



# **KZN Housing**

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## **POLICY GUIDELINE FOR PROJECT APPROVAL AND NHBRC ENROLMENT PROCEDURE**

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## **1. INTRODUCTION**

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### **1.1 BACKGROUND**

Since the implementation of the National Home Builder's Registration Council (NHBRC) warranty scheme in 2002, developers have circumvented the requirement to enrol housing projects with the NHBRC for various reasons. This has led to a compromised quality of houses being delivered. There was also uncertainty about the stages and number of enrolments required as well as retrospective enrolments. There is presently no formalised procedure to address these issues.

The warranty scheme of the NHBRC in respect of the subsidised housing market was implemented by the National Department of Housing with effect from 1<sup>st</sup> April 2002 to Greenfield housing projects only. In September 2005, the warranty scheme was extended to cover the following subsidy programmes:

- Greenfield Project Linked Subsidy projects;
- Consolidation Subsidy projects;
- Relocation Subsidy projects; and
- People's Housing Process, but only up to project enrolment stage

The exclusion of certain programmes such as rural, provided the basis for different approval processes to be implemented e.g. Project Linked Subsidy projects required Conditional Approval to enable In-Principle enrolment with the NHBRC while in the case of Rural Projects, Conditional approval was not compulsory but combined with Stage 1 approval.

NHBRC enrolment has now been extended to all subsidy instruments (including rural, PHP, institutional (including social housing and other rental schemes) where new units are being constructed. Furthermore, in terms of Section 2 of the Housing Consumer Protection Measures Amendment Act, Act 17 of 2007, all home builders must be registered with the NHBRC with the exception of a person who uses his or her own labour to build a home for his or her occupation if the home is part of an approved PHP Project. According to Section 4 of Housing Consumer Protection Measures Amendment Act, an owner builder may, in terms of Section 29, apply to the NHBRC for exemption from Sections 10 (registration) or 14 (enrolment). These amendments necessitated a review of current approval processes to include NHBRC enrolment and risk assessment requirements.

Documents relating to these processes, including the recommended procurement documents, can be found on the NHBRC website. At [www.nhbrc.org.za](http://www.nhbrc.org.za) under the tab "subsidy sector" then "technical documents".

## **1.2 PURPOSE**

These guidelines aim to create uniformity in the approval process of all projects and ensure that all housing programmes are enrolled with the NHBRC as required in terms of the BNG Strategy, to enhance the housing product by addressing the quality of housing delivered. It provides a mechanism for retrospective enrolment of projects as proposed in terms of Section 6 of the Housing Consumer Protection Measures Amendment Act, Act 17 of 2007.

## **1.3 GUIDING PRINCIPLES**

Risk assessment must be undertaken irrespective of the subsidy instrument used. Practice has demonstrated that proper upfront risk management in the preplanning and packaging stage reduce the number of blocked and/or slow moving projects in the implementation stage. This reduces wasteful and fruitless expenditure in having to address critical issues that should have been identified upfront.

Risk assessment should be phased to be cost effective, hence, the first risk assessment should comprise of a desktop exercise which includes review of existing documents, plans, reports and site walkover (scoping) to verify development potential. Projects should not proceed if risk cannot be adequately mitigated

There must be quality housing for all. The standard patent and latent defects warranty for house construction must be included in all sale agreements and “happy letters”.

All housing development must ensure sustainable human settlement.

Effective and efficient processes need to be adopted to ensure speedy delivery.

Compliance with legislation in terms of NHBRC enrolment and the comprehensive Plan for Housing Delivery is required.

All projects need to be enrolled prior to the construction of any house subsidized by government.

The new National Housing Code will provide a basis to these guidelines that will serve to steer the process in KwaZulu-Natal.

## 1.4 NHBRC APPLICABILITY

The NHBRC warranty currently extends to subsidy programmes as outlined in Table 1, below:

Table 1 : NHBRC Applicability

Subsidy Instrument	Extent of Enrolment	
	Project Enrolment	Home Enrolment
Project Linked Subsidy Projects	Yes	Yes
Relocation Subsidy Projects	Yes	Yes
Consolidation Subsidy Projects	No	Yes
People's Housing Process	Yes	Optional where the builder is the owner, as defined in terms of the Housing Consumer Protection Measures Amendment Act, 2007
Developer Driven Individual	Yes	Yes
Individual Subsidy(new development)	Yes	Yes
In-situ upgrade Projects	Yes	Yes
Rural Subsidy Projects	Yes	Yes
Institutional Subsidy Projects (new development)	Yes	Yes

## **2. PROJECT PROCESS**

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The project process is generally made up of 4 stages. Risk assessment is done in 2 stages. The first is the Project Description Stage (Conditional Approval) and the second is the Project Feasibility stage. The third stage of the project process is the Implementation stage. The final stage is concluded by the project close-out.

### **2.1 STAGE 1: PROJECT DESCRIPTION (PREPLANNING AND CONDITIONAL APPROVAL STAGE)**

#### **2.1.1 General Issues**

The project preparation starts at this stage where the project concept and estimated capital and operating budgets are determined, and preliminary risk assessments (desktop analysis) are done. Application can be made to the Department for Preparation Funding (copy of policy attached as Annexure 1), should financial assistance be required for in-depth analysis.

The key risks i.e. Land issues, geotechnical conditions, environmental conditions, social issues and bulk services must be identified and assessed to determine if the project is viable before submission for Stage 1 approval. If approval is granted, NHBRC in principle project enrolment must take place where applicable. In some cases, this may be combined with the project enrolment stage. Full project enrolment must take place prior to the construction of any house and/or the approval of the subsidy for top structure construction.

The level of detail required at the end of this process will vary depending on the nature of the project. For this reason it is strongly recommended that all authorities (including the NHBRC and Departmental representatives) be contacted upfront to ensure all requirements have been met, details of which are to be summarised in the submission to the decision makers of the Department. This should include the recommended stage for project and/or home enrolment, which should be done prior to the construction of houses.

PLEASE NOTE that :

- (1) The granting of “conditional approval” does not guarantee final approval of the project. No funds are committed. The budget is indicative only. The aim of granting approval at this stage is to acknowledge that the desktop work has been assessed and that it appears that the project could be supported subject to confirmation through more detailed analysis. In addition to this, obtaining existing technical reports (that serve as the basis for desktop analysis) can indicate some feasibility issues, e.g. historic geotechnical reports that might indicate high water tables, etc.

- (2) The Housing Code provides for actual expenses incurred in relation to the project description to be paid, once this stage is finalised. Consultants can be paid for the work done, irrespective of whether the project is approved or not. The critical determination is whether the work done was to the required standard. This would be determined by the scope of works. The Department and NHBRC have developed specifications to guide the nature and extent of work to be done, e.g. GHSF2 for geotechnical investigations; GHSF3 for town planning and land assessment work; and GHSF4 for Environmental assessments. These are attached for ease of reference as Annexures 2(a)-(c).

### 2.1.2 Exclusions

The Project Description stage is not applicable to Consolidation Subsidy Projects.

### 2.1.3 Rural (Informal Land Rights) Projects) and Insitu upgrades

The principles outlined above will also apply to rural (informal land rights projects). In past practice, the project description and feasibility stages were combined into one approval process, However, NHBRC enrolment was not required at that stage and services were not always provided. Under the new housing code, these projects are now subjected to home enrolment.

Similar risk assessment and processes are required as those outlined in 2.1.1 above, including the desktop analysis to be conducted

#### **The following should be noted:**

- (1) The geotechnical requirements for each project. The NHBRC should be contacted upfront to determine the exact requirements to avoid delays with home enrolment processes, and the agreed process should be documented.
- (2) Copies of the NHBRC checklists are attached as Annexures 3(a)-(c).
- (3) Environmental Impact Assessments are not automatically waived. Where infrastructure services such as roads are to be provided, the environmental impact would need to be assessed. Some rural areas are also within heritage sites or have historic importance which might have to be addressed. The Department responsible for Environmental Impact Assessments must be contacted upfront to assess the nature of the application required.

- (4) The assessment of bulk services must be done in the context of the nature and extent of services to be provided.

## **2.2 STAGE 2: PROJECT FEASIBILITY**

This stage involves more detailed work to address outstanding risks and to finalise the project concept, design and cost. More detailed reports are required in terms of the land, bulks, geotechnical conditions (including topography) environmental conditions and social issues, The specifications should be used to guide the minimum work required at this stage in respect of each of the key activities, see annexures 2(a)-(c). The more detailed Phase 1 Geotechnical report is required at this stage , and in the context of the variations in respect of rural and insitu upgrade projects, as outlined in 2.1.3, above, Note also that in most cases where consolidation subsidies are used, the Phase 1 geotechnical investigation might not be required.

The output documents for this stage substantially informs the approval processes in the implementation stage, e.g. development and town planning approvals.

Once these issues are clarified and evaluated then submission is made for final project approval. The project is approved in principle, based on a development programme and implementation phases are aligned to the subsidy applicable at the time. The first payment tranche amount for planning and design is aligned to the subsidy applicable at the time of signing the contract, whilst the balance is aligned to the prevailing subsidy applicable at the time of implementation.

The project agreement between the relevant parties is signed., NHBRC project enrolment should occur at this stage, alternatively, depending on the nature of the project, the project and home enrolment should occur prior to the approval of building plans by the relevant authority, and approval of funding for top structure construction.

## **2.3 STAGE 3: IMPLEMENTATION**

Project implementation begins after final project approval is granted, and typically construes three phases: Town Planning and Engineering Design; services construction; and house construction.

The preliminary and Phase 1 geotechnical reports prepared in the preplanning and feasibility stages will substantially inform the town planning and engineering designs. Whereas aspects such as strom water control impart on the NHBRC warranty, engineering designs and layouts should be done in consultation with the NHBRC.

In the case of rural projects (Informal Land Rights), the geotechnical requirements may be less stringent, depending on the densities and number of units to be constructed in any particular area. The NHBRC is in the process of reviewing the

geotechnical requirements in the context of rural (informal land rights) and would accept a minimum of eight (8) test pits per hectare of project house construction area for the Phase 1 geotechnical investigation. In the context of rural projects with dispersed targeted areas for house construction, the project house construction area is the total extent of the allocated piece of land, per household, upon which a house is to be constructed. More soil test pits may be required in areas with higher densities, such as Ingonyama Trust land in areas such as eThekweni. In other cases the number may be reduced depending on the nature of the project, and noting that this would draw on the professional integrity and indemnity of the geotechnical professional. The NHBRC should be contacted upfront to determine the exact requirements as far as trial pits are concerned to avoid delays with home enrolment processes.

During services infrastructure construction, site by site classification of geotechnical conditions are confirmed (thus concluding the Phase 2 geotechnical investigation report). The home enrolment application and approval of building plans must be submitted at the end of this stage, before top structure construction activities commence.

Warranty certificates will be released once the final quality check requirements in the house construction phase have been met.

## **2.4 STAGE 4 : CLOSE-OUT**

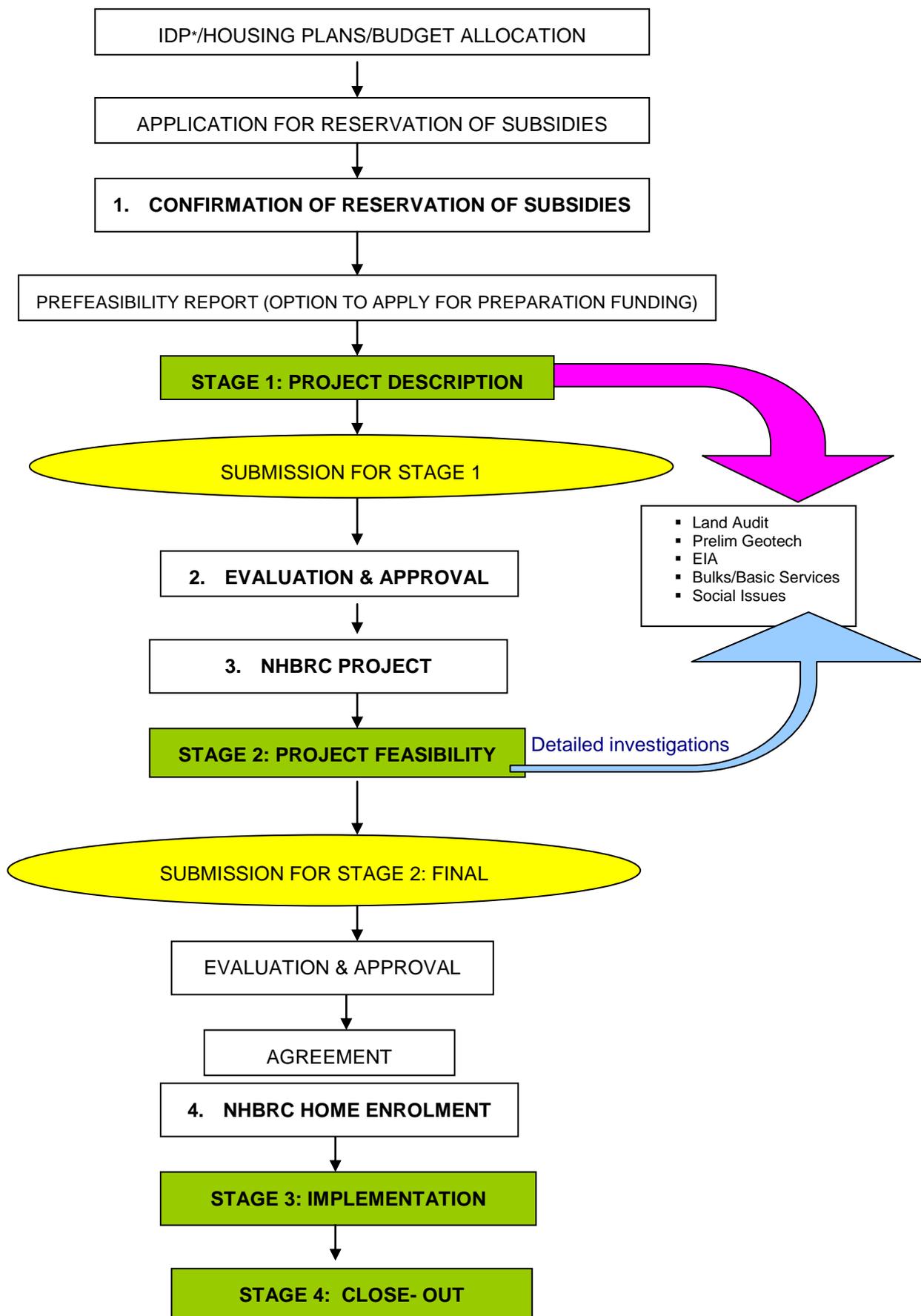
Project close-out is an ongoing administrative process during which compliance, variations and other key aspects are recorded. In the context of this document, it will also include verification that all reports have been received, payments have been made for work done (including NHBRC enrolment fees), and warranty certificates have been issued.

## **2.5 PROJECT APPROVAL AUTHORITY**

Applications for Preparation Funding and Stage 1: Project Description (conditional approval) requires the identification and assessment of key risks and has minimal financial implications hence approval should be dealt with administratively through submission to the General Manager: Project Management. Approvals granted by the General Manager: Project Management must be submitted to the MEC for noting on a quarterly basis.

All Stage 2: Project Feasibility/ final applications must be through submission to the MEC for approval.

**KWAZULU-NATAL DEPARTMENT OF HOUSING PROJECT PROCESS**



### **3. NHBRC ENROLMENT PROCEDURE**

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The 2 stages of enrolments must be undertaken by the developer and the Department of Housing must be simultaneously informed of this enrolment in writing to enable payment.

#### **3.1 Stage 1: Project enrolment:**

Applications must contain the following:

- ◆ Details of Developer and Developer's NHBRC Registration Number.
- ◆ Name of MEC.
- ◆ Unique KR approval number.
- ◆ A copy of the project descriptions including the preliminary geotechnical report.
- ◆ Schedule of proposed subsidy variations for project in the form of the subsidy variation formula for the project issued by the MEC.
- ◆ An indicative project programme.
- ◆ Proof of Scheduled payment to NHBRC.
- ◆ A copy of the feasibility report and all reports referenced in the feasibility report.
- ◆ Phase 1 geotechnical investigation

#### **3.2 Stage 2: Home enrolment:**

Applications must contain the following:

- ◆ NHBRC project enrolment number.
- ◆ MEC name and unique confirmed approval number.
- ◆ Developer name and NHBRC Registration Number.
- ◆ Project name, location and phase.
- ◆ Number of units covered by the application.
- ◆ Home enrolment report.
- ◆ Site details and erf numbers based on approved Surveyor General's Layout.
- ◆ Phasing details and estimated start and completion dates of each phase.
- ◆ Plot numbers with type of subsidy applying in each case.
- ◆ Names and NHBRC registration numbers of any subcontracting home builders to be used in the construction of specific homes and the erf numbers of the homes that they are to build.
- ◆ The names, ID details and experience of the project manager and key staff.
- ◆ Proof of Scheduled payment to NHBRC.
- ◆ Phase 2 geotechnical report

#### **3.3 RETROSPECTIVE ENROLMENTS**

Application of retrospective project enrolment for PHP and other projects for which enrolment had not occurred, should take place where no top structure is built, or less than 10% of the top structures are built and units are unoccupied.

## 4. APPLICATION

All new projects must follow the above procedure from date of approval of this policy and as summarised in the table below. New rural projects enrolling for Stage 1: Project enrolment, must in the interim be done in consultation with officials from the NHBRC who will deal with each project on its own merit until the appropriate procedure and documentation is designed and adopted for such projects.

Projects where feasibility or final approval has not been granted, rural projects that have completed stage 1 (tranche 1), or other projects where top structure construction has not commenced, should be considered in terms of Retrospective Enrolments.

Table 2 : Summary of Project packaging, geotechnical investigations and NHBRC enrolment

<b>Packaging stage</b>		<b>Geotechnical Investigation</b>		<b>PHD Payment milestones</b>	<b>NHBRC Enrolment</b>
Stage 1	Project Description	Prelim Geotech		Preparation funding	Project enrolment
Stage 2	Feasibility Stage	Prelim Geotech and Phase 1 Geotech			
Stage 3	Implementation	Townplanning and Engineering Design	Check design impact on warranty scheme	Tranche 1	
		Services construction	Phase 2 site specific classification	Tranche 2	
		House construction		Tranche 3	Home Enrolment Warranty certificates
Stage 4	Close-out	Compliance confirmation and change- and quality management records			

# ANNEXURE 1

## Preparation funding guidelines

# ANNEXURE 2

## Scope of Works for Project Packaging : Professionals

# ANNEXURE 3

## NHBRC Checklists