

## SUBMISSION

TO: THE PROVINCIAL HOUSING DEVELOPMENT BOARD OF KWAZULU-NATAL

SUBJECT: HOUSING PROJECTS PAYMENT SWOPS : ADDENDUM TO CONTRACTS

### 1. PURPOSE

To seek your approval on a policy amendment required in terms of the housing progress payment policy.

### 2. BACKGROUND

2.1 The policy indicates that there are 5 progress payments and these payments cannot be effected out of sequence.

2.2 Circumstances are such that in some housing projects there are land legal problems to the extent that the township registers cannot be opened in the time it takes the developer to complete the installation of the services (progress payment 3). He is then forced to halt the development in order to wait for the solving of the land legal problems in order to have a township register opened to enable him to pass transfer of the sites to the beneficiaries (progress payment 4).

2.3 This result is in a major financial loss for the developer, because he has to secure the services, protect the land from invasion and pay interest in bridging finance that is unutilised during this period.

2.4 The same circumstances prevail in the development of R293 towns where there is currently a dispute as to who should be paying rates, and until this matter has been resolved, no rates clearance certificates are issued and accordingly no transfers can be effected to the beneficiaries and the developer cannot proceed to build top structures because he cannot be paid for the top structures (P5) until he has effected the transfers (P4).

### 3. MOTIVATION

3.1 This process was discussed with the Auditor-General on 30 June 1999 and his comments are attached as Annexure A.

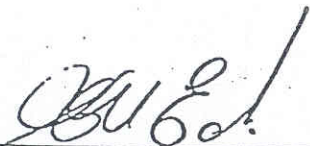
SUBJECT: HOUSING PROJECTS PAYMENT SWOPS: ADDENDUM TO CONTRACTS

Resolved :

*That housing projects subjected to these circumstances, and that are being developed on State land, be proceeded with in the following manner:*

- 1) *R500 per site be retained to complete the transfer process.*
  - 2) *An addendum be added to the project agreement (copy attached: Annexure B) whereby this arrangement is specified.*
  - 3) *The developer be allowed to proceed with the top structures and be paid the P5 milestone for the top structures.*
  - 4) *As soon as the problems are solved and the township registers are opened or the rates clearance certificates issued, the developer proceeds with the transfers and the process reverts to normal.*
  - 5) *If the problems are not solved before the developer has completed the top structures, he undertakes to effect the transfers when possible, which arrangement is safeguarded by the retention of R500 per site, which covers both the pre-conveyancing work as well as the registration in the Deeds office.*
  - 6) *If the developer does not meet his undertaking to effect the transfers after completion of the project, the Department completes the registration process. If the R500 per site proves to be more than what is required, the balance will be paid to the developer.*
- NB. *That the National Housing Department be notified of the process which has been endorsed by the Auditor General and approved by the PHDBKN, in respect of the P4 and P5 housing projects payment swops.*

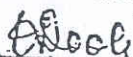
APPROVED



CHAIRMAN : PHDBKN

8.7.99

DATE

APPROVED / <del>AS AMENDED</del> / <del>NOT APPROVED</del>
ITEM Ad hoc OF THE ..... MEETING OF THE PROVINCIAL HOUSING BOARD OF KWAZULU-NATAL
Held ON 02/07/99
RESOLUTION No. K819990351




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APPROVED

  
CHAIRMAN : PHDBKN

8.7.99.  
DATE

APPROVED / AS AMENDED / NOT APPROVED
ITEM Ad hoc OF THE ..... MEETING OF THE PROVINCIAL HOUSING BOARD OF KWAZULU-NATAL
Held ON <u>08/07/99</u>
RESOLUTION No. <u>KR19990351</u>
