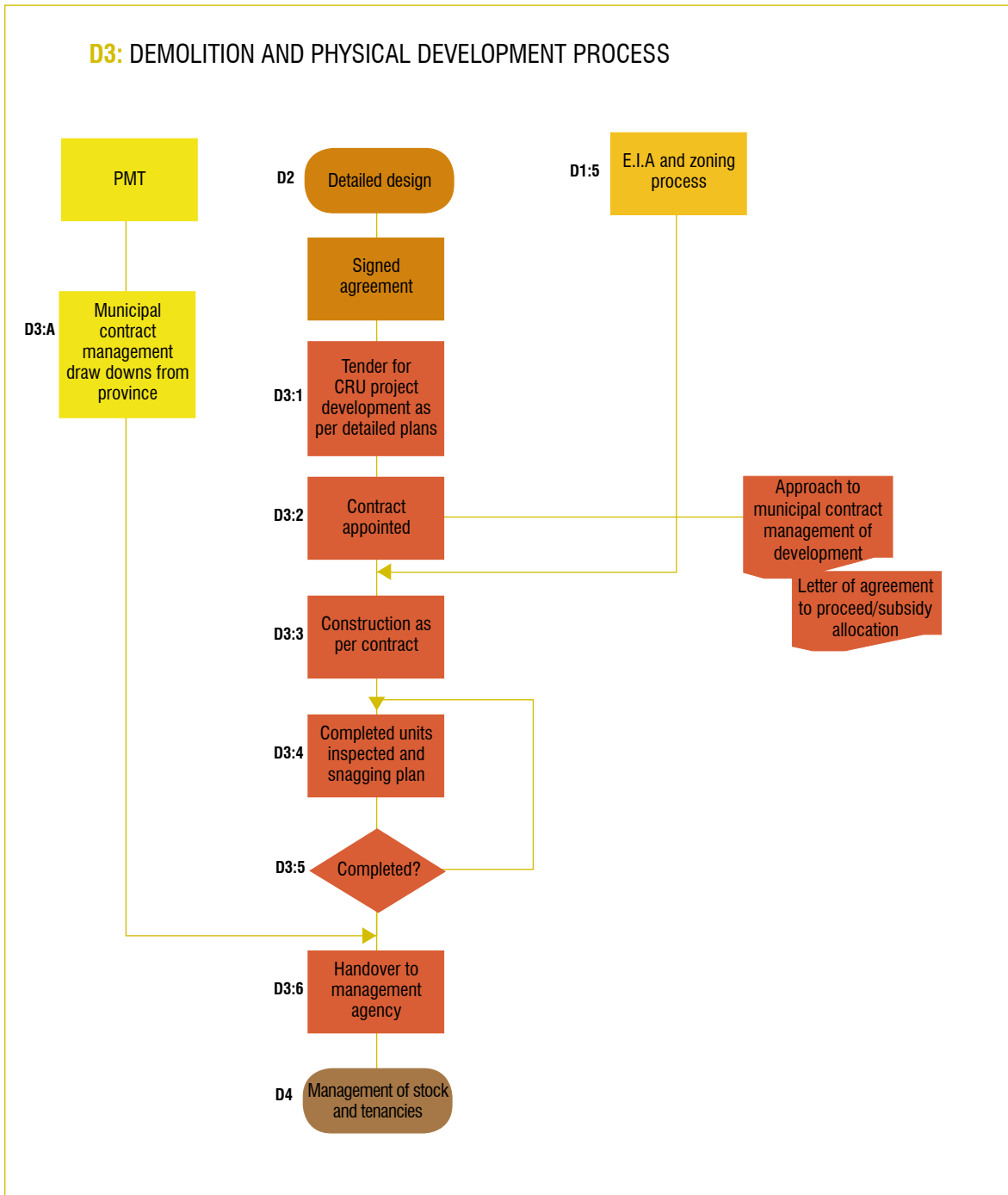


TABLE D3: DEMOLITION AND PHYSICAL DEVELOPMENT PROCESS

No.	Responsible	Activity	Explanation
D3:1	PDoHS or municipality	Tender CRU project for development as per detailed plans	Using the tendering and contract documents prepared in the detailed design phase, tender and contract through compliant government tendering process for construction, and also any demolition that may be required. NB: It is possible to tender demolition work earlier if circumstances allow.
D3:A	Project manager of contracting agent in conjunction with PMT.	Contract management and management of draw downs	It is critical that the contracting agency monitors construction for timing, cost and quality against the contract. Failure to do this could result in poor construction that will badly affect the sustainability of the project. If necessary, the project manager should involve people from his own agency or outside who have relevant technical skills (e.g. project management engineering.) The CRU budget includes an allocation for monitoring. The project manager should report regularly on progress and problems to the PMT.
D1:5	Consulting feasibility study team or other party designated by PDoHS or municipality	Continue EIA and zoning process.	If still not completed continue to monitor progress and ensure completion when appointed contractor(s) are ready to go on site.
D3:2	PDoHS or municipality	Contractor appointed and contracted to do work	Construction contract with successful tenderer(s). It is important that this is done within the cost structures for CRU construction and with contractor(s) able to do the work within contracted conditions.
D3:3	Contracted construction company / companies	Construction as per contract	Work carried out by construction company on the basis of contract. Contracting agency to monitor quality, cost and timing against contract (see 6. below).
D3:4	Construction company Project manager for the contracting agency Management agency representative	Completed units inspected and snagging plan in place	Before the contracting agency accepts the completed units it must ensure proper snagging done and schedule of snagging work prepared with the contractor. It is also important to require the contractor to provide a schedule that will permit the long-term planned maintenance of the units. It is important that the housing management agency is involved as they will have to manage the consequence of any defects.
D3:5	Same as step 4	Completed?	If yes, go to step 6. If no, go back to step 4.
D3:6	Same as step 4	Final handover to management agency	Final handover with all outstanding defects rectified. The contractor should provide a manual that details all aspects of building materials and maintenance requirements for use by management agent. The management agent should have screened housing applicants, and selected and signed tenancy agreements, so that tenants are ready to move in as soon as units are handed over.
D4		Management of Stock and Linked Tenancies Phase	

Documents and templates

No. on web	Document/template	Description
D.1	Managing the Land and Housing Development Process, Guide for SHI managers	Approach to managing land and housing development that concentrates on SH but has relevance to development of CRU stock.
D.2	Social Housing Institutions Operations Manual, part 2: Stock Development and Maintenance	Approach to managing land and housing development that concentrates on SH but has relevance to development of CRU stock.
D.7	Guide for Selecting Property Development Service Providers	Helps in what to do and look for in appointing service providers to support CRU stock delivery.
D.8	Guidelines: construction management good practice	Help those contract managing the construction companies building the units.
D.14.3	Professional Services contracts	Contract template for service providers support stock planning and development.
D.14.4	The relationship between construction and maintenance	Explains the link between capital development and implications for short and long term maintenance.

D4. Management of stock and linked tenancies phase

The effective management of the stock and linked tenancies is critical to the viability of a rental housing project. As mentioned before, if it is not possible to ensure this then the physical construction should not proceed.

The management plan for the completed stock and the linked tenancies should be defined during the Planning and Feasibility Phase. During the period of preparation and construction on the site, any further institutional preparation for effective management of the stock after completion should be undertaken. These preparations must be timed to ensure that the management agent is entirely ready for the take-on of the stock, and for the proper allocation and tenancing of the units. In addition, the management agent must be able to immediately take on the full management responsibilities for the stock and tenancies.

This phase requires that the management agent is actively involved with the municipality and province in these preparations. It is also the point at which province and the landowner need to launch a system to monitor the extent to which the management systems put in place by the management agent meet the requirements of the CRU Programme.

Objectives

- To ensure that the stock and linked tenancies are managed in an efficient, effective and responsive manner.
- That the management of the stock ensures the sustainable use of the assets in accordance with the CRU policy.

Outputs

- Management agent appointed and any contractual agreements signed.
- Management agent has all the human resources, policies and procedures, and office infrastructure in place to provide the management service. The following functions must be covered:
 - Screening
 - Allocations
 - Billing, rent collection and dealing with arrears
 - Maintenance, both planned and reactive
 - Dealing with tenancy matters
 - Dealing with illegal or unlawful occupation.
- First tenants chosen and ready to move in after proper screening in terms of CRU policy and local agreements on allocations.
- All tenants have signed tenancy agreements which they fully understand.
- Agreed planned maintenance programme and reactive repairs system in place, that meet the CRU conditions for the five-year planned maintenance grant.

Policy and legislation

- CRU Policy Framework and Programme Guideline
- MFMA
- PFMA
- Rental Act

Role players/responsibilities

- Management agency
- Prospective tenants
- Signed-up tenants
- Landowner
- PDoHS

Management information

- Progress reports on management plan
- Capacity building reports

D4: MANAGEMENT OF STOCK AND LINKED TENANCIES PROCESS

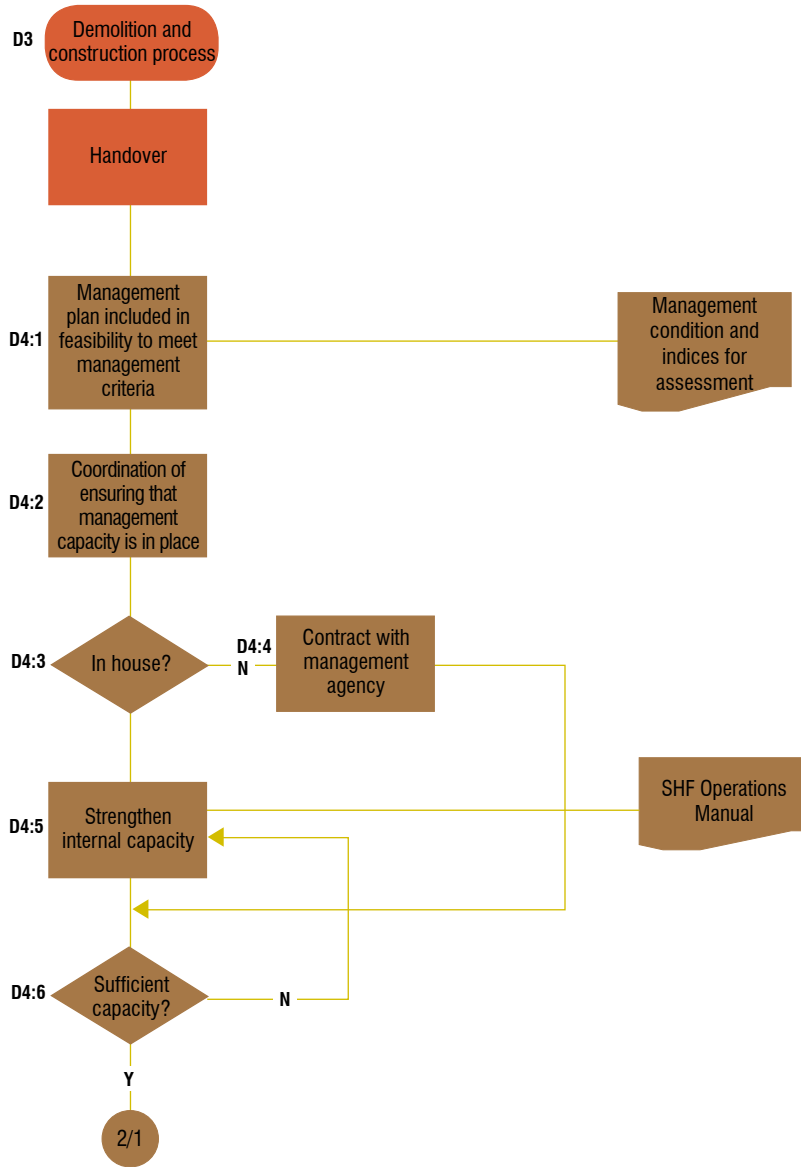


TABLE D4: MANAGEMENT OF STOCK AND LINKED TENANCIES PROCESS

IMPORTANT NOTE

Although this is described as a phase that happens at the completion of the units, work on this phase starts from the Planning and Project Feasibility Phase that provides a business plan for the long-term management of the stock. In accordance with the plan the management agent must prepare all the resources and systems to take on the management of the stock well before completion of any units. If this does not happen there is a very high risk that even with the best quality stock in the world the project will fail. It is from this perspective that this process is designed.

For more details on the key policies and procedures, systems and resourcing of housing management see the Social Housing Institutions Operations Manual (SHF).

No.	Responsible	Activity	Explanation
D4:1	Feasibility consulting team PMT Management agent	Management plan included in feasibility study to meet management criteria	The feasibility must have a practical and coherent plan for the long-term management of the stock and linked tenancies. If this is not possible then the construction part should not proceed. The plan should detail exactly what capacity is required and how it will be achieved and an action plan for the preparatory work required before the completion of construction.
D4:2	Project manager of contracting agency in collaboration with PMT and management agency	Co-ordination to ensure that management capacity is in place	Ensure that the necessary preparatory work is done by the chosen management agency, whether this is the municipality or a non-governmental management agency e.g. SHI. In the former case there should be an internal agreement in place. In the latter case there should be a properly prepared contract with the management agency, which describes clearly what is expected of the agency.
D4:3	Same as step 2	Decide on outsourcing	If yes, proceed to step 5 If no, go to step 4
D4:4	Same as step 2	Contract with management agent	Ensure that a proper management contract is in place with management agent based upon certain milestones.
D4:5	Management agency with NDoHS and municipality	Strengthen internal capacity	At least these key aspects need attention: <ul style="list-style-type: none"> • Rent setting • Allocations and screening • Tenancy termination and vacancies • Payment management • Arrears management • Planned and reactive maintenance • Tenancy matters • Tenant education, consultation and representation.
D4:6	NDoHS and municipality	Sufficient capacity?	If yes, go to step 7. If no, go back to step 5.

D4: MANAGEMENT OF STOCK AND LINKED TENANCIES PROCESS

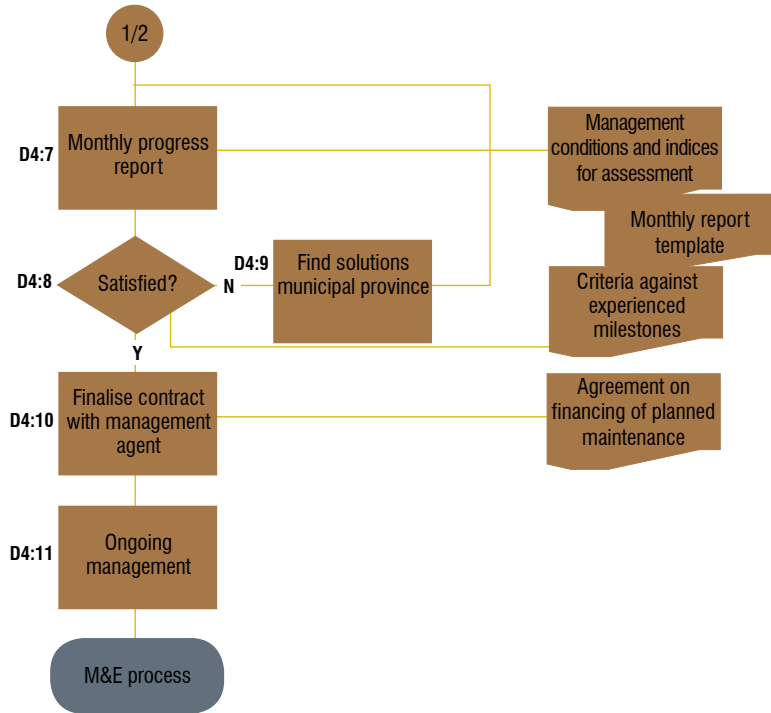


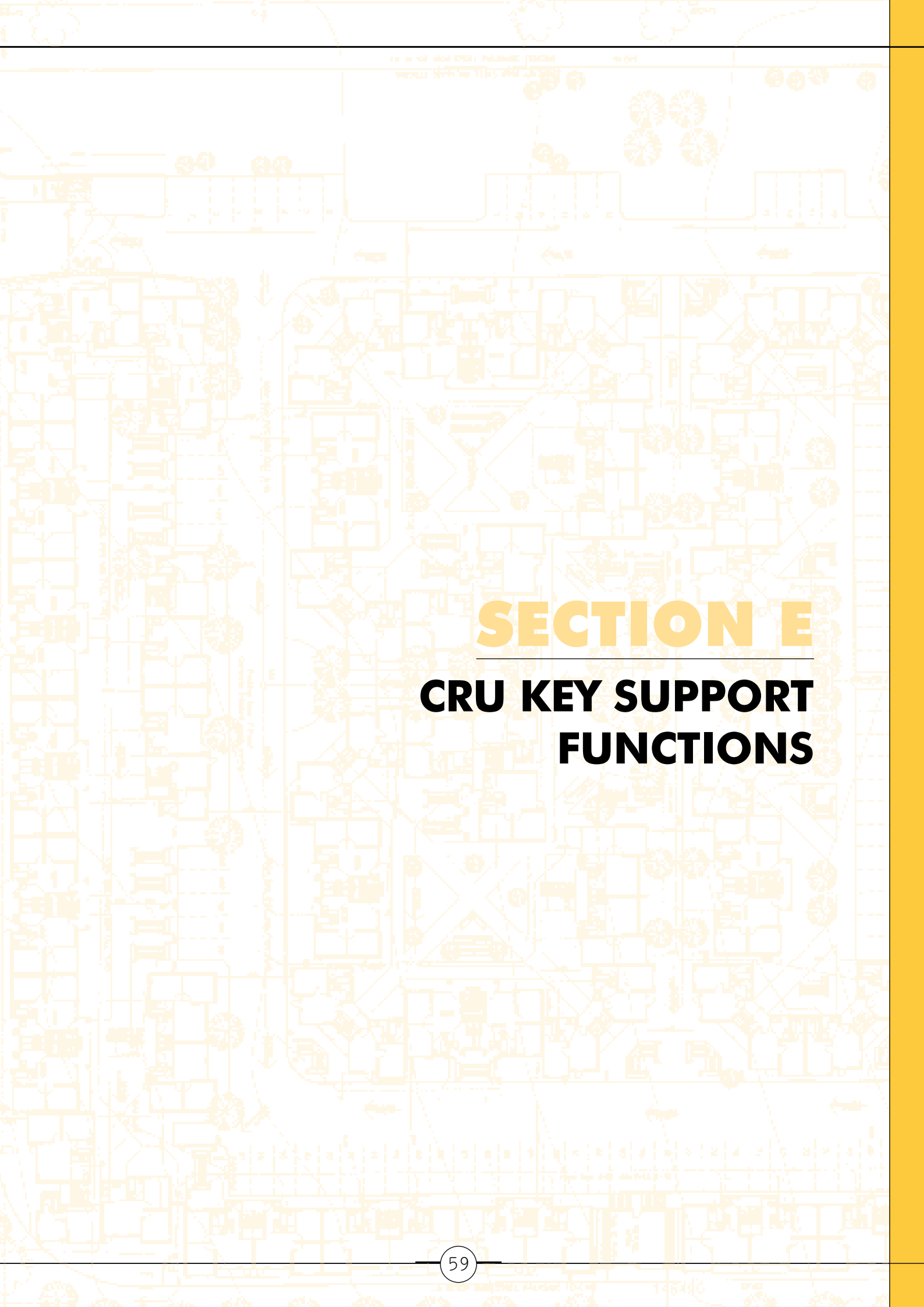
TABLE D4: MANAGEMENT OF STOCK AND LINKED TENANCIES PROCESS

No	Responsible	Activity	Explanation
D4:7	PDoHS	Monitoring and evaluating of management service	Once the units are complete and the management agency takes on management responsibilities the province must monitor against agreed criteria using the system established and agreed in D4:5b.
D4:8	Management agent	Report in prescribed format	The management agent has to report certain milestones in prescribed format .
D4:9	Province and municipality in conjunction with PMT and the chosen management agency	Satisfied with the reporting?	The province and municipality must be involved in assessing the best management option and ensuring that the necessary preparatory work is done to ensure that the management agency has the capacity and is ready to take on the management of both the units and linked tenancies. To do this they must work closely with the chosen management agency and to ensure that the management plan put in place during feasibility is practically developed. If yes, go to step 10 If no, go to 9
D4:10	PDoHS and municipality	Find a solution for the capacity building	PDoHS and municipality need to ensure that proper capacity is in place to manage. If not they need find a solution together with the management agent or decide to give a contract to another service provider.
D4:11	PDoHS	Ongoing management	The province's responsibility and involvement does not stop at the point of completed units. It must have in place the resources and system to ensure that it can monitor and evaluate the longer-term management of the stock and tenancies.
		M&E Process	

Documents and templates

No. on web	Document/template	Description
B4.10	CRU - Approach to Assessing setting Up Management of Stock	Provides framework for assessing the proposals for management of completed stock.
B4.12	Criteria for assessing CRU stock management	Provides indices for assessing the proposals for management of completed stock.
B4.13	CRU - Preparation of Economic Cost Recovery (ECR) Rentals on CRU Projects	Provide the criteria and process for setting Economic Cost recovery rentals for CRU projects.
B4.17	CRU - Public Sector M&E of Housing Management	Approach and indicators for monitoring and evaluation of the management of CRU stock.
E.2	SA Rental Housing Manager 1: Building Condition Audit	Provides audit template for the condition of stock to assist management agent.
E.3	SA Rental Housing Manager 2: Asset Management	Explains approach to the overall management of assets.
E.4	Best Practice Guide: Procurement of Maintenance Service Providers	How to choose the best maintenance service providers.

E.5	Best Practice Guide: Contract Management of Maintenance Service Providers	How to contract manage appointed service providers for maintenance of stock.
E.6	Service Supply Costing Guide for SHI's	Helps to cost the provision of the maintenance service.
E.7	Deferred Maintenance Manual	Provides an approach to the preparation and management of a planned maintenance programme.



SECTION E

CRU KEY SUPPORT FUNCTIONS

This section deals with very important functional streams that support all the phases of CRU project preparation and delivery. No CRU project can succeed without them. Each of these key functional streams cuts across the different phases of the overall CRU project process.



E1. Community consultation and facilitation process

Almost all CRU projects happen within a context where there are key community stakeholders who have a direct interest in a development. This is not only if the project is on a site with existing occupants (e.g. an occupied hostel), but also on greenfield sites where various constituencies might consider themselves eligible for housing within the scheme.

INFO BOX

Community development and community consultation

The most important stakeholders in any CRU project are the intended beneficiaries and the surrounding community in which the CRU project is developed. A good CRU project must become integrated into the overall community structure and help to enhance its quality. It is therefore part of an overall engagement process with local people that must focus on the broad community development objectives of the community while dealing with some of the project-specific community consultation and decision-making.

It is a serious engagement process that uses proper planned input and a range of communication methods and forums. It is not fulfilled just by listing people attending meetings.

From a community development perspective, this process involves having a thorough knowledge of the community context and engaging all the key stakeholders through a co-operative process of consultation. At the same time it is necessary to ensure proper engagement of the relevant stakeholders in achieving the specific preparatory outputs of CRU.

This section concentrates particularly on the latter aspect of the process, but remains mindful of the importance of the overall community development approach.

It is therefore essential to have a properly facilitated consultation process throughout the project that provides clear and correct information, and which also mobilises the positive engagement of the relevant constituency to give form to the project within the limits of CRU policy and its application in the local context.

This section explains the key aspects of the consultation process within CRU projects. In particular, it covers the following areas of consultation:

- Regularisation of any associated occupants
- Decanting and temporary housing for people affected by the development
- Agreement on eligible beneficiaries and the screening process for allocation
- The type of stock and linked ECR rentals.

Objectives

- To engage all key stakeholders in discussions of the project to ensure that the project is linked to community development initiatives in the area; and to ensure that they have full inputs into the CRU project development.
- To ensure that any occupants on the site are regularised and are clearly informed on the alternatives available to them for temporary and permanent re-housing.
- To ensure that the necessary temporary and/or permanent decanting happens smoothly within the agreed CRU budget allocation.
- To ensure the eligible beneficiaries are identified within a transparent process and are informed of application, screening and letting processes.
- To ensure that the potential beneficiaries contribute views on the design and types of units to be built, and clearly understand before applying what types of units are available

(and the linked rentals) so that they can make informed choices and understand the implications of such choices.

Outputs

- Properly-run, inclusive consultation throughout the planning stages and the delivery of the stock.
- Clear understanding on the part of any occupants on the site of their entitlements to temporary and / or permanent housing.
- Effective decanting process within the CRU financial framework.
- All key stakeholders to have a clear understanding of the approach to screening, allocations and letting, as well as the reasons for this.
- The provision of a range of unit options at different rentals to provide choice to eligible beneficiaries within the policy framework of CRU.
- All eligible beneficiaries to understand the choices available (including the amount of ECR rentals) before deciding to apply or sign tenancy documents.

Policy and legislation

- CRU Policy Framework and Programme Guideline

Role players/responsibilities

- Management entity
- PDoHS
- Any existing occupants
- Prospective tenants
- Other key community representative groupings and individuals
- Landowner

Management information

- Number of tenders
- Number of people attending community meetings
- Reports from meetings
- Number of occupants assessed
- Number of occupants successfully decanted

CHALLENGE BOX**Ensuring that community consultation and technical planning is an integrated process**

Community facilitation, regularisation and temporary re-housing are critical parts of the CRU process during all phases, but particularly in the project phases of Project Planning and Feasibility, and Detailed Design. It is therefore essential that the process work is properly contracted in a way that ensures the community participation elements are closely aligned with technical aspects of feasibility and detailed design.

In order to ensure that there is the right level of co-ordination it is sometimes useful to include community consultation, regularisation and temporary housing in the Project Planning and Feasibility tender. Whichever way it is done, the contracting agency must ensure that they are carried out as integrated activities and not as separate streams.

E1: COMMUNITY CONSULTATION AND FACILITATION PROCESS

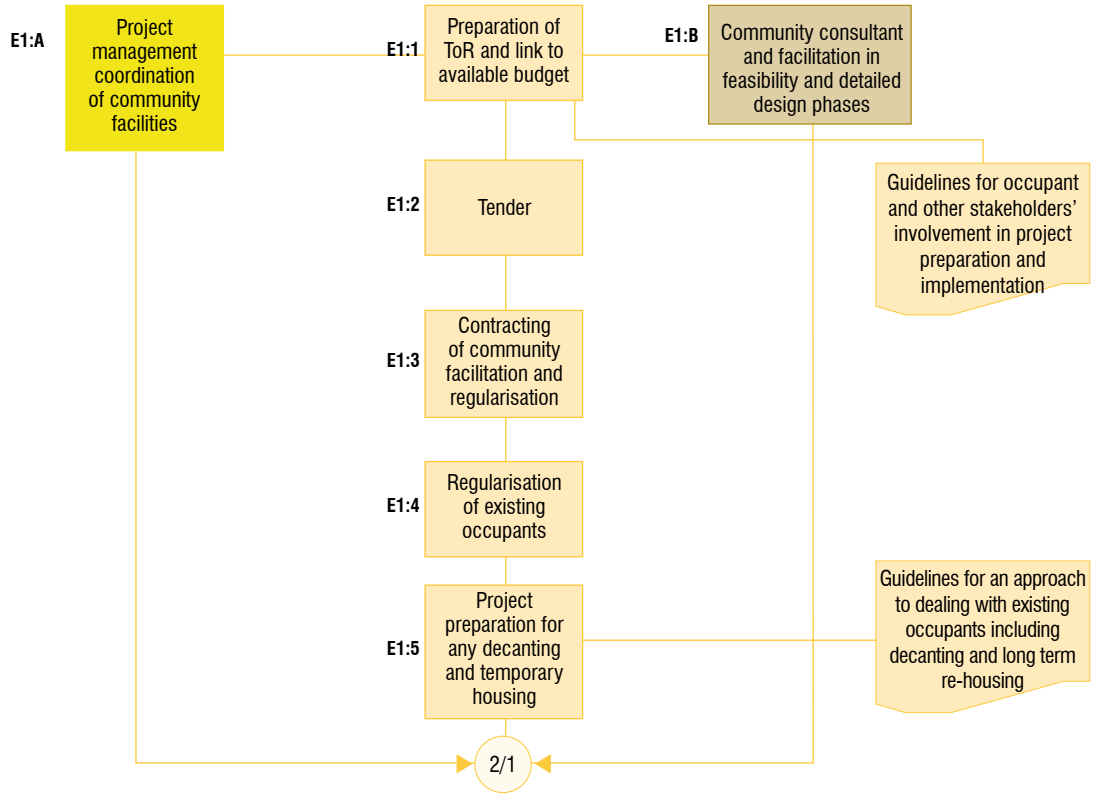


TABLE E1: COMMUNITY CONSULTATION AND FACILITATION PROCESS

No.	Responsible	Activity	Explanation
E1:1	PDoHS	Preparation of ToR for the community facilitation, and link to budget available	Preparation of the right ToR dealing with the particular conditions of the project. In doing so be mindful that there are separate financing elements for: <ul style="list-style-type: none"> • Regularisation • Community facilitation for temporary housing. The rest of the facilitation activities are set within the overall amount for feasibilities. It is necessary to decide whether to package with the feasibility study or separately and prepare the ToR accordingly.
E1:2	PDoHS or municipality	Tender	Calls for tender either as part of the Project Planning and Feasibility Phase or separate tenders.
E1:A		Project management and community facilitation	This involves the management of the contract(s) to ensure that they achieve the contracted outputs and that all elements are properly integrated.
E1:B		Community consultation and facilitation	An implicit part of feasibility and design is the consultation of potential beneficiaries and other stakeholders on a range of issues. This part of the consultation and facilitation process requires very careful management. It is essential to make strong linkages between the technical outputs of the preparation and ensuring that the right consultation occurs to influence the feasibility study and design, and also to keep stakeholders well informed.
E1:3	PDoHS	Contracting of community facilitation and regularisation	On the basis of the ToR and the required approach, to tender and contract the necessary skills or use those available within the province or municipality.
E1:4	Contracted consultants or government employees with PDoHS and involved municipality.	Regularisation of any existing occupants	Where there are occupants on the site (e.g. in a hostel), to ensure that their rights to occupation are regularised as well as identifying with them the potential permanent housing options for which they are eligible. This is a critical first step for both the project consultation process, and to determine the need for decanting, etc.
E1:5	Contracted consultants with PDoH and municipality	Project preparation for any decanting and temporary housing	Based on regularisation, determine the temporary and permanent housing alternatives of existing occupants. Prepare and implement the plan to move them to temporary or permanent alternatives before demolition or substantial refurbishment.

E1: COMMUNITY CONSULTATION AND FACILITATION PROCESS

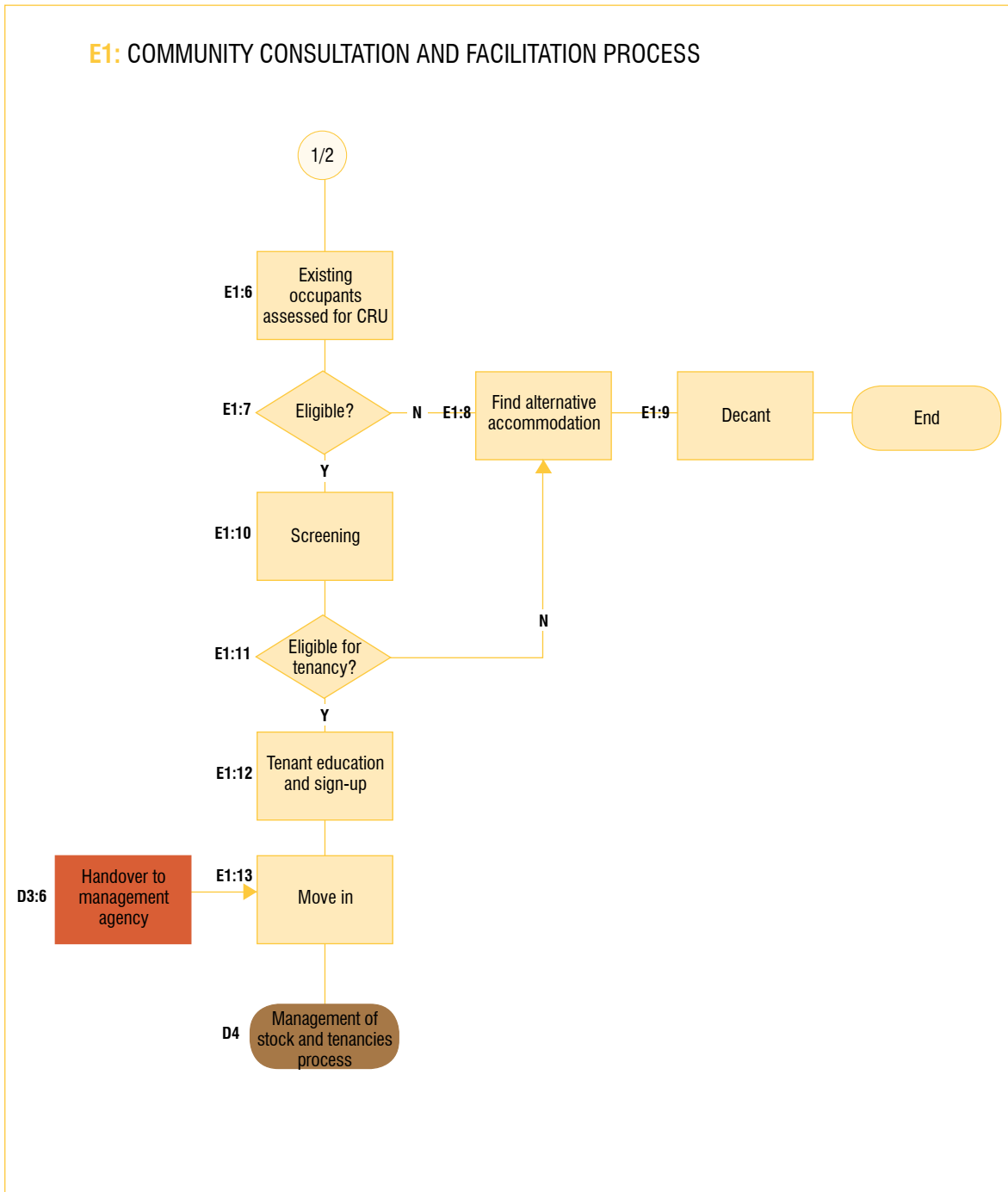


TABLE E1: COMMUNITY CONSULTATION AND FACILITATION PROCESS

No.	Responsible	Activity	Explanation
E1:6	Service providers with PMT	Existing occupants assessed for eligibility for CRU units	Existing occupants are assessed for eligibility for CRU stock against the CRU criteria.
E1:7		Eligible - Yes	Those who meet the basic CRU requirements and want to proceed to detailed tenant screening.
E1:8	Municipality and / or PDoHS	Find alternative accommodation	For those not eligible identify alternative temporary and permanent housing opportunities.
E1:9	PDoHS and / or municipality	Decant	Decant the non-eligible occupants to permanent or temporary housing alternatives.
E1:10	Management agency	Screen occupants eligible for CRU tenancy	More detailed assessment of eligible tenants for ability and willingness to pay rentals.
E1:11	PDoHS or municipality with management agency	Eligible for tenancy?	If yes go to step 12. If eligible beneficiary does not qualify after screening, then must find alternative permanent or temporary accommodation and decant.
E1:12	Management agency	Tenant education and sign up	Management agency takes tenants through tenant education and signs up tenants.
D3:6	Implementing agent with management agency	Take-on of units	Management agency accepts units from construction.
E1:13	Tenant with management agency	Tenant moves in	Tenant moves into completed unit.
D4	Management agency	Management of stock and linked tenancies	Management agency undertakes the continuing management of stock and tenancies.

Documents and templates

No. on web	Document/template	Description
B4:14	CRU - Guidelines for dealing with community consultation on CRU projects.	Assists with structuring the broader community consultation required on a CRU project.
B4:15	CRU - Guidelines for approach to regularisation, decanting and long term re-housing.	Assists with project plans to deal with housing for existing occupants on CRU development sites.

E2. Contracting and contract management

A CRU project requires close project management by the “contracting” sphere of government. Most of the phases involve outsourcing to a range of contractors. This requires absolute clarity, in both the tendering and in contracting, of what is required of those contracted for the different phases. It also entails effective monitoring to ensure that those contracted are delivering the relevant outputs on time and to the quality contracted.

The final responsibility for the effective project and contract management rests with the contracting sphere of government, either PDoHS or municipality. The contracting sphere needs to designate a specific project manager to provide this support to particular projects. The project manager should be assisted through the co-ordinated inputs of the PMT on each project.

Key elements of this project management are:

- ToR
- Calls for tenders
- Tender assessment
- Contracting
- Budget allocation
- Management of payments
- Tracking of work for timing and quality
- Dealing with deviations from contract
- Contract handover and closure.

Objectives

- To ensure that all phases of the project are managed efficiently within the budget allocation for the project and that the correct amounts are allocated at the right time to the CRU projects to ensure the necessary “risk protection”, while not inhibiting the speedy delivery of projects.
- To ensure the proper contracting of suitable contractors for the different phases of the CRU process.
- To manage these contracts so that the contractors deliver the contracted outputs within the contracted time span and to contracted standards.
- To provide assessment reports to facilitate payments in accordance with contract and departmental procedures.

Outputs

- Properly structured project management system for each CRU project including designated project manager and PMT
- Properly set up and managed contracts at all phases of CRU project process

- Payments to contractors based on delivering outputs stipulated in contracts
- Contracting of different phases on the basis of “conditional” and “agreed” allocations per phase of process

Role players

- Landowner
- PDoHS
- Municipality
- Contractors and service providers

E2: CONTRACTING AND CONTRACT MANAGEMENT PROCESS

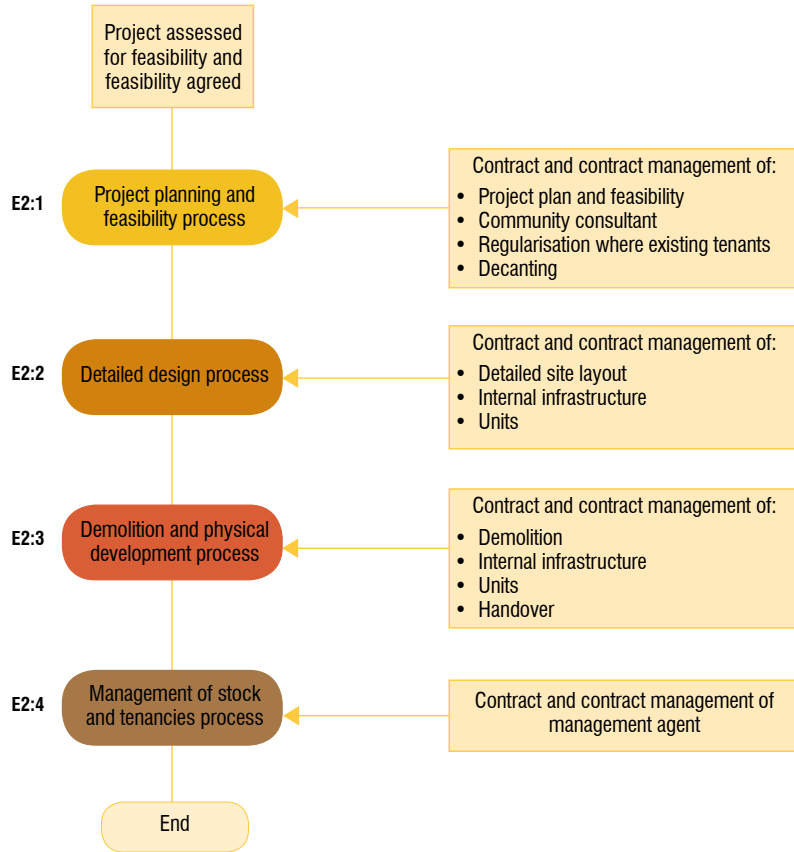


TABLE E2: CONTRACTING AND CONTRACT MANAGEMENT PROCESS

IMPORTANT NOTE

During all phases of the CRU process it is necessary to outsource work. In doing so it is important to have a designated project manager and a PMT. Between them they should ensure that there are the necessary ToR, contracts and clarity on the skills required to do the work.

While it is required to tender through the established systems within provincial and local government, it is critical to properly assess the applications and ensure that the contractor with the right skills and ability to deliver is appointed. It is then a matter of contracting and effective contract management of the work in progress.

No.	Responsible	Activity	Explanation
E2:1	Project manager Implementing agent with PMT	Project planning and feasibility	It is important to ensure that there is an integrated approach at this stage towards the contracting for the skills for the physical design, the management preparation, the community consultation, regularisation and decanting. While it is possible to have separate contracts for each of these it can make co-ordination and monitoring complex and time-consuming for the contracting agent. Where possible it is better to outsource all to a single multi-disciplinary team.
E2:2	Project manager Implementing agent with PMT	Detailed design	This phase is very directly linked to the physical design agreed in the Project Planning and Feasibility Phase. If this is done well it makes sense to use the relevant professionals (architects, engineers, quantity surveyors and planners) from the first phase as they are already familiar with the preparatory work. It is possible to combine this contracting with that of Phase 1.
E2:3	Project manager Implementing agent with management agency and PMT	Demolition and construction to handover	Here the main contract is with the demolition (where required) and construction companies skilled to do the relevant work. However the contracting agent might also appoint contract service providers to manage the contract on its behalf. This is particularly so if the contracting agent does not have the internal capacity to contract manage.
E2:4	PDoHS Rental Unit and the management agency	Management of stock and linked tenancies	Where the management agent is the same as the landowner then it is necessary to have (an SLA) with the department responsible for the overall management of the stock and tenancies. Where the management agent is different to the landowner then it is necessary to have a formal contractual agreement. Whether there is (an SLA) or formal contract, both need to be managed on the basis of monitoring of performance against contracted outputs and standards.

Documents and templates

No. on web	Document/template	Description
D.5	Best Practice Guide of Design and planning for sustainable SH schemes	Covers a number of the critical aspects of property development. While concentrating on social housing it can be used on a more generic basis.
D.8	Guidelines: construction management good practice	Provides overview on good practice particularly of property development.
D.14	Best Practice Guide - Procuring and Managing Development Projects	Guide that deals with a number of the aspects of good contract and project management of planning and construction.

E3. Financing and financial management for CRU

CRU projects are financed by a capital grant that should cover the total development costs of the project. It is important that the project design adheres to the cost parameters provided within the CRU grant.

The management and maintenance costs are financed through the charging of ECR rentals.

This section deals with the approach to capital financing and then considers the approach to setting ECR rentals.

3.1 Capital financing - The CRU grant

3.1.1 Development options within CRU

The CRU Programme will fund the following development options:

- Site stabilisation
 - Simple demolition of single-storey buildings, and site rehabilitation to rid sites of undesirable structures and / or to prepare for new build infill
 - Medium complex demolition of double-storey buildings with flat slabs on load-bearing brickwork, and site rehabilitation to rid sites of undesirable structures and/ or to prepare for new build infill
 - Complex demolition of multi-storey buildings (2-4 storey walk-ups) with reinforced concrete-framed structures, and site rehabilitation to rid sites of undesirable structures and/or to prepare for new build infill
- Refurbishment
 - Basic refurbishment – no upgrade (repair and re-decorate existing building, including simultaneous upgrade of specifications), following stabilisation where required
 - Upgrade refurbishment (repair and re-decorate existing building without upgrade), following stabilisation where required

- Conversions
 - Hostel conversion: dormitories to self-contained units
 - Simple conversion of existing inner city buildings (residential to residential, e.g. hotels to flats)
 - Complex conversion of existing inner city buildings (other use to residential, e.g. offices to flats)
- Infill developments
 - New build infill on existing sites – single storey
 - New build infill on existing sites – two- to four-storey walk-ups, conventional foundations
 - New build infill on existing sites – two- to four-storey walk-ups, piled foundations
- New build
 - New build on greenfield sites – single storey
 - New build infill on existing sites – two- to four-storey walk-ups, conventional foundations
 - New build infill on existing sites – two- to four-storey walk-ups, piled foundations
- Complete redevelopment
 - Complete redevelopment of hostel complexes, incorporating one or more of the following options: site stabilisation, refurbishment, conversions and/or infill.

3.1.2 Functions covered by the CRU grant

The grant covers all or some of the following elements depending upon the type of project:

- The cost of conducting a project feasibility study
- The cost of community consultation
- The cost of regularisation of existing occupants
- The cost of permanent relocation of tenants including loading, transportation, social services and food support costs, but not the cost of providing the alternative accommodation
- The cost of temporary relocation of tenants including loading, transportation, social services and food support costs, but not the cost of providing the alternative accommodation
- The cost of the preparation for allocation, education and sign-up of new tenants
- Demolition costs if appropriate
- The construction costs including escalations
- The cost of professional fees
- Once-off maintenance grant after five years.

INFO BOX

Maintenance grant

The policy indicates that long-term capital or major maintenance funding can be accessed through the CRU Programme once project development using the CRU subsidy has been completed and a minimum period of five years has passed.

This funding should be available for every subsequent minimum five-year period to ensure proper maintenance of the housing asset. However, it is not certain that the maintenance grants will be forthcoming in future years due to government policy and budgeting processes changing over time.

It is for this reason that it is perhaps more prudent not to plan for any future maintenance grants to ensure that projects are sustainable regardless of whether they receive the maintenance grant or not. Best practice would, therefore, be to ensure that maintenance costs are properly covered in rentals received.

3.1.3 What funding is not offered through CRU?

The following activities are specifically excluded from CRU funding:

- Any kind of operational or management costs.
- Land acquisition and packaging, i.e. accessing bulk services, preparing land for development, zoning the land, purchasing the land, etc.
- Construction of temporary accommodation or subsidy of any rental costs on temporary accommodation. The property owner has to work with the occupants to identify suitable alternative options for temporary accommodation while building work is done.

3.1.4 Calculating the CRU subsidy for a project

There is a fixed and a variable portion of subsidy for each development option. Development costs vary between projects due to a number of variables such as building shape and size, fullness on plan, specifications, and so on. It is for this reason that certain typical development configurations are assumed, and weighted average rates calculated for each option.

In this way a fixed subsidy as well as a variable subsidy per square metre of enclosed floor area is established for each major cost element. These rates are used to calculate the total subsidy for each element, and for the project as a whole.

When calculating the total subsidy, the fixed amount must be added to the variable amount for that development option. To calculate the variable amount, the subsidy per square metre must be multiplied by the total enclosed floor area of the building of that development type. Where there is more than one development option within one project, the user must limit the fixed fee to that of the predominant development option.

There is also a variable subsidy per square metre for the **geotech variation** and Southern Cape Coastal Condensation Area (SCCCA) allowances for the new build options only.

This allowance is granted at the discretion of the MEC and must be applied for in the project submission.

It is then up to the project team to manage the actual costs to be equal to or below the subsidy amount. The current CRU subsidy amounts are available from the NDoHS. There is also a financial model developed in Microsoft Excel, which can assist in the calculation.

3.1.5 Some examples of calculating the subsidy amount

The calculations for the quantum of the subsidy must be done separately for each project. Initially the agreed allocation would involve the “actual allocation” for the feasibility, community consultation, regularisation, and any tenanting costs based on the proposed project.

Once the Project Planning and Feasibility Phase is complete there is an amount for the detailed design and development based on the initial project proposal. The amount for the actual development can only be finalised once the Detailed design phase that includes final costings is completed, because it is only then that the square metreage required for calculation is properly determined.

The two case examples below help to show how to calculate the subsidy amount. Since it is not easy to do this the PDoHS should ensure that it has the capacity to do this, and support municipalities with CRU projects to make the correct calculations.

The examples below show how the calculation works for specific projects.

WARNING BOX

The figures used are the proposed figures for the financial year 2009-2010. You should always contact the NDoHS to check the amounts pertaining to the year in which your CRU project is implemented.

Case 1 – Medium density greenfield project

A typical CRU new build Greenfields project comprising a mix of one- and two-bedroom flats in four double-storey walk-up blocks of 1,000 square metres each, with a total enclosed floor area of 4,000 square metres.

The project is on conventional foundations, with a 7.5% geotech variation applying. In this case, with only one development option, the calculation of total subsidy is relatively simple as can be seen in the table below.

The new build option is described as “Option 6: New Build – Greenfields Sites” in the CRU Policy Programme Guidelines. The subsidy or funding limit will look something like this (based on proposed rates for 2009/10):

NEW BUILD GREENFIELDS TWO- TO FOUR-STOREY WALK-UPS ON CONVENTIONAL FOUNDATIONS WITH 7.5% GEOTECH VARIATION (4000M2)					
Cost element A	Fixed subsidy B	m2 C	R/m2 D	Variable subsidy E = C x D	Total subsidy F = B + E
Feasibility studies	551,660	4,000	29.42	117,680	669,340
Community facilitation	88,266	4,000	19.61	78,440	166,706
Tenanting		4,000	33.10	132,400	132,400
Works		4,000	5,379.23	21,516,920	21,516,920
Geotech variation		4,000	140.33	561,320	561,320
Professional fees		4,000	811.55	3,246,200	3,246,200
Total excluding VAT	639,926	4,000	6,413.24	25,652,960	25,652,960
VAT payable	89,590	4,000	897.85	3,591,400	3,591,400
Total including VAT	729,515	4,000	7,311.10	29,244,400	29,973,915

On all CRU projects community facilitation is crucial throughout all the phases of the project, and a comprehensive feasibility study will have to be carried out to ascertain the sustainability of the project. On community facilitation and feasibility studies a certain minimum amount of work needs to be done, regardless of the size of the project. The cost of these two elements consists, therefore, of a fixed basic amount and a variable component according to enclosed floor area of the relevant option. The fixed component is a maximum based on a typical project size of 300-500 units, and must be applied with some discretion. This means it can be reduced on smaller projects if required. In this example, the fixed component of the feasibility study is R551,660, and the variable amount is R29.42 per square metre of enclosed floor area. For a 4,000 square metre project, this gives a total subsidy for the feasibility study of R669,340. For the community facilitation, the fixed amount is R88,266, and the variable amount is R19.61 per square metre, giving a total subsidy for the community facilitation of R166,706.

For new buildings new tenants must be “found” (usually from waiting lists and in accordance with municipal allocations policies), signed up, prepared and installed in their units. It is for these reasons that there is a subsidy for tenanting. There is no fixed amount, only a variable amount depending on the size of and hence the number of tenants in the development. This variable rate is R33.10 per square metre giving a total subsidy for tenanting of R132,400.

There are also only variable subsidies for the cost of the works, the geotech and SCCCA variations where applicable, and for professional fees.

VAT is payable on all of the development costs.

The total CRU subsidy for this example is R29,973,915.

Case 2 – Medium density multi-development option

This is a more complicated scenario, with more than one development option applying to the same project.

The project involves an existing hostel complex in Cape Town on relatively poor soil, consisting of three double-storey dormitory blocks, each with a floor area of 1,000 square metres. Two of the blocks are too dilapidated to be saved, and must be demolished to make way for one new 4,000 square metre three-storey walk-up block with a mix of rooms, bachelor flats, and one- and two-bedroom flats. The third block is still structurally sound and will be converted into rooms and flats similar to the new building.

The following development options therefore apply to the project:

- Medium complex demolition (of the two dilapidated buildings) – 2,000 square metres
- Conversion of dormitories into self-contained units (of the retained building) – 1,000 square metres
- New build infill, two- to four-storey walk-ups on conventional foundations, but with 7.5% geotech variation and SCCCA variation applying – 4,000 square metres.

Once conversion starts, sitting residents of the existing retained block will have to be relocated on a temporary or permanent basis. Those choosing to take up the converted accommodation will be subjected to “tenant regularisation” before their return. Residents in the blocks earmarked for demolition will likewise have to be relocated and regularised. The new blocks will have to be “tenanted” on completion, partly from the pool of returning existing residents, and partly from a waiting list of new tenants.

The simplest way of doing the calculations is by doing a spreadsheet or template for each option, and then combining the overall result in a summary as in the tables below.

NOTES BOX

Note 1: Each development option has its own fixed subsidy for feasibility studies and community facilitation. The intention was for only one of these subsidies to apply for each project. In a case such as this one, where a number of options make up one integrated project, allowing a fixed component for each option individually would result in an unjustifiably high subsidy for these two components. The intention is for subsidy for the major option to be used only, in this case the new build infill walk-ups option.

Note 2: The allowances for geotech and SCCCA variations relate to the standard project-linked (RDP) subsidy, and not to the much higher CRU grant amounts

The first step is to choose the predominant development option, and therefore the fixed subsidy. In this case, the option is “Option 5.2: New build infill on existing site: Walk-ups on conventional foundations”. The total fixed subsidy to pay for the feasibility study and the cost of community facilitation is R673,613, as can be seen in the following table.

ONCE-OFF FIXED SUBSIDY FOR WHOLE PROJECT	
Cost element A	Fixed subsidy B
Feasibility studies	502,623
Community facilitation	88,266
Total excluding VAT	590,889
VAT payable	82,724
Total including VAT	673,613

The next step is to calculate the variable subsidies for each of the three different development options, starting with “Option 2.2: Demolition and site rehabilitation: Medium complex”. As can be seen below, the variable subsidy per square metre adds up to R724.98. If one multiplies this amount by the 2,000 square metres of enclosed floor area, one gets a total variable subsidy for this option of R1,449,968.

MEDIUM COMPLEX DEMOLITION (2,000M2)					
Cost element A	Fixed subsidy B	m2 C	R/m2 D	Variable subsidy E = C x D	Total subsidy F = B + E
Feasibility studies (Note 1)		2,000	29.42	58,840	58,840
Community facilitation (Note 1)		2,000	19.61	39,220	39,220
Temporary relocation		2,000	36.78	73,560	73,560
Works		2,000	493.75	987,500	987,500
Professional fees		2,000	56.39	112,780	112,780
Total excluding VAT		2,000	635.95	1,271,900	1,271,900
VAT payable		2,000	89.03	178,068	178,068
Total including VAT		2,000	724.98	1,449,968	1,449,968

For “Option 4.1: Conversion: Hostels”, the variable subsidy per square metre adds up to R4,976.75. If one multiplies this amount by the 1,000 square metres of enclosed floor area, one gets a total variable subsidy for this option of R4,976,75.

HOSTEL CONVERSION DORMITORIES INTO SELF-CONTAINED UNITS (1,000M2)					
Cost element A	Fixed subsidy B	m2 C	R/m2 D	Variable subsidy E = C x D	Total subsidy F = B + E
Feasibility studies (Note 1)		1,000	29.42	29,420	29,420
Community facilitation (Note 1)		1,000	19.61	19,610	19,610
Temporary relocation		1,000	36.78	36,780	36,780
Tenant regularisation		1,000	25.74	25,740	25,740
Works		1,000	3,690.10	3,690,100	3,690,100
Professional fees		1,000	563.92	563,920	563,920
Total excluding VAT		1,000	4,365.57	4,365,570	4,365,570
VAT payable		1,000	611.18	611,184	611,184
Total including VAT		1,000	4,976.75	4,976,754	4,976,750

For “Option 5.2: New build infill on existing site: Walk-ups, conventional foundations”, the variable subsidy per square metre adds up to R7,149.69. If one multiplies this amount by the 4,000 square metres of enclosed floor area, one gets a total variable subsidy for this option of R28,598,760.

NEW BUILD INFILL TWO- TO FOUR-STOREY WALK-UPS ON CONVENTIONAL FOUNDATIONS WITH 7.5% GEOTECH VARIATION AND SCCCA VARIATION (4,000M2)					
Cost element A	Fixed subsidy B	m2 C	R/m2 D	Variable subsidy E = C x D	Total subsidy F = B and E
Feasibility studies (Note 1)		4,000	29.42	117,680	117,680
Community facilitation (Note 1)		4,000	19.61	78,440	78,440
Tenancing		4,000	33.10	132,400	132,400
Works		4,000	5,080.38	20,321,520	20,321,520
Geotech variation (Note 2)		4,000	140.33	561,320	561,320
SCCCA variation (Note 2)		4,000	201.40	805,600	805,600
Professional fees		4,000	767.42	3,069,680	3,069,680
Total excluding VAT		4,000	6,271.66	25,086,640	25,086,640
VAT payable		4,000	878.03	3,512,120	3,512,120
Total including VAT		4,000	7,149.69	28,598,760	28,598,760

If we add up the fixed and variable subsidies identified above, we get the following table:

SUMMARY OF TOTAL CRU SUBSIDY			
Cost element A	Fixed subsidy B	Variable subsidy E	Total subsidy F = B + E
Feasibility studies and community facilitation (Note 1)	673,613		673,613
Option 2.2: Demolition		1,449,960	1,449,960
Option 4.1: Conversion		4,976,750	4,976,750
Option 5.2: New build infill		28,598,760	28,598,760
TOTAL SUBSIDY	673,613	35,025,470	35,699,083

As can be seen, the total maximum CRU subsidy available for this project is R35,699,083.

INFO BOX

Financing land costs, planning approvals and bulk infrastructure costs

The CRU subsidy or capital grant is based on the assumption that the property to be developed / redeveloped is owned by the municipality or province, and is not meant to be used for property acquisition, nor for obtaining town planning approvals and installing bulk services, all of which should be funded from other sources.

3.1.6 Management of allocation and dispersal of CRU grant

The decisions on budget allocation and then the phasing of payments on CRU projects are very different to the approach for other national housing programmes. It is therefore essential that the PDoHSs have in place a system for the allocation and release of financing for CRU projects, and the effective management of the financing in conjunction with the municipalities and other key stakeholders involved.

The system will usually require close co-operation between different sections within the departments including those dealing with project assessment, project approval, contracting, budget allocation and budget disbursement.

In setting up the system the PDoHS should be guided by the following principles:

- Agreed allocation available in the provincial budget for the relevant financial year
- Signed contractual agreement in place between the province – municipality and municipality, province and any service providers
- Payment for all the phases to only be made on the basis of the agreed milestones below and these to be included in any contractual arrangements with the municipality and with any service providers contracted by either the province or municipality

- Payments will be released as quickly as possible to pay for satisfactory completed stages
- The signed off satisfactory completion of the stage of work for which the payment is applicable
- All allocations based on the general conditions and regulations of the province and within national guidelines for subsidy allocation.

“Conditional” and “final” approvals and allocations

A key part of CRU project management is the effective allocation of the right amount of grant to different phases in the process and the management of the payments at different stages to ensure that the outputs are of the right quality.

Since the grant is dependent upon the square meterage of developments it is not always possible to know the precise amounts at the beginning of the project. So while the grant for the planning and feasibility might be based on a proposed development of a certain size this size might change in the course of the planning, and the amount allocated would then require adjustment.

This then involves a “phased approach” to decisions on grant quantum and allocation using both “conditional” and “final” grant allocations for projects. As an example at the beginning of the Planning and Feasibility Phase the provincial department would agree to a “final” amount to cover this phase based on the initial project outline. However, it would only make a “conditional” allocation commitment to the Detailed Design and Physical Development (construction) Phases. Once the Planning and Feasibility Phase is completed, province can make a “final” allocation for the detailed design based on the project as agreed at the end of the Project Planning and Feasibility Phase. Then, based on the output of detailed “to build” plans and costing in the Detailed Design Phase, it would then make a final allocation for the Physical Development Phase.

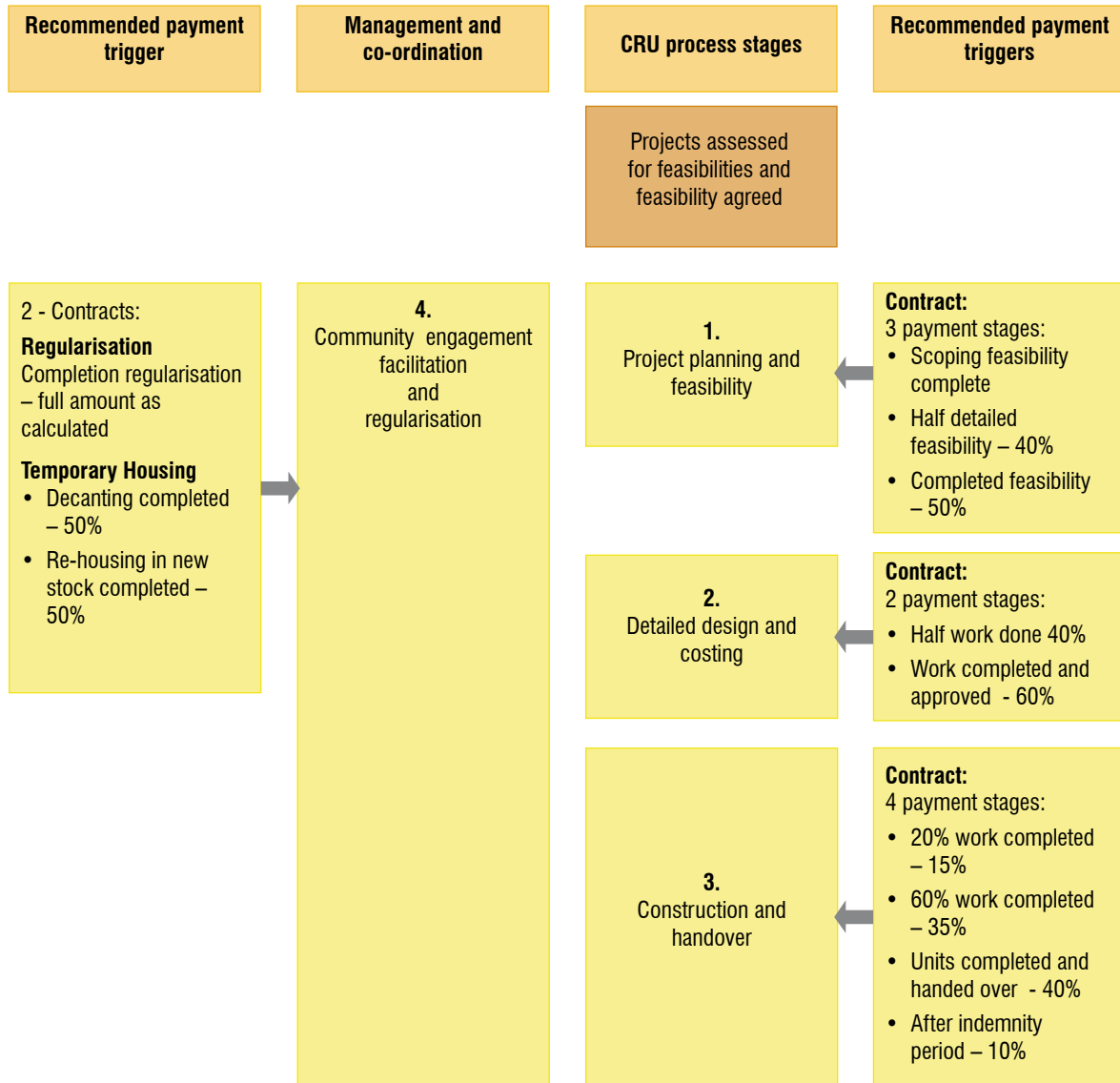
3.1.7 Disbursements and assessed outputs

Within the “final” allocations for different phases the disbursements require close linkage to properly completed and assessed outputs at different stages. This relies on close co-operation between those controlling financial flows and those responsible for the contract management of a project for government.

Outputs of effective management of grant finance

- PDoHS and any relevant municipalities with a clear understanding of the financing policy and procedures of CRU and the necessary systems and documents in place to manage this
- Correctly agreed amounts for each stage of the project process in accordance with the CRU policy and the quantum operative at a particular time
- Contracting of different phases on the basis of “conditional” and “agreed” allocations per phase of process
- Payment system linked to proper monitoring of outputs and their quality against approval to pay.

Process approach to management of CRU grant



- key role players
 - Landowner
 - PDoH
 - Relevant municipality
 - Contractors and service providers
- Payment milestones and triggers for different parts of the CRU process

The table below details the relevant trigger points, and the allocation and payment of finances in the different phases.

Trigger	Action	Responsibility
Feasibility		
Signed provisional agreement to proceed with feasibility	Budgeted allocation of agreed amount for feasibility	Province or accredited municipality
Service provider agreement on feasibility	Contract that defines the work required of contractor, timing, payment schedules, etc.	Province / accredited municipality – service provider
Completion and assessment of pre-feasibility	Payment of 10% of agreed feasibility amount to contracted service provider	
Completion, assessment and sign-off of full feasibility	Payment of the remainder of the feasibility contract fee to service provider on basis of contracted outputs against agreed amounts included in contract	
Detailed design		
Signed provincial agreement to proceed provisionally with whole project and definite allocation of the budget for detailed design and planning preparation phases	Budgeted reserve for estimated whole project and specific allocation of detailed design and land planning preparation part of budget	Province and municipality
Contractual agreement prepared for detailed design work and land preparation	Prepared contract with key outputs, amounts, payment schedules etc.	“Contracting entity” – contractors
Completion and approval of outline site plan and housing units and 1st round costings	Payment of 25% of total amount for detailed design and disbursements to this point	“Contracting entity” – contractors
Completion and approval of detail design and costings	50% of contracted amount for detail design and disbursements to this point	
Final approval of building plans	15% of contracted amount	
Completion of tendering and contract documents	10% of contracted amount	
Land and Environment Planning	Not financed through CRU – Landowner to finance through own resources or using the amount in feasibility for some or all of the work	
Submission of planning, zoning and EIA applications	25% of contracted amount and disbursements to date	“Contracting entity” – contractors to service provider
Approval of planning, zoning and EIA	75% of contracted amount and remaining disbursements	

Trigger	Action	Responsibility
Site and construction work and handover		
Signed provincial agreement to proceed with the development	Budget allocation to project for the financial years agreed with municipality and stipulated in agreement	Province and municipality
Contractual agreement(s) between municipality and the relevant contractor(s)	Signed agreement that sets outputs, payments, payment scheduling, etc.	“Contracting entity” – contractors
Draw downs as per completed and inspected phases as per NHBRC contract framework	As agreed in contract and monitored by “contracting entity” project manager	“Contracting entity” – contractors
Final completion and handover		
Completion of all snagging work after indemnity period	Final 10% of contracted amount.	Province to municipality to contractor
Demolition		
As per provincial agreement either as part of larger project agreement or separate agreement for demolition only	Contract agreement with service provider undertaking demolition	“Contracting entity” – contractors
Satisfactory completion of demolition and disposal of materials in accordance with contract	Payment of full agreed contract amount for demolition	“Contracting entity” – contractors
Community consultation and facilitation		
Community facilitation – project preparation		
Agreement to proceed with feasibility study: preparation of community facilitation element	Separate facilitation contract completed for the preparation stage as part of feasibility	Province / accredited municipality
Completion and assessment of feasibility for project	Payment of full amount for agreed facilitation of project preparation phase	“Contracting entity” to service provider
Community facilitation and decanting		
Preparation of agreement on this at the completion of the facilitation of project preparation	Budget allocation for this process confirmed within provincial budget	Province to municipality to service provider
Successful completion of all decanting	Payment of total amount for decanting at the successful completion of decanting	Province to municipality to service provider
Successful re-housing of those decanted back into new development	Payment of total amount for re-insertion at the successful completion of moving households back into the redeveloped units	Province to municipality to service provider
Regularisation of occupants		
Agreement on this at the completion of the facilitation of project preparation	Either separate agreement or within feasibility contract amount calculated on basis of CRU financial model and prevailing quantum	“Contracting entity” with service provider
Successful completion of regularisation with signed status document of each occupant household	Payment in accordance with contract once the regularisation is complete	

Trigger	Action	Responsibility
Allocations		
Carrying out as part of the feasibility phase this at the completion of the facilitation of project preparation	Either separate agreement or within feasibility contract amount calculated on basis of CRU financial model and prevailing quantum	
Successful completion of agreed allocation plan with signed status document of each occupant household	Payments in accordance with contract once the allocation plan is ready and agreed	
Long-term maintenance – CRU developed projects		
Prepared, assessed and viable reactive and planned maintenance plan for stock	As part of the managed plan - basis to monitor adherence to agreed plan	Landowner or management entity prepares, province assesses
Signed agreement (province and municipality) on projected payment on first five-year planned maintenance grant	Agreement on the projected amount that province will provide at end of five-year period and conditions	Province and municipality
Introduction to provincial MTEF	With three years before on basis of monitoring of programme and successful management then the inclusion of amount in MTEF for appropriate year	Province
Five years and monitored proof that parties have stuck with agreed maintenance plan and submission of plan and costing for use of planned maintenance finance	Basis for the preparation of contract on the payment of the grant for planned maintenance	Municipality

3.2 Operational and running costs of completed units and linked tenancies

The CRU grant covers the full capital costs, but does not include any subsidy for the operational costs once units are completed and tenanted. These costs must be recovered through **Economic Cost Recovery (ECR) rentals** charged by the management entity and paid by the tenants.

All the costs of the administration and management must be covered in the ECR rentals. If they are not, and there is no other subsidy forthcoming, the project will not be sustainable.

INFO BOX

ECR and affordability

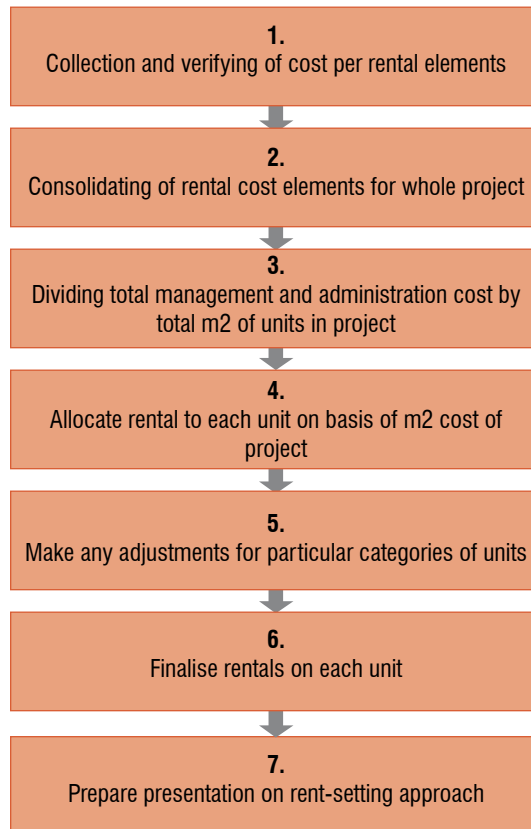
While it is critical that the rental set meets the cost of provision of the management service, this must also be affordable to the target population. Given the existing household income targeting of R800 – R3,500 the affordability range should be between 25% and 30% of household income including cost of utilities. The ECR rentals should therefore fall within the following ranges:

- 25% of household income: R200 – R875
- 35% of household income: R280 – R1,225

This also means having a mix of housing products with different rentals to cater for the range of household incomes.

3.2.1 How to calculate ECR rental

The next section shows an example of ECR rental calculation following the following steps in a rent setting process.



- An example of ECR rental setting

Step 1: Collection and verifying of cost per rental elements

Use the table of rental elements in the Help Box below to guide the collection of all the information that you need to determine the costs of administering and managing the project **on an annual basis**. Wherever possible get the real figures (e.g. rates), and when making estimates be careful to check other similar projects so that you can make your estimates as accurate as possible.

NB: When calculating the costs ensure that you do so for the year in which the renting will commence.

Step 2: Consolidating of rental cost elements for whole project

Use the table in the Help Box below. When you have all the amounts for the different elements, add them together to obtain the **total annual cost** for the management of the stock. You can then use the table to calculate the **monthly cost** by dividing the annual cost by 12. You are now ready to calculate the cost per square metre.

Step 3: Calculating management and administration cost per square metre of all units

You now take the total monthly costs and divide it by the total number of square metre of **all lettable units** on the project. This will give you the monthly average cost per square metre.

Example: I'KHAYA Project

- Project total monthly management cost – R32,500
- Total area of lettable units – 3560 square metres
- Total cost of annual average rental per square metre – $390,000/3560 = \mathbf{R109.55}$ per annum and **R9.13 per square metre per month.**

HELP BOX

Rental elements

The elements that make up the administrative, management and bad debt costs that need inclusion in the rentals are shown in the table below. You can use this table as a template on which to do your rental calculations for particular projects.

Rental elements	Costs		
	Annual (researched estimated costs)	Monthly (annual costs/12)	Monthly per m ² (monthly costs / total m ² of units in project)
Management costs			
Municipal rates			
Municipal service charges			
Utility charges			
Insurance			
Reactive maintenance			
Planned maintenance			
Caretaking and cleaning			
Security			
Administrative costs			
Staff costs			
Office costs			
Transport costs			
Legal costs			
Consultant costs			
Bad debt			
Non-payment of rentals			
Empty flats			
TOTAL			

Step 4: Allocate rental to each unit on basis of cost per square metre

Take the square metre size of each unit and multiply it by the cost per square metre. This will give you the **base annual rental** per unit. Divide this by 12 and you will have the monthly rental per unit.

Example: I'KHAYA Project

- **Rooms shared communal facilities** – $16\text{m}^2 = 16 \times 9.13 = \text{R146 per month}$
- **Bedsits** – $20\text{m}^2 = 20 \times 9.13 = \text{R182.58 per month}$
- **1 bedroom units** – $35\text{m}^2 = 35 \times 9.13 = \text{R319.55 per month}$
- **2 bedroom units** – $45\text{m}^2 = 45 \times 9.13 = \text{R410.85 per month}$
- **3 bedroom units** – $50\text{m}^2 = 50 \times 9.13 = \text{R456.50 per month}$

Step 5: Make any adjustments for particular categories of units

You might decide that there are justifiable reasons to vary the rental cost on a particular category of units. A clear example would be on units with shared ablution or communal facilities. You might wish to make these lower than the square metre cost. You then need to determine this variation. However if you do this you will need to ensure that you increase the levels on other units, otherwise you will not recover all your costs.

Example: I'KHAYA Project

Key stakeholders on the project agreed that they wanted to reduce the monthly rentals on the shared units by R10 per month: $\text{R10} \times 10 = \text{R100}$ for all these units. This R100 needed to be spread across the other units on a m² basis so the amount added to the rentals on these units - $\text{R100} / 3400 = \text{29c per m}^2 \text{ per month}$

(Please note that if there are no adjustments agreed then the final rentals will remain as in Step 4.)

Step 6: Finalise rentals on each unit

You are now ready to finalise the rentals and make sure that you have the agreement of the key stakeholders. However, no stakeholder should insist that you set rentals below the recovery of administration and management costs. If they do, and you agree, then you are working outside of CRU policy guidelines and the project is likely to fail.

Example: I'KHAYA Project

With the adjustments the following rentals were set:

- **Rooms with shared communal facilities** – $\text{R146} - \text{R10} = \text{R136 per month}$
- **Bedsits** – $\text{R182.58} + (20 \times \text{R0.23}) = \text{R187.18 per month}$
- **1 bedroom units** – $319.55 + (35 \times \text{R0.23}) = \text{R327.60 per month}$
- **2 bedroom units** – $410.85 + (45 \times \text{R0.23}) = \text{R421.20 per month}$
- **3 bedroom units** – $456.50 + (50 \times \text{R0.23}) = \text{R468.00 per month}$

Step 7: Prepare presentation on rent-setting approach

Now you can prepare a presentation that shows how and why you set the rentals that you did. This should include an explanation of all cost elements and how much each contributes to the final rental. You can show a presentation of this kind to the prospective tenants and other key stakeholders so that they understand the costs that make the set rental necessary. Make it a simple but transparent presentation.

INFO BOX**Indigency benefits for CRU tenants**

Some tenants of CRU stock might be entitled to indigency benefits from the municipality. This can help them afford their rentals. Policies on who qualifies, how much they receive, and in what form these benefits are paid vary from municipality to municipality.

The management entity should consult the municipality on how it can maximise the impact of indigency benefits to its tenants within the indigency policy of the municipality. It should ensure that the tenant uses this benefit effectively to help meet her or his housing rental costs.

3.2.2 Dealing with annual increases in rental

The cost of provision of services will increase every year as the cost of inputs increases, e.g. salary increases, cost of phone calls and electricity charges. It is important that the rental levels track these changes. If they do not you will under-collect and your costs will exceed the income available from rentals.

It is important that tenants understand from the beginning that there are annual rent increases. These should be calculated against the increase in the cost of providing the service. Tenants should be informed in writing of the intended increase at least two months before it is implemented.

It is important to keep such increases as low as possible so as not to affect affordability in the target group.

3.2.3 Controlling and reducing administration and management costs

There are some things that the management agent can do to reduce or better control costs and increase the tenants' capacity to pay including:

- Municipalities should look to reduced rates or no rates on this public stock where possible to facilitate affordability for the target market
- Electricity on individual units should be collected through the installation of pre-paid meters. Common area electricity costs should be included in the operating budget and therefore captured in the rental.

- Water usage to individual units will be controlled through flow meters installed on each unit. The cost of water usage in common areas should be included in the operating budget and therefore recovered from the rentals.
- Ensure that tenants eligible for means-tested indigency benefits apply for these.

3.2.4 Operational subsidy and indigency

Given that lower-income groups will be occupying the housing stock, situations will arise where some rent relief assistance may have to be provided by the property owner to the tenants. It is important to ensure that tenants in such stock are also eligible for indigency relief as defined within the municipal indigency policy. It should also be ensured that if there are any rebates on charges as part of the indigency policy, that these are applicable to each of the units under rental, and not merely the block as a whole. The basis of any rates, utilities and/or the rent relief assistance must be outlined in local provincial or municipal policy, and the funding implications agreed by the municipality, before the relief is offered to the tenants.

Some tenants may qualify for indigent subsidies. These subsidies can be applied by reducing the rentals or by a direct transfer payment to the tenant's account.

INFO BOX

Subsidies for the costs of management of stock

The CRU grant only covers the subsidy on the capital development of stock. There is no explicit subsidy that assists with covering the management of the stock and tenancies except for **the once-off planned maintenance grant after five years**. This is dependent on a proven record of proper management of the stock during the five-year period.

Any other subsidy on the management of the stock must come from other sources, e.g. the municipality. Where such a subsidy is available it must be explicitly agreed and the source shown and verified, preferably with written agreements when preparing the ECR rentals.

Any loose and/or unguaranteed assumptions about possible subsidy can result in financial shortfalls and the failure of projects. If there is no agreed additional subsidy then all costs must be included in the ECR rentals.

Documents and templates

No. on web	Document/template	Description
B4.13	CRU - Preparation of Economic Cost Recovery (ECR) Rentals on CRU Projects	CRU - Preparation of Economic Cost Recovery (ECR) Rentals on CRU Projects
B4.16	Financial Drawdown Milestones for CRU Projects	Defines the key milestones for the release CRU grant financing through the different phases of the CRU process.
D.18	Social Housing Finance Review 3: Rent Setting	Approach to setting of rental for SH but with lessons for CRU stock.
F.8	Guidelines for making Social Housing affordable	Guidelines that can help in ensuring that costs linked to rentals are managed effectively.
F.16	Finance Review 7: Financial Risks in SH Projects	Understanding the management of financial risk in social housing that has some applicability on CRU projects.
F.17	Guidelines: Managing municipal and utility accounts	Explains best approaches to the management of utility accounts that can help make CRU and social housing rental more affordable to low income households.

CHALLENGE BOX

Following the process – is it worth it?

Often when people are responsible for spending government money they are willing to take short cuts without proper regard for the medium-term effect or impact of the spend. This can often result in the wasting of money required for the developmental needs of the country.

CRU is an important but complex programme that requires tight management. It is necessary to follow the full process and not only concentrate on the narrow concern to spend on the physical development.

So the challenge is this: how do government officials efficiently carry out all the necessary preparations, and exercise control, and still realise the sustainable rental projects that can make a difference to the lives of low-income households in South Africa?

This Toolkit can help, but the real potential for success resides in the knowledge, commitment and focus of those responsible for delivering the CRU Programme. Proper capacity development along with the use of this Toolkit as a source is very important.

When the rollout of the CRU Programme is efficient and effective it will help provide more housing choices for low-income households.

Appendix : List of relevant documents and templates

Accessing documents and templates

All the documents listed in Sections B - K are available on this disk. To access them all you need do is click on the title and you will be hyperlinked to the document, tool or template.

Section A consists of relevant Toolkits and Guides too large to hold on the disk. You can access these through the SHF website www.shf.org.za/.

Cat no.	Doc no	Documents, templates and tools	Year	Programme
TK		Toolkits and guides (These are on the SHF website and not on CRU Toolkit Disk)		
TK	1	Social Housing Toolkit vs. 3 April 2010	2010	SH
TK	2	Social Housing Operations Manual	2004	GEN
TK	3	Social Housing Operations Manual Policies, Docs and Forms only on CD	2005	GEN
TK	4	CRU Toolkit	2010	CRU
TK	5	Public Sector Rental Housing Toolkit	2010	GEN
TK	6	Municipal SH Toolkit for the development of a Municipal Policy SALGA Toolkit	2008	SH
B		Programme development and management		
B1		Programme Delivery Chains		
B1	1	CRU Implementation Delivery Chain	2008	CRU
B1	2	Presentation: What is CRU Process for Planning and Implementation	2007	CRU
B1	3	Presentation: Financing Approach to CRU Projects	2007	CRU
B2		Institutional Structuring		
B2	1	TOR For Rental PSC	2008	GEN
B2	2	WC CRU Process and Procedures - CRU Programme	2009	GEN
B2	3	SMART Partner Arrangements between Municipalities and SHI's	2008	GEN
B3		Programme Preparation		
B3	1	CRU - Municipal CRU Database	2008	CRU
B3	2	Land Guide: Identification, allocation and release	2009	SH
B3	3	CRU - Provincial Strategy Format	2008	CRU
B3	4	CRU - Municipal Strategy Format	2008	CRU
B3	5	CRU- Project Pipeline Application	2008	CRU
B3	6	CRU - Provincial Pipeline Projects – 5 Year Plan (Template)	2008	CRU
B3	7	CRU - Criteria for prioritisation of pipeline projects	2008	CRU
B3	8	CRU - Project Pipeline Monitoring Template	2008	CRU
B3	9	Provincial Summary by Municipality Housing Assets	2008	CRU
B4		Project Planning and Delivery Project		
B4	1	CRU -TOR: Expression of Interest for Project Planning and Feasibility Study	2009	CRU
B4	2	CRU - Project Assessment Criteria Template	2009	CRU
B4	3	CRU - Criteria for Assessing Feasibilities	2008	CRU
B4	4	CRU - Programme Contract Template for Project Planning and Feasibilities	2008	CRU
B4	5	CRU – Project Contract Template for Project Planning and Feasibilities	2008	CRU
B4	6	CRU - Project assessment criteria template.xls		
B4	7	CRU - Provincial Agreement to Proceed to Detailed Design	2009	CRU
B4	8	CRU - Provincial Monitoring format - progress with project delivery	2008	CRU

Cat no.	Doc no	Documents, templates and tools	Year	Programme
B		Programme development and management		
B4	9	CRU - Application: Management Capacity for Existing and Proposed CRU Stock	2008	CRU
B4	10	CRU - Approach to Assessing setting Up Management of Stock	2008	CRU
B4	11	CRU - Provincial Monitoring of Management of CRU Rental Stock	2009	CRU
B4	12	Criteria for Assessing CRU Stock Management	2009	CRU
B4	13	CRU - Preparation of Economic Cost Recovery (ECR) Rentals on CRU Projects	2009	CRU
B4	14	CRU - Guidelines for Dealing with Community Consultation In CRU	2008	CRU
B4	15	CRU - Guidelines for approach to regularisation, decanting and long term re-housing.	2008	CRU
B4	16	Financial Drawdown Milestones for CRU Projects	2008	CRU
B4	17	CRU - Public Sector M&E of Housing Management	2009	CRU
B4	18	CRU - Example of TOR for Project Management Team (PMT)	2008	CRU
B4	19	Quick Scan A	2009	SH
B4	20	Quick Scan B	2009	SH
B4	21	Quick Scan C	2009	SH
C		Client services management		
C	1	SH Institutions Operations Manual Ch1: Client Services Management	2004	GEN
C	2	Operational Process number 1: Marketing	2005	SH
C	3	Operational Process number 6: Client administration and servicing	2005	GEN
C	4	Lease Agreement - Social Housing	2004	SH
C	5	Social Housing Tenants Handbook	2010	GEN
C	6	Briefing Guidelines for Social Housing Tenants Surveys and how they are linked to Total Quality Management	2010	GEN
C	7	Dispute Resolution Guide	2010	GEN
		Asset management		
D		Property development		
D	1	Managing the Land and Housing Development Process, Guide for SHI managers	2005	GEN
D	2	Social Housing Institutions Operations Manual, part 2: Stock Development and Maintenance	2004	GEN
D	3	Guidelines: project financial viability studies for property development in the social housing sector		SH
D	4	Guidelines for social housing design (Greenfields)	2000	GEN
D	5	BP Guide of Design and planning for sust. SH schemes	2005	SH
D	6	Effective Property Mgt: Design by Employer method	2005	SH
D	7	Guide for Selecting Property Development Service Providers	2005	GEN
D	8	Guidelines: construction management good practice	2006	SH
D	9	Project Status Assessment Tool	2006	SH
D	10	Project Status Assessment Tool Complementary notes	2006	SH
D	11	Best Practice Guide Market assessment and product selection	2005	SH
D	11.1	BP Guidelines for procuring a market assessment report	2005	SH
D	11.2	Selecting a suitable product	2005	SH
D	12	Operational Process nr. 2: Acquiring stock	2005	SH
B3	2	Land Guide: identification, release and packaging (hyperlinks to B3:2)	2005	GEN
D	13	BP Guide Procuring and managing dev. Projects	2005	SH
D	13.1	Project Management Principles	2005	SH
D	13.2	Model construction agreements for SH dev. Projects	2005	SH
D	13.3	Professional Services contracts	2005	SH
D	13.4	The relationship between construction and maintenance	2005	SH
D	13.5	Principles of construction	2005	SH
D	14	User Guide Financial Appraisal Model for proj. viability	2005	SH

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Asset management				
D		Property development		
D	15	Self assessment property development questionnaire	2005	SH
D	16	Project financial viability guidelines	2005	SH
D	17	Social Housing Finance Review 3 2010: Rent Setting	2010	SH
E		Property maintenance		
E	1	Social Housing Institutions Operations Manual, part 2: Stock Development and Maintenance	2004	GEN
E	2	SA Rental Housing Manager 1: Building Condition Audit	2009	GEN
E	3	SA Rental Housing Manager 2: Asset Management	2009	GEN
E	4	Best Practice Guide: Procurement of Maintenance Service Providers	2005	GEN
E	5	Best Practice Guide: Contract Management of Maintenance Service Providers	2005	GEN
E	6	Service Supply Costing Guide for SHI's	2005	GEN
E	7	Deferred Maintenance Manual	2006	GEN
Support services				
F		Financial management		
F	1	SHIs Operations Manual Part 3: Financial Management	2004	GEN
F	2	Operational process nr 3: Practical day to day financial control	2005	GEN
F	3	Operational process nr 4: Rental administration	2005	GEN
F	4	Social Housing Finance Review 1: Outcomes of the ISHP3 process, discussion of the KPI's	2010	SH
F	5	Social Housing Finance Review 2: The impact of New Financial Legislation on SH Finance	2010	SH
F	6	Social Housing Finance Review 3: Rent Setting	2010	SH
F	7	Social Housing Finance Review 4: Property Taxes	2010	GEN
F	8	Guidelines for making Social Housing affordable	2009	SH
F	9	Financial Drawdown Milestones for CRU Projects	2009	CRU
F	10	Finance Review 1: Organizational equity	2005	SH
F	11	Finance Review 2: The impact of transformation charters	2005	SH
F	12	Finance Review 3: Financial Viability in SH projects	2005	SH
F	13	Finance Review 4: Project loans in SH projects	2006	SH
F	14	Finance Review 5: Financial Sustainability in SH	2006	GEN
F	15	Finance Review 6: The National Credit Act and SH	2007	GEN
F	16	Finance Review 7: Financial Risks in SH Projects	2007	GEN
F	17	Guidelines: managing municipal and utility accounts	2009	GEN
G		Internal management		
		F1 Organizational Strategy and Business Planning		GEN
G1		Business Plan Guide and Framework		GEN
G1	1	Participants Manual for Business Planning	2005	GEN
G1	2	Business Planning Toolkit	2005	GEN
G1	3	Organizational Strategy Presentation Slides	2005	GEN
G1	4	Asset Management Strategy	2005	GEN
G1	5	Guidelines: business planning for social housing institutions	2005	SH
G2		Process and Procedures		
G2	1	Guidelines for the development of SH processes and procedures	2004	GEN
G2	2	Social Housing Operations Manual Chapter 4: Internal Management	2004	GEN
G2	3	Guidelines: introduction to business processes in social housing institutions	2004	GEN

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G		Internal management		
G3		Risk Management		
G3	1	Risk Management Guide	2004	GEN
G3	2	Risk Management Instructions	2004	GEN
G3	3	Risk Management Model	2004	SH
G3	4	CRU: Managing Risk In CRU Projects	2009	CRU
G4		Human Resource Management		
G4	1	Social Housing Institutions Human Resources Manual	2005	SH
H		Governance		
I		General policy and legislation		
I	1	Social Housing Trend publications: City of Cape Town	2010	SH
I	2	Social Housing Trend publications: City of Johannesburg	2010	SH
I	3	Reference Guide: legislative and regulatory environment affecting social housing in South Africa	2010	GEN
I	4	Discussion Paper & Guide on Mixed Tenure (Rental and Ownership) in SH Developments	2010	GEN
I	5	Small scale private rental : strategy for increasing supply of small scale private rental in SA	2010	PVT
I	6	Small Scale Landlords: Research Report	2006	PVT
I	6.1	Small scale landlords: Research Findings and Recommendations	2006	PVT
I	6.2	Resource Report 1 : literature review of small-scale landlords	2006	PVT
I	6.3	Resource Report 2 : Financial needs & products available	2006	PVT
I	6.4	Resource Report 3 : Entrepreneurship, housing and housing finance	2006	PVT
I	6.5	Resource Report 4: Literature review on home-based entrepreneurs	2006	PVT
I	6.6	Resource Report 5: Research into landlords and inner cities	2006	PVT
I	6.7	Resource Report 6: Research into landlords and townships	2006	PVT
I	7	Affordable rental housing in SA : the role of the private and public sector	2005	GEN
I	8	Position Paper: Public housing stock: working towards solutions 2005	2005	CRU
I	9	Preliminary Development of a Capacity Building Framework for the South African Social Housing Sector	2005	SH
I	10	Cost Benefit Analysis: RDP vs. Social Rental Housing (Main Report)	2009	GEN
I	11	Cost Benefit Analysis: Think Piece 1: Location & Density	2009	GEN
I	12	Cost Benefit Analysis: Think Piece 2: Housing as a public social asset	2009	GEN
I	13	Cost Benefit Analysis: Think Piece 3:Fiscal Implications	2009	GEN
I	14	Cost Benefit Analysis: Think Piece 4: Social Indicators	2009	GEN
I	15	Shack Rentals in South Africa	2009	PVT
I	16	Transformed Communities or Unmet Challenges?: Consolidated Report of Policy Lessons learned from six hostels redevelopment case studies	2008	GEN
I	17	Ensuring Readiness for Transfer of Municipal Housing Stock	2006	CRU
I	18	Guidelines: project financial viability studies for property development in the social housing sector	2006	SH
I	19	Exploring Transitional and Communal Housing	2004	GEN
I	20	Tenure Options for Social Housing Projects	2004	GEN
I	21	Evaluation of USN Co-operative Housing Models	2003	CO-OP
I	22	SA's Social Housing Institutions and HIV/AIDS	2002	GEN
I	23	Utilities Report: Municipal charges and the impact on affordability of social housing rentals	2009	GEN
I	24	Report on Eviction in Private Sector Rental	2010	PVT

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J		Rental supply and demand		
J	1	Supply and Demand of Rental Accommodation in South Africa	2008	GEN
J	2	Supply and Demand of Rental Accommodation in Eastern Cape	2009	GEN
J	3	Supply and Demand of Rental Accommodation in Free State	2009	GEN
J	4	Supply and Demand of Rental Accommodation in Gauteng	2009	GEN
J	5	Supply and Demand of Rental Accommodation in KwaZulu Natal	2009	GEN
J	6	Supply and Demand of Rental Accommodation in Limpopo	2009	GEN
J	7	Supply and Demand of Rental Accommodation in Mpumalanga	2009	GEN
J	8	Supply and Demand of Rental Accommodation in Northern Cape	2009	GEN
J	9	Supply and Demand of Rental Accommodation in North West Province	2009	GEN
J	10	Supply and Demand of Rental Accommodation in Western Cape	2009	GEN
K		Project reviews		
K	1	Project Review Series: Consolidated report, policy lessons learned from Project Review Series	2010	GEN
K	2	Project Review Series: BG Alexander	2010	GEN
K	2	Project Review Series: Bothabela Village	2010	GEN
K	2	Project Review Series: Candella Road	2010	GEN
K	2	Project Review Series: Elangeni	2010	GEN
K	2	Project Review Series: Haven Hills	2010	GEN
K	2	Project Review Series: Hope City	2010	GEN
K	2	Project Review Series: Kwamashu	2010	GEN
K	2	Project Review Series: Minida Mansions	2010	GEN
K	2	Project Review Series: Newkirk	2010	GEN
K	2	Project Review Series: Signal Hill	2010	GEN
K	2	Project Review Series: Skyview	2010	GEN
K	2	Project Review Series: Uthingo	2010	GEN
K	3	Project Review Series: Moshoeshoe Village	2007	GEN
K	4	Project Review Series: New Europa House	2007	GEN
K	5	Project Review Series: Walter Sisulu Square Kliptown	2006	GEN
K	6	Project Review Series: Sakhasonke Village	2006	GEN
K	7	Project Review Series: N2 Gateway, Joe Slovo	2006	GEN
K	8	Project Review Series: Living Stones	2005	GEN
K	9	Project Review Series: Royal Maitland	2005	GEN
K	10	Project Review Series: Troyeville	2005	GEN
K	11	Project Review Series: Amalinda	2005	GEN
K	12	Project Review Series: Dibanisa Lintsapho Hostels to homes	2005	GEN
K	13	Project Review Series: Brickfields, Legae	2005	GEN
K	14	Project Review Series: Shayamoya(PRS)	2002	GEN



Ground floor, Milner Place, 32 Princess of Wales Terrace Parktown, Johannesburg
Postnet Suite 240, Private Bag X30500, Houghton, 2041
Tel. (011) 274-6200 Fax. (011) 642-2808
www.shf.org.za