

Looking Ahead: The KwaZulu-Natal Rental Housing Strategic Plan 2012-2017



human settlements

Department:
Human Settlements
PROVINCE OF KWAZULU-NATAL

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QUERIES

Mr Robert Sibiya

Property Management Directorate: Social Housing and Institutional Management Unit

Tel: +27 31 336 5298

Fax: +27 31 336 5358

Email: ROBERT.SIBIYA@kzndhs.gov.za

Website: www.kznhousing.gov.za



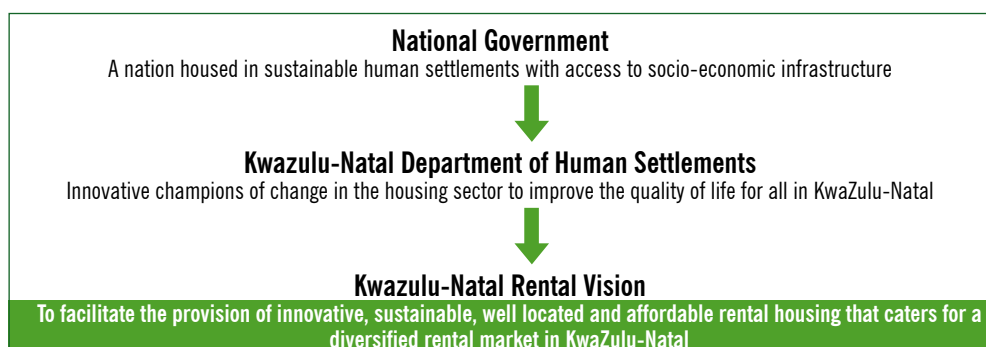
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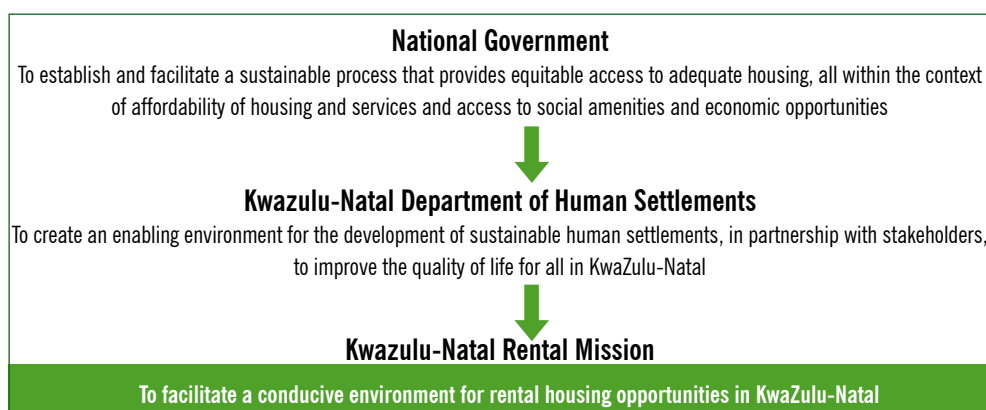
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Guiding principles for the KwaZulu-Natal Rental Housing Strategic Plan

Our vision



Our mission



Based on our vision and mission, the goal of the KwaZulu-Natal Rental Strategic Plan is to act as a guide to prioritise interventions in the rental housing sector and, in this way, to strengthen the provincial government's ability to deliver.

Our guiding principles

The KwaZulu-Natal Department of Human Settlements (DoHS) Strategic Plan 2011\12 to 2015\16 has identified six guiding principles for housing which are in line with the Constitution and national legislation, policy and mandates. These are –

- equitable access or equity
- adequate housing
- provision of housing which is integrated
- “sustainable” housing provision
- subsidy assistance directed at targeted groups
- efficient and effective management of housing assets.

DoHS has also identified the following Guiding Principles for the Rental Housing Strategy to –

- extend the range of affordable tenure and housing choice to low and moderate income households
- promote and encourage the rental tenure option as a critical provider of accommodation
- assist the economic and racial integration of our cities and urban spaces to assist the previously disadvantaged to gain access to socio-economic resources available in these areas
- ensure that targeted investment is used in producing well located and good quality human settlements
- use government investment to maximise the mobilising of private financing within the sector
- develop strong partnerships between government, not-for-profit and private-for-profit sectors in the delivery of rental stock and its long-term sustainable management of the stock and tenancies
- ensure strong and cohesive cooperation between the different spheres of government, in guiding and supporting the implementation of the Provincial Rental Housing Strategy.

Foreword by the KwaZulu-Natal MEC for Human Settlements



Mr R.R. Pillay
Hon. MEC: Human Settlement &
Public Works

The *KwaZulu-Natal Rental Housing Strategic Plan 2012-2017* is an important milestone toward our Constitutional mandate to ensure that everyone has access to adequate housing. This Plan gives us a path to travel to ensure that the rental need of our people is met by the provision of affordable, decent and well-located rental accommodation.

We are very aware that as a Department we cannot embark on this journey alone. Therefore, a key theme that permeates this Plan is partnership – with municipalities, delivery agents, managing agents, developers and other rental housing service providers. We will not be able to achieve this Plan if we do not actively engage with rental housing stakeholders to increase our rental housing unit numbers. As a Department, we are committed to the implementation of this Plan to ensure that our people are adequately housed.

This Plan also places emphasis on innovative technology, an avenue that is important to pursue as shown by the various degrees of success of international and national models. However, we must acknowledge that our institutional and rental management capacity needs to be strengthened to ensure that we can effectively lead, collect rentals and conduct regular property maintenance.

Moving forward, we have a comprehensive one-year Operational Plan that will concretise and lay the foundation for our commitment to the Rental Housing Programme and our delivery targets. Further, we are establishing a dedicated rental housing unit that will ensure that our strategic goals are met successfully.

Just as every journey has its successes and stumbling blocks, we envisage that this path will also have its share of challenges and successes. This said, however, we remain steadfast in our goal to increase our rental housing units in the Province.

Message from HOD of the KwaZulu-Natal Department of Human Settlements



Mr M.O.S. Zungu
Act. Head of Department KZN
Human Settlements

The development and implementation of the *KwaZulu-Natal Rental Housing Strategic Plan 2012-2017* is premised on national and international trends towards providing affordable rental housing in well-located areas. More importantly, the preliminary research evidenced in this Plan highlights the demand for rental housing in the Province. The KwaZulu-Natal Department of Human Settlements faces a myriad of housing need challenges that span social, economic and environmental aspects in the provision of affordable and decent accommodation. It is envisaged that this Plan will assist in addressing the ever-increasing demand for rental housing.

It should also be noted that the successful implementation of the Strategic Plan will be a collaborative endeavour, where the Department will actively seek and encourage partnerships with municipalities, delivery agents and the private sector. Moreover, the Department places great emphasis on innovative technology mechanisms to ensure that the Rental Housing Strategic Plan delivers on its Vision and Mission.

The Rental Housing Strategic Plan is a benchmark document for KwaZulu-Natal: it provides the Department with a clear path for achieving the rental targets as set out in Outcome 8. The Plan succinctly provides a demand and supply assessment of the environment. It details the internal capacity needs and proposes mechanisms for engagement with the Rental Housing stakeholders. Furthermore, it sets out the 5 Year Project pipeline as well as the Innovative Technology Project pipeline.

The Plan is a steadfast commitment from the Department to facilitate the provision of innovative, sustainable, well-located and affordable rental housing that meets the needs of a diversified rental market in KwaZulu-Natal.

Looking ahead, the successful implementation of the Rental Housing Strategic Plan will contribute significantly to building sustainable human settlements in KwaZulu-Natal. It is our commitment and investment in the future.

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Acronyms

CAGR	Compound Annual Growth Rate
CRU	Community Residential Units
EEDBS	Enhanced Extended Discount Benefit Scheme
FMHC	First Metro Housing Company
GVA	Gross Value Added
HDA	Housing Development Agency
HoD	Head of Department
KZN	KwaZulu-Natal
KZN DoHS	KwaZulu-Natal Department of Human Settlements
MEC	Member of Executive Committee
MHA	Msunduzi Housing Association
MOU	Memorandum of Understanding
MHDP	Multi-year Housing Development Plans
MTEF	Medium-term Expenditure Framework
NASHO	National Association of Social Housing Organisations
NDoHS	National Department of Human Settlements
NHFC	National Housing Finance Corporation
PGDS	Provincial Growth and Development Strategy
PRZs	Provisional Restructuring Zones
PSC	Provincial Steering Committee
PSEDS	Provincial Spatial Economic Development Strategy
RCG	Restructuring Capital Grant
SHRA	Social Housing Regulatory Authority
SHI	Social Housing Institution
SHF	Social Housing Foundation
SLA	Service Level Agreement
SOHCO	Social Housing Company
TUHF	Trust for Urban Housing Finance

Executive summary

Our Rental Housing Strategic Plan 2012-2017 – also referred to in this report as the Rental Housing Strategy – draws on the National Rental Housing Strategy (of which Social Housing, Community Residential Units and Institutional Subsidy programmes are essential components) as well as on a comprehensive analysis of the needs of the province, particularly for households in the rental market that earn less than R7 500 per month. Households in this income category have a dire need for affordable and adequate (decent) rental housing located in areas that have access to socio-economic opportunities and amenities. The KwaZulu-Natal DoHS has developed the strategy as a plan and a guide for prioritising interventions in the sector. It is anticipated that the implementation of this strategy will strengthen our province's ability to deliver on rental housing.

Firstly, informed by the national and provincial policy and legislative context, the Rental Housing Strategy identifies the rental housing imperatives in KwaZulu-Natal. It includes an analysis of the demand for rental housing in towns in KwaZulu-Natal and also the supply response in these areas.

The identification and allocation of suitable parcels of land – Provisional Restructuring Zones (PRZs) – for the implementation of the rental housing programme in the province has led to the selection of the following Leader Towns to be prioritised for the Rental Housing Strategy: Emnambithi (Ladysmith), Newcastle, Kokstad, Hibiscus Coast, Msunduzi, eThekweni Metro, Kwa-Dukuza and uMhlatuze. These towns will be the first to take the KwaZulu-Natal Rental Housing Strategy forward; furthermore, those municipalities not included in the Rental Housing Strategy will be re-evaluated in the future for possible inclusion in rental housing programmes. A detailed analysis of the profile of demand and supply imperatives established the feasibility of rolling out the strategy in these Leader Towns.

Secondly, the Rental Housing Strategy outlines the roll-out of rental housing projects – both Social Housing and Community Residential Units – specifying the municipalities in which projects are located, project names, the typology of the projects and the number of units being built. Those projects that can make use of innovative new technologies in the near future are also outlined. It envisages that the Province champion this process and packages the projects; however, Province will need to facilitate and manage the process of engagement with suppliers of this technology.

Thirdly, the rental strategy reviews –

- the capacity of the delivery agents (municipalities and management agencies) to deliver on the rental housing programme;
- the mandates that guide the role played by provincial government, local government and key stakeholders such as SHIs; and
- the institutional arrangements under which rental housing currently falls.

The role and capacity of the private sector – both formal and informal – is also considered as a potential delivery agent. This forward-looking plan envisions a range of structured partnerships that include local government and also the private sector, formal and informal. To consolidate these partnerships, MOUs and formal agreements need to be signed.

The strengthening of Departmental capacity is paramount to the successful implementation of the strategy. To support the mandates of key stakeholders and the strategy itself, a dedicated Rental Housing Unit/Department capacitated with skilled personnel needs to be established. Further, a clear provincial policy needs to be developed to guide municipalities and to provide for the implementation and long-term monitoring and evaluation of established contracts.

Fourthly, the strategic direction of the strategy is clearly set out. While the KwaZulu-Natal provincial government is the key driver for the delivery of rental housing in the province, it is the Rental Housing Strategy that establishes its broad policies, priorities and strategic goals, as well as the challenges and concomitant opportunities that exist in terms of implementing rental programmes.

The overarching goal of the KwaZulu-Natal DoHS is –

- to create a suitably structured and capacitated organisational response to rental housing;
- to boost the supply of targeted, state-funded rental housing;
- to boost the supply of private sector rental housing for the lower income market; and
- to create viable property management capacity, arrangements and systems.

What emerges is that for the directives of the Strategic Plan 2012/2013-2015/2016 and the Rental Housing Strategy to be realised, the Provincial rental housing policy environment needs to be developed. The primary challenge for successful and sustainable implementation of the Rental Housing Strategic Plan lies in developing a targeted strategy that improves the regional policy environment, including a preferential land release policy and structured relationships with Social Housing Institutions and other delivery agents. Further, policy consideration should be given to the use of public land and building assets.

In sum, then, through an in-depth and comprehensive analysis of multiple factors (including the policy and legislative environment, government mandates and obligations, a detailed demand and supply analysis of the rental housing sector and a stakeholder and internal environment analysis), the strategic plan has laid a solid foundation for achieving the Department's rental housing vision and mission. The drawing together of all these various pieces of work has led to the development of rental housing priority areas of delivery in KwaZulu-Natal. These are outlined in the strategy, as well as considerations of the capital budget necessary to support both national and provincial rental visions – and affordable housing for all into the future.

1. Rental housing imperatives in Kwazulu-Natal



The KwaZulu-Natal Rental Housing Strategic Plan stems from South Africa's legislative and political commitment to improve the quality of life of all South Africans by providing adequate housing.

Based on national housing policy and the increasingly recognised role of rental housing in facilitating access to housing for those previously excluded, the KwaZulu-Natal Rental Housing Strategy draws on the National Rental Housing Strategy of which Social Housing and Community Residential Units (CRU) are essential components. The strategy is underpinned by the human, spatial and physical development values associated with government's policy focus on integrated human settlements.

1.1 The Leader Towns

Suitable parcels of land have been identified and allocated for the implementation of the rental housing programme in the province and this has led to the selection of Leader Towns in KwaZulu-Natal – these towns will be the first to take the KwaZulu-Natal Rental Housing Strategy forward. The following criteria were used to determine the selection of Leader Towns:

- demonstrated demand for rental housing in the town based on a demand study of the province (discussed in the next section of the report)
- towns' potential for economic growth
- whether towns were located near the Priority Development Nodes and Corridors identified by the Provincial Spatial Economic Development Strategy (PSEDS)¹
- whether towns were identified in the PSEDS as an area of high economic potential
- whether towns were identified in the Provincial Growth and Development Strategy (PGDS) as a Priority Intervention Area
- the potential land and projects identified for inclusion in the five-year project and land pipeline for social housing and CRU pipeline
- alignment with the initial priority areas identified by the KwaZulu-Natal DoHS based on its own research and internal processes.

The initial list of prioritised Leader Towns included:

- Umzimkhulu

¹ PSEDS focuses on strengthening urban and rural linkages through the identification of priority nodes and corridors to guide and focus government's social and economic development programmes.

- Emnambithi
- Newcastle
- Umtshezi
- Umvoti
- Kokstad
- Hibiscus Coast
- Msunduzi
- eThekweni Metro
- Kwa-Dukuza
- uMhlathuze.

However, after engaging with municipalities, provincial government and the demand study of the province, this list was revised. It became clear that the appetite for rental tenure in Umzimkhulu, Umtshezi and Umvoti is low, even though they have experienced the highest population growth over the last five years². Furthermore, although Umzimkhulu and Umvoti have the highest percentage of households earning less than R3 200 per month (88% and 75%, respectively) – suggesting a CRU or Institutional Subsidy intervention – these towns' growth rates have declined since 2008, indicating that they have not recovered sufficiently from the economic recession in 2008. The challenge of economic recovery will impact on levels of affordability, as well as on the ability of tenants to pay for rentals.

It is important to note that those municipalities not included in the Rental Housing Strategy will be re-evaluated in the future for possible inclusion into the rental housing programmes.

The finalised list of Leader Towns that will be prioritised in the Rental Housing Strategy include –

- Emnambithi
- Newcastle
- Kokstad
- Hibiscus Coast
- Msunduzi
- eThekweni Metro
- Kwa-Dukuza
- uMhlathuze.

² Evidence of this is presented in the demand study, discussed in the next section of the report.

Most Leader Towns do not have formal rental housing policies or property management processes within their housing chapters. This highlights the importance of prioritising the development of rental housing policies at municipal level.

1.2 Policy and legislative context

The Rental Housing Strategy draws on policy and legislation from all three spheres of government, with the aim of directing government resources towards facilitating the development of the housing sector to maximise benefit for low-income households in South Africa.

National policy and legislative context

Government's aim in facilitating access to housing in the country emphasises –

- the need to ensure that residential areas give people living there access to socio-economic opportunities and amenities
- that the quality of the housing provided makes for sustainable human settlements
- that, to achieve this, greater densification and economic and racial integration of our towns and cities is important
- that low and moderate-income households have greater choice of tenure types, including access to decent rental housing opportunities.



The key national rental housing policy and legislative imperatives are presented in the diagram below.

Figure 1: National policy and legislation

Rental Housing Specific	Rental Housing Impacts	Land and Housing Impacts
<ul style="list-style-type: none"> • Constitution of the the Repulic of South Africa, Act 108, 1996 • The Housing Act, Act 107, 1997 • Breaking New Ground, 2004 • Rental Housing Act, Act 50, 1999 • Rental Housing Amendments Act, Act 43, 2007 • Social Housing Act, Act 16, 2008 • The Prevention of Illegal Eviction Act and Occupation of Land Act, Act 19, 1998 • Community Residential Units Programme, 2008-2012 	<ul style="list-style-type: none"> • Division of Revenue Act, Act 16, 2004 • Prevention of Illegal Eviction Act • National Spatial Development Framework • Urban Development Framework • Framework for the Accrediation of Municipalities • Municipal Finance Management Act, Act 56, 2003 • Municipal Systems Act, Act 23, 2000 • Municipal Property Rates Act, Act 6, 2004 	<ul style="list-style-type: none"> • Development Facilitation Act, Act 67, 1995 • White Paper on Spatial Planning and Land Use Management, 2001 • Land Acquisition for Sustainable Settlements, July 2008 • Restitution of Land Right Act, Act 22, 1994 • The Land Reform Act, Act 3, 1996 • The Extension of Security of Tenure Act, Act 62, 1997 • Housing Development Agency Act, Act 23 2008 • Provision of Land and Assistance Act, Act 126, 1993

Government recognises the important role that rental housing plays and, therefore, the focus of national legislation, policy and strategy is towards alignment and enhancement of efforts in the rental housing sector. To ensure the fast tracking of rental housing delivery, national government has created an enabling environment directly involving all spheres of government through the following four national programmes:

- **Social Rental Housing** – Rental housing developed and managed mainly by not-for-profit Social Housing Institutions (SHIs) for households with monthly incomes between R1 500 and R7 500. These are to be developed in well-located parts of our towns and cities in designated Restructuring Zones (RZs).
- **Community Residential Housing (CRU)** – The development of new housing and the improvement of existing housing stock on government-owned land for rental to households in the income band R800 to R3 500.

- **Private Sector Rental Housing** – The strengthening and improving of the quality of housing provided by small-scale private landlords through backyard dwellings and subletting alternatives.
- **Institutional Subsidy** – Provides for affordable rental accommodation in areas outside Restructuring Zones.

Funding instruments for these three programmes, their income targets and purpose are described in Table 1.

Table 1: Funding instruments for national rental housing programmes

Programme	Income target	Funding instrument	Purpose
Social Housing	R1 500 – R7 500	Capital restructuring grant Restructure zones SHRA	<ul style="list-style-type: none"> • Funding • Spatial integration • Regulation
CRU	R800 – R3 500	CRU Grant Long-term maintenance grant	<ul style="list-style-type: none"> • Funding • Asset management
Institutional	R800 – R3 500	Institutional subsidy	<ul style="list-style-type: none"> • Funding

Table 2 provides the targets for delivery in the country as a whole, including those for KwaZulu-Natal. These are based on national government's Outcomes 8³ targets for rental housing delivery between 2011 and 2014.

Table 2: Targets per programme

Programmes	Target
Social Housing Programme	24 312 units
Community Residential Unit Programme	20 000 units
Institutional Subsidy Programme	8 487 units
Private Sector Rental Housing (including small-scale and larger corporate sector landlords)	26 600 units

³ In January 2012, the Government Cabinet Lekgotla adopted twelve delivery outcomes. The eighth outcome, 'Sustainable human settlements and improved quality of household life', mandates all Departments of Human Settlements, agencies and spheres of government to fulfil the delivery/outcome targets as set out in this section of the report.

Table 3: Social housing units per province

Province	Units				Total
	2010/11	2011/12	2012/13	2013/14	
Eastern Cape	307	1 171	885	1 043	3 406
Free State	0	130	300	300	730
Gauteng	2 261	2 331	2 807	2 542	9 941
KwaZulu-Natal	42	753	1 301	1 550	3 646
Limpopo	0	200	842	600	1 642
North West	0	0	250	250	500
Northern Cape	0	0	111	125	236
Western Cape	180	564	1 470	970	3 184
TOTAL	2 917	5 349	8 266	7 780	24 312

KwaZulu-Natal policy and legislative context

National legislation has created an enabling environment for rental housing delivery in the province. Furthermore, the National Rental Housing Strategy focuses specifically on the need for the development of a backyard-dwelling strategy. The KwaZulu-Natal provincial government has undertaken to facilitate the development of more than 15 000 rental units over the next five years.

The key policies and legislative imperatives for the provision of housing in Kwazulu-Natal are the:

- Strategic Plan 2011/12 to 2015/2016
- KwaZulu-Natal Planning and Development Act, 2008
- Policy on Transitional and Special Needs Housing, 2007.

The KwaZulu-Natal Housing Strategic Plan 2011/12 to 2015/2016 has prioritised the delivery of CRU and social housing. However, the primary challenge is developing a targeted strategy that improves the regional policy environment including a preferential land release policy and structured relationships with SHIs and other delivery agents. Further, policy consideration should be given to the use of public land and building assets.

With these challenges as a backdrop, the KwaZulu-Natal Rental Housing Strategy targets rental housing as a key priority, with special focus given to the development of backyard and small-scale landlord policy and strategy⁴.

⁴ Small-scale rental refers to existing backyard dwellings in established areas with services, for example, Wendy houses, converted garages, rooms for rent in existing houses, etc.

The following section discusses the profile of demand for rental housing in KwaZulu-Natal in detail.

1.3 Profile of demand

The KwaZulu-Natal Rental Housing Strategy has been closely informed by a profile of demand of the rental market in the province and is based on research conducted for the purposes of the Rental Housing Strategy. The data is derived from a variety of sources including the Census (2001), the Community Survey (2007), the General Household Survey (2007), the Labour Force Survey (2007) and the Income and Expenditure Survey (2005/6). These data sources do not focus exclusively on rental housing; rather, they cover a range of socio-economic indicators, household and population profile data that enable a characterisation of households in South Africa and their housing conditions more broadly.

The tables presented in the sections below provide a consolidated statistical review of the following key variables in the rental housing market in the province:

- profile of demand
- economic profile, and
- profile of rental affordability.

Profile of demand of initial Leader Towns

Table 4 demonstrates the profile of demand of the initial list of Leader Towns in KwaZulu-Natal including the growth in the percentage of households, the percentage of inadequately housed households in the province and the percentage of households currently renting.



Table 4: Profile of demand

Town	Population % growth (CAGR 2005-2010)	Household % growth (CAGR 2005-2010)	Households with migration in KZN	Households contains at least one person who moved from outside KZN	Distribution of households	Inadequately housed households	Tenure status (rented)
eThekweni Metro	1.6%	2.3%	23%	4%	833 859	36%	24%
Ladysmith	1.0%	-0.4%	21%	3%	50 259	49%	21%
Greater Kokstad	-1.3%	2.1%	15%	13%	14 321	38%	29%
Hibiscus Coast	0.7%	-1.0%	16%	7%	50 650	56%	17%
Kwa-Dukuza	0.8%	-0.4%	31%	6%	44 480	48%	23%
Msunduzi	1.5%	0.4%	21%	2%	134 390	34%	18%
Newcastle	0.2%	1.0%	16%	3%	77 786	35%	26%
uMhlathuze	1.9%	1.2%	23%	3%	81 005	49%	24%
Umtshezi	3.8%	0.5%	27%	2%	15 232	39%	19%
Umvoti	2.4%	1.4%	20%	2%	26 019	51%	17%
Umzimkhulu	3.5%	1.5%	6%	9%	43 545	81%	6%

The profile of demand highlights that these towns accounted for 57% of the population and 62% of households in KwaZulu-Natal in 2010. Further, Umtshezi and Umzimkhulu experienced the highest population growth over the last five years.

It is unclear whether migration within the province occurred between districts or local municipalities. However, the data highlights different patterns of movement across municipalities – Kwa-Dukuza, Umtshezi, uMhlathuze and eThekweni having the highest proportion of households with at least one individual who had moved within the province over the past five years. It appears that the Greater Kokstad Local Municipality contains the highest proportion of ‘migrant households’ from outside the province.

In line with its size, the eThekweni Metro contains the highest number of households who are inadequately housed. The Umzimkhulu and Hibiscus Coast Local Municipalities have the highest proportion of households who live in inadequate housing⁵.

⁵. Inadequate housing is defined as households that live in shacks, or in traditional dwellings that are overcrowded, or with no access to RDP standard sanitation, or live in formal accommodation that is overcrowded or has no access to RDP standard sanitation.



In terms of rental tenure, Greater Kokstad, Newcastle, eThekweni, uMhlathuze, Kwa-Dukuza and Emnambithi (Ladysmith) have the highest proportion of people who rent their primary dwellings.

The profile of demand therefore indicates that the greatest demand for rental housing measured against population growth, rental tenure status prevalence, migration pattern and inadequately housed households are in eThekweni, Emnambithi (Ladysmith), Greater Kokstad, Msunduzi and Newcastle.

Economic profile

Table 5 describes the economic profile of the towns. The analysis of this data below demonstrates that there is opportunity for alignment between the Rental Housing Strategy and the level of affordability of rental housing in these towns.

Table 5: Economic profile

Town	Monthly household income - %							Primary sector of employment-%							Growth in GVA by municipality (%)			Total employment in KZN		Nature of employment contract			
	R0-R800	R801-R1 600	R1 601-R3 200	R3 201-R6 400	R6 401-R12 800	R12 801 +	Wholesale & Retail	Community, social & personal services	General government	Finance, insurance, real estate, business services	Manufacturing	Construction	Transport, storage & communication	Agriculture, forestry & fishing	2008	2009	2010	Number Employed	Percentage	Formal - Highly skilled	Formal - Skilled	Formal, semi - and unskilled	Informal
Umzimkhulu	43	27	18	5	2	1	19	20	21	16	10	4	1	7	11	9	2	17 842	1	11	37	35	18
Emnambithi	26	20	20	11	6	5	24	12	17	12	16	5	7	6	4	-2	2	52 622	2	10	35	33	22
Newcastle	25	24	18	12	9	5	21	19	21	12	18	2	3	1	4	-6	4	63 880	3	11	37	33	19
Umtshezi	23	20	22	11	5	7	26	16	17	10	10	7	5	7	11	4	2	21 961	1	10	34	34	22
Umvoti	22	31	22	10	4	3	21	21	13	10	12	2	3	17	10	4	2	22 616	1	8	32	40	20
Kokstad	21	24	19	12	10	9	20	17	20	13	11	7	2	9	4	-2	2	16 242	1	10	35	36	19
Hibiscus	19	20	23	11	6	8	22	16	11	13	14	6	5	7	5	-1	3	57 654	3	9	33	36	22
Msunduzi	19	16	15	13	12	11	17	18	22	14	14	4	6	2	4	-2	3	163 417	8	11	37	34	17
eThekweni	18	16	17	13	10	12	22	15	14	18	14	6	6	2	3	-2	3	1 035 917	49	11	36	33	21
Kwa-Dukuza	18	25	23	13	5	7	22	19	9	12	15	7	2	12	1	-6	3	46 663	2	8	31	40	21
uMhlatuze	16	17	21	13	12	14	19	16	16	15	13	5	7	4	2	-8	5	86 751	4	10	35	36	19

Umzimkhulu and Umvoti have the highest percentage of households with a monthly income of less than R3 200 – 88% and 75% respectively. The remaining towns contain between 50 and 60 percent of households with a monthly income of under R3 200 – also have a high percentage of households with a low monthly income.

The employment profile according to industry differs across municipalities. The general government sector accounts for a high proportion of employment in Msunduzi (22%), Newcastle (21%) and Umzimkhulu (21%). eThekweni and Msunduzi account for the highest percentage contribution to total employment in the province, at 49% and 8% respectively.

Towns experienced differences in economic growth according to year-on-year growth in GVA. The variances noted in the dip in economic growth across the province in 2009 are in line with the economic downturn that began in late 2008. However, with the recovery in 2010, the economic growth pattern shifted from negative in 2009 to positive in 2010, especially in eThekweni, Kokstad, Emnambithi, Newcastle, Msunduzi, Hibiscus Coast, uMhlathuze and Kwa-Dukuza. The economic growth rates in Umtshezi, Umvoti and Umzimkhulu have dropped significantly, indicating that these towns' growth rates have not recovered from the economic downturn.

The percentage of formally employed individuals across towns is relatively high when compared to the percentage of informally employed individuals. Therefore, the economic profile suggests that:

- The Rental Housing Strategy should prioritise households earning less than R3 200 per month.
- The general government sector needs to be given attention in the Rental Housing Strategy, as this sector accounts for a high proportion of employment in the towns.
- Economic growth has been significant and consistent in eThekweni, Kokstad, Emnambithi, Newcastle, Msunduzi, Hibiscus Coast, uMhlathuze and Kwa-Dukuza and this should be considered in the Rental Housing Strategy.

Profile of rental affordability

Table 6 indicates the profile of rental affordability in KwaZulu-Natal.

Table 6: Profile of rental affordability

Income	Percentage of households who rent by monthly household income		Monthly rental paid for FORMAL dwelling type								Monthly rental paid for INFORMAL dwelling type				Rental expenditure by household income				
	Range	%	Workers' hostel	< R200	R200 - R500	R500 - R1 000	R1 000 - R1 500	R1 500 - R2000	R2 000 +	Range	> R200	R200 - R500	R500 - R1 000	R1 000 - R1 500	R200 - R500	R500 - R1 000	Income	Rental Paid	Percentage
<R850	14	14	Dwelling/flat/room in backyard	23 215	12 003	739				Traditional dwelling	13 124	1 126	-				<R850	R101	20
R850 - R1 500	17	17	House	67 852	43 647	32 521	10 348	9 459	11 261	Shack IN backyard	16 131	1 020	-				R850 - R1 500	R249	22
R1 500 - R3 500	21	21	Flat or apartment in a block of flats	19 341	14 064	14 115	5 510	5 796	29 765	Shack NOT in backyard	20 936	-	240				R1 500 - R3 500	R273	12
R3 500 - R7 500	20	20															R3 500 - R7 500	R635	13
R7 500 - R15 000	35	35															R7 500 - R15 000	R1 692	18
R15 000 +	6	6															R15 000 +	R2 376	10

In KwaZulu-Natal, 41% of households have a monthly household income of between R1 500 and R7 500. Thirty-one percent of rental households in the province have incomes below R1 500 and these households make up 41% of households in the Province as a whole.

Rentals paid differ noticeably depending on the type of dwelling. In 2006, 36% of households renting houses in the Province paid more than R500 per month in rent, while 62% renting flats paid more than R500 per month. Rental amounts paid for informal dwellings are low and shack rentals do not appear to be significantly different, depending on the location and profile of dwelling.

The statistics illustrate that 54% of households earning below R3 500 pay an average of R273 rental per month. Those households that fall within the social housing range (R3 500- R7 500) pay an average of R635 rental.

Therefore, the Rental Housing Strategy should prioritise households earning below R7 500. The programmes that address this income bracket are CRU, Social Housing and Institutional Subsidy. The government will also need to consider a mechanism for dealing with backyard dwellings as well as an affordable private sector programme (currently available) as an intervention to meet the demand of this market.

How does the demand analysis impact on the KwaZulu-Natal Rental Housing Strategy?

The analysis of the profile of demand in the province suggests that there is a critical need to increase the supply of low-cost, well-located rental housing to address the current proportion of inadequate dwellings, issues of affordability and rental preference. Moreover, there is evidence that the Rental Housing Strategy needs to focus on households in the rental market that earn less than R3 500 per month.

Government employees comprise an important segment of the market (332 000 individuals in the Province or 16% of total employment) and they are often located in key sectors like health, education and protection. Many employees may be unable to afford to buy a primary house or, as they are deployed to the small towns or rural areas for specified time periods, they may require rental accommodation. This presents an opportunity for the Rental Housing Strategy to align itself with this employment sector and make rental accommodation available.

The analysis of the profile of demand in the KwaZulu-Natal highlights the inaccuracies and gaps in current research statistics about actual demand for rental housing in the province. It is therefore imperative that the Rental Housing Strategy clearly defines its rental market agenda to ensure a more accurate analysis of demand. To do this, it would be important to –

- Identify key research hypotheses, as well as additional gaps in data, that may include
 - strengthening the rationale of additional investment in rental stock by quantifying the demand for rental stock
 - identifying key areas for the development of rental stock
 - and/or assessing the performance of rental stock across the province.
- Develop a rental market demand survey that enables improved characterisation of current rental households and potential demand.
- Gather housing service provider data on activity levels and usage, based on a method of standardising the capturing of data on applications for new social housing projects. It would also include a mechanism for periodically gathering operational indicators from providers.
- Standardise housing waiting list processes by seeking to align processes for individuals or households to join the list, as well as processes to maintain the currency of names on the list. It would also include some standardisation to ensure that the way in which tenure preferences are captured is sensible and somewhat comparable across provinces.

1.4 Supply imperatives in the KwaZulu-Natal rental housing market

A comprehensive land study was undertaken within each of the selected municipalities in order to identify and assess land parcels suitable for rental housing. This section of the report identifies the supply imperatives in the province based on this comprehensive land study.

Interviews carried out with key stakeholders as part of the land study sought to establish the past performance of rental housing programmes, current trends and challenges experienced in rental housing delivery and management, as well as lessons learnt for the supply of rental housing in the province. In addition, the potential for participation in the rental programme and future plans for rental housing delivery was discussed.

⁶ A rent boycott of 299 units owned by SOHCO has now, after court action, re-established payments.

Interviews were carried out with the following stakeholders:

- officials from the KwaZulu-Natal DoHS
- municipalities of Leader Towns
- SHIs within and outside the province
- private sector property managers, and
- suppliers of innovative building technology.

Previous performance of the KwaZulu-Natal rental housing programmes

Since 2006, the rental housing programme has delivered 1 686 social housing units financed with the Restructuring Capital Grant (RCG), with a further 792 units presently under construction. The total RCG allocation between 2006 and 2012 was R246.3 million. Prior to 2006, a total of 751 units were financed through Institutional Subsidy programme alone. None of units funded via the Social Housing programme are in distress⁶.

Table 7 indicates the income groups housed via the SH, CRU and Institutional Subsidy rental instruments.

Table 7: Income group and rental instruments

Instrument	Income band	Average rentals paid
Social Housing	R3 000 - R7 500	R750 - R2 250
CRU	R1 500 - R3 500	R30 - R900
Institutional Subsidy	R1 500 - R3 500	R650 - R2 250

KwaZulu-Natal province and municipalities with public housing stock have continued to manage such stock without improvement in rent collection and maintenance. These properties, which include hostels, are not well-maintained and the rent collection is very low, given that these communities are plagued by social ills and poor security.

The table below identifies the public rental stock under management by the province and Leader Towns, as well as possible future plans for the stock.

⁷ These are managed by Province .

Table 8: Municipal public rental housing stock

Municipality	Public rental stock			Managed by	Plans, if any, for the stock
	Houses	Flats	Hostels		
uMhlathuze	106	360 hostels that have been converted to flats		Municipality	<ul style="list-style-type: none"> The 360 flats (previously hostels) to be disposed to qualifying beneficiaries are presently under refurbishment. The same applies to the remaining 106 three-roomed houses. The DoHS is assisting the municipality to transfer ownership to the qualifying beneficiaries through EEDBS programme.
Kwa-Dukuza	364	113	2	Kwa-Dukuza Municipality	<ul style="list-style-type: none"> Assisting the municipality to transfer ownership to qualifying beneficiaries through EEDBS programme for houses and flats. The two hostels are retained as rental accommodation (CRU).
eThekweni Metro	<i>R293 = 3000'</i> Ex-Own Affairs = 2182	<i>1681</i>	10	DoHS eThekweni Municipality	<ul style="list-style-type: none"> All houses to be disposed through EEDBS to the qualifying beneficiaries. Effecting rectification on flats and dispose through EEDBS to the qualifying occupants. The hostels are currently refurbished and are to be retained as rental accommodation (CRU).
Hibiscus Coast	667		0	Hibiscus Coast Municipality	<ul style="list-style-type: none"> Assisting the municipality to transfer ownership to qualifying beneficiaries through EEDBS programme
Msunduzi	<i>Copesville - ±677</i> Own Affairs Stock 40	257	1	DoHS Msunduzi Municipality	<ul style="list-style-type: none"> To be disposed of in terms of the EEDBS. Hostel to be retained for CRU rental. Own Affairs stock was more than 11 000 units so these remaining units will be sold through the EEDBS programme.
Emnambithi			2	Municipality	<ul style="list-style-type: none"> Refurbish and retained for rental stock.
Newcastle	922	102	1	Municipality	<ul style="list-style-type: none"> Municipality to transfer ownership to the qualifying beneficiaries through EEDBS programme.
Greater Kokstad			0		<ul style="list-style-type: none"> Did not respond with information

There are two relatively successful local-based SHIs, operating in eThekweni and Msunduzi – FMHC and MHA – and a national SHI (SOHCO). SOHCO has experienced rent boycotts in three of its eThekweni projects which have placed it in a situation of distress. As the eThekweni Housing Association has not been able to gear up its capacity to apply for accreditation as a social housing institution, the municipality will need to take a decision around whether to gear it up or close it down.

Table 9 reflects the number of units delivered by the three SHIs to date.

Table 9: SHI delivery

SHI	Number of units	
	eThekweni	Msunduzi
FMHC	780	
SOHCO	629	
MHA		719
TOTAL	1 409	719

In total, these SHIs have 2 128 social housing units in the province. FMHC is in the process of developing a further 795 units in eThekweni. FMHC has achieved consistent growth of its stock over the past four years, whereas MHA has not increased its stock holding since 2008 – they have consolidated their capabilities and are ready for growth. All three have the potential to expand and take on additional stock, but the following key issues need addressing to facilitate this:

- political support for the sector and clarification of the legitimate roles of landlord and tenant
- access to suitably priced land, particularly government-owned land



- proactive and strategic commitment to planned delivery that enables reliable business planning
- availability of sufficient Institutional Subsidies to consolidate the available RCG subsidy allocation
- greater clarity on the conditions for involvement in the CRU programme.

Regional variation in supply of land for rental housing

Currently, there has been subsidised rental housing delivery in eThekweni and Msunduzi, specifically under the Social Housing Programme. The KwaZulu-Natal provincial government is keen to support a scaling up of delivery in municipalities and to extend rental housing programmes to the identified Leader Towns and, as mentioned previously, it is committed to facilitate the development of more than 15 000 rental units over the next five years.

Through extensive engagement with Leader Towns, basic quantitative and qualitative information was obtained on vacant parcels of land with the potential for greenfield development of social housing or CRU, and on existing rental stock (like hostels) with the potential for refurbishment, conversion, or demolition and newbuild.

Provisional Restructuring Zones in KwaZulu-Natal

Subsidies for social housing are limited to Provisional Restructuring Zones (PRZs) in selected municipalities in South Africa. Existing gazetted Provisional Restructuring Zones are located in eThekweni and Msunduzi.

eThekweni Municipality has the following PRZs:

- Kwa-Mashu Town Centre
- Springfield – River Horse Valley
- Pinetown CBD
- Greater Cato Manor

- i-Trump (Durban CBD and surrounds)
- Southern Durban Basic

Msunduzi Municipality has the following PRZs:

- Copesville
- Otto's Bluff
- Raisethorpe CBD
- Eastwood/Glenwood
- Pietermaritzburg CBD
- Hayfields/Lincoln Meander
- Signal Hill
- Edendale Corridor
- Westgate/Grange
- Oribi

The following municipalities have initiated the process of demarcation of new Restructuring Zones in KwaZulu-Natal in preparation for social housing initiatives:

- uMhlatuze (proposal approved by Council and ready for submission to Province)
- Newcastle (proposal approved by Council and submitted to Province)
- Emnambithi (proposal approved by Council and submitted to Province)
- Hibiscus Coast (proposal to Council in preparation).

The following Leader Towns need to be assisted by the provincial DoHS to take steps to demarcate Restructuring Zones for social housing:

- Kwa-Dukuza
- Greater Kokstad

In the next few pages, we take a closer look at the Proposed Restructuring Zones⁸.

⁸ **Please note:** The data for housing backlogs in Kwa-Dukuza, Hibiscus Coast, Emnambithi and Newcastle has not been included, since how the statistics were arrived at is either unclear or inadequate. As already mentioned, the Rental Housing Strategy will need to define a process by which the demand for rental housing can be accurately and uniformly assessed.

uMhlathuze (Richards Bay)

This city has a significant GVA and is predominantly built around the manufacturing industry. It is on a key provincial development corridor between the King Shaka International Airport and the port of Richards Bay and therefore has good potential as a site for the development of rental stock.

The two proposed Restructuring Zones (11 and 12 on the map below) are not located in existing developed areas, so the sites are likely to require major infrastructure investment. The strength of these proposed zones lies in their proximity to major manufacturing and industrial areas that have the potential to provide employment for people with income brackets served by Social Housing and CRU. The zones would require the development of better road infrastructure to strengthen the links not only to industrial areas, but also to the central town area. No projects have been delivered as RZs are still in proposal stage. The land parcels for projects in the PRZ (indicated on the Map 1 below) are owned by local government.

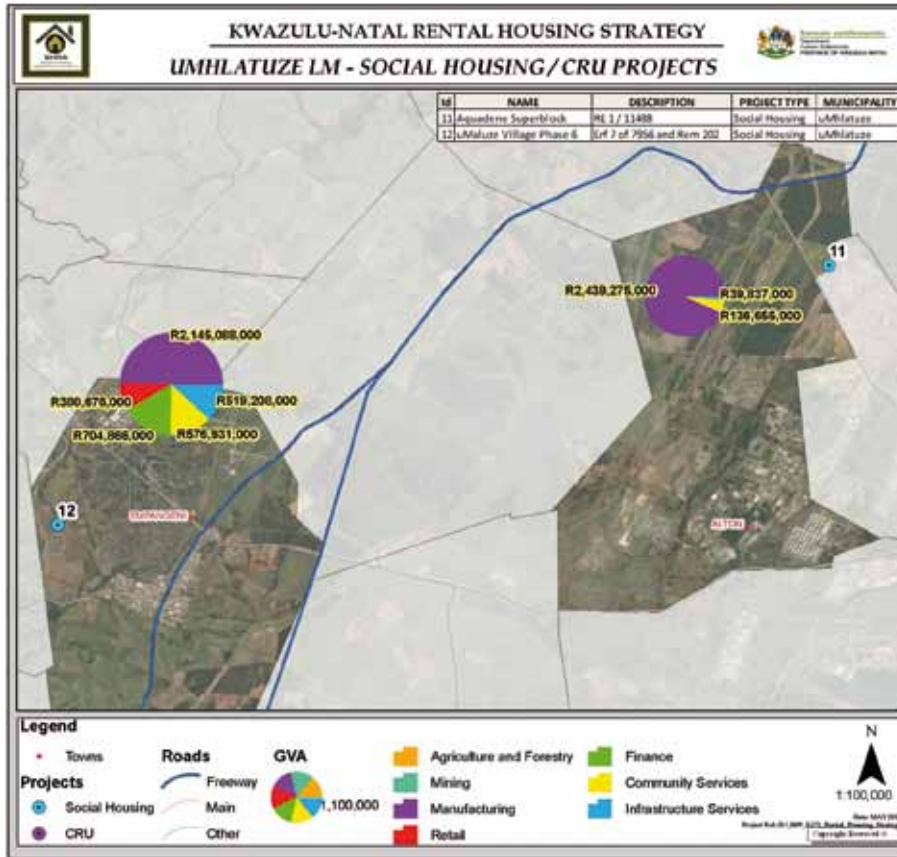
The rental potential for these two PRZs is indicated in Table 10 below.

Table 10: uMhlathuze rental potential

Population	Monthly household income			Dwelling type per income				Inadequately housed households	
	Income	Percentage of earners	Rental tenure	Formal dwelling	Traditional dwelling	Informal dwelling/shack NOT in backyard	Informal dwelling/shack IN backyard	Number	Percentage
340 000	R0 - R800	16%	29%	68%	24%	5%	3%	8 413	66%
	R801 - R1 600	17%	33%	77%	19%	1%	2%	8 246	58%
	R1 601 - R3 200	21%	26%	75%	21%	3%	1%	11 736	70%
	R3 201 - R6 400	13%	21%	84%	14%	2%	1%	5 246	49%
	R6 401 +	12%	14%	95%	4%	1%	1%	3 568	17%
	R12 801 +	14%	n/a	n/a	n/a	n/a	n/a	n/a	n/a
	No response	7%	26%	80%	12%	7%	1%	2 505	46%

The monthly household income data indicates that 54% of uMhlathuze households earn less than R3 200 per month. The average prevalence for rental is 25% and most households live in formal dwellings. The percentage for informal dwellings is very low. Moreover, 49% of uMhlathuze households earning between R3 200 and R6 400, are inadequately housed and would not qualify for subsidised housing. Likewise, they are unlikely to be able to afford to buy a newly-built house developed by the private sector. The rental market potentially offers a critical housing solution for these households.

Map 1: Locality Map – uMhlathuze (Richards Bay)



Kwa-Dukuza (Stanger)

The urban part of Kwa-Dukuza has a small but diverse economic base. It is located close to the international airport and on the route between the airport and Richards Bay – a route that is considered a significant development 'ribbon' for the province. As such, Kwa-Dukuza is likely to experience growth in its economy. The proposed social housing development is outside the main residential areas, but conveniently close to the primary manufacturing area, as well as to a main arterial route that links with the cross-over point to the town centre, the major retail part of town. Secondary road linkage and a viable taxi linkage will need to be developed. No projects have been delivered as RZs are still in proposal stage. The land parcels for projects in the PRZ (indicated on the Map 2 below) are owned by local government.

The rental potential for this PRZ is indicated in Table 11.

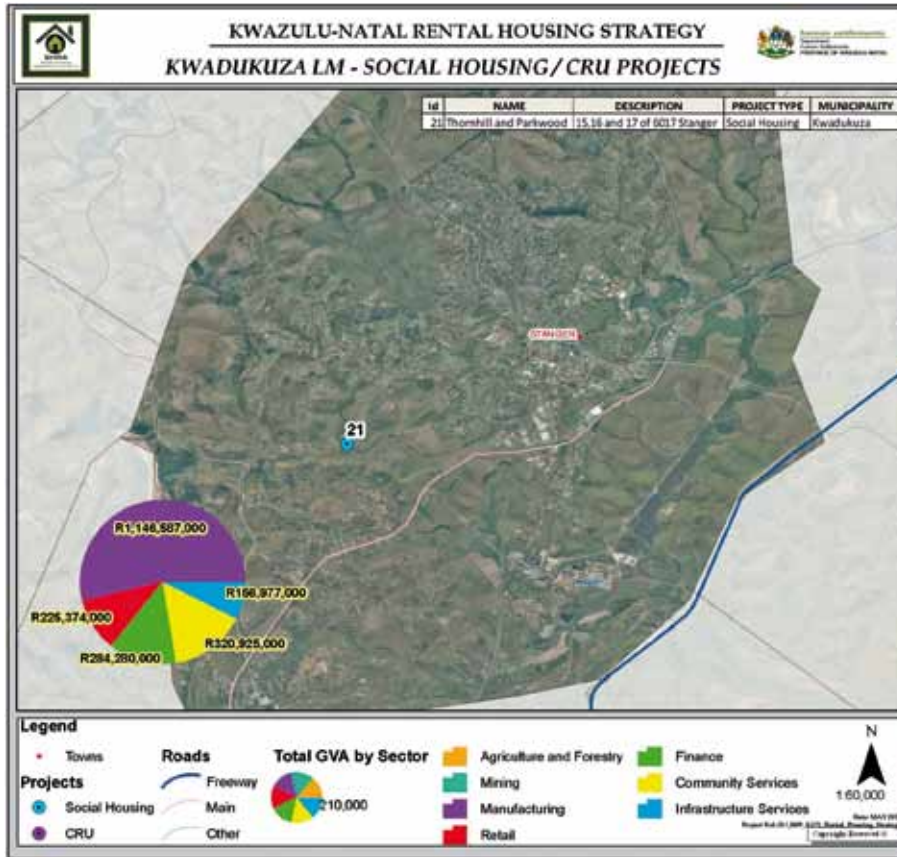
Table 11: Kwa-Dukuza rental potential

Population	Monthly household income			Dwelling type per income				Inadequately housed households	
	Income	Percentage of earners	Rental tenure	Formal dwelling	Traditional dwelling	Informal dwelling/shack NOT in backyard	Informal dwelling/shack IN backyard	Number	Percentage
172 000	R0 - R800	18%	19%	67%	7%	19%	6%	4 698	60%
	R801 - R1 600	25%	25%	70%	13%	14%	2%	5 937	54%
	R1 601 - R3 200	23%	22%	71%	15%	11%	3%	5 774	56%
	R3 201 - R6 400	13%	30%	83%	8%	6%	1%	1 941	35%
	R6 401 +	5%	21%	93%	1%	3%	2%	642	12%
	R12 801 +	7%	n/a	n/a	n/a	n/a	n/a	n/a	n/a
	No response	10%	21%	66%	14%	12%	6%	2 451	57%

The monthly household income data indicates that 66% of Kwa-Dukuza households earn less than R3 200 per month. The average prevalence for rental is 23% and most households live in formal dwellings.

Moreover, 35% of the Kwa-Dukuza households earning between R3 200 and R6 400, are inadequately housed and would not qualify for a subsidised house. Likewise, they are unlikely to be able to afford to buy a newly built house developed by the private sector. The rental market potentially offers a critical housing solution for these households.

Map 2: Locality Map – Kwa-Dukuza (Stanger)



eThekwini Metro

As a key metro centre, eThekwini provides the overall infrastructure, employment opportunities and social amenities necessary for the development of sustainable rentals. The four social housing projects are not in well-established residential areas, but are in important decentralised nodes with significant manufacturing, tourism and retail employment opportunities. Projects 1, 2 and 4 are all close to major freeway access and important main transport linkages. Project 3 in Umhlanga locality is more peripheral and less well placed in terms of major transport routes.

CRU Project 6 is close to an existing township and a main road transport network that leads directly to the centre of Durban. The other two CRU projects (7 and 8) are in peripheral areas without close linkages to urban amenities. They are in difficult locations for sustainable rental housing unless linked to other more dense future development.

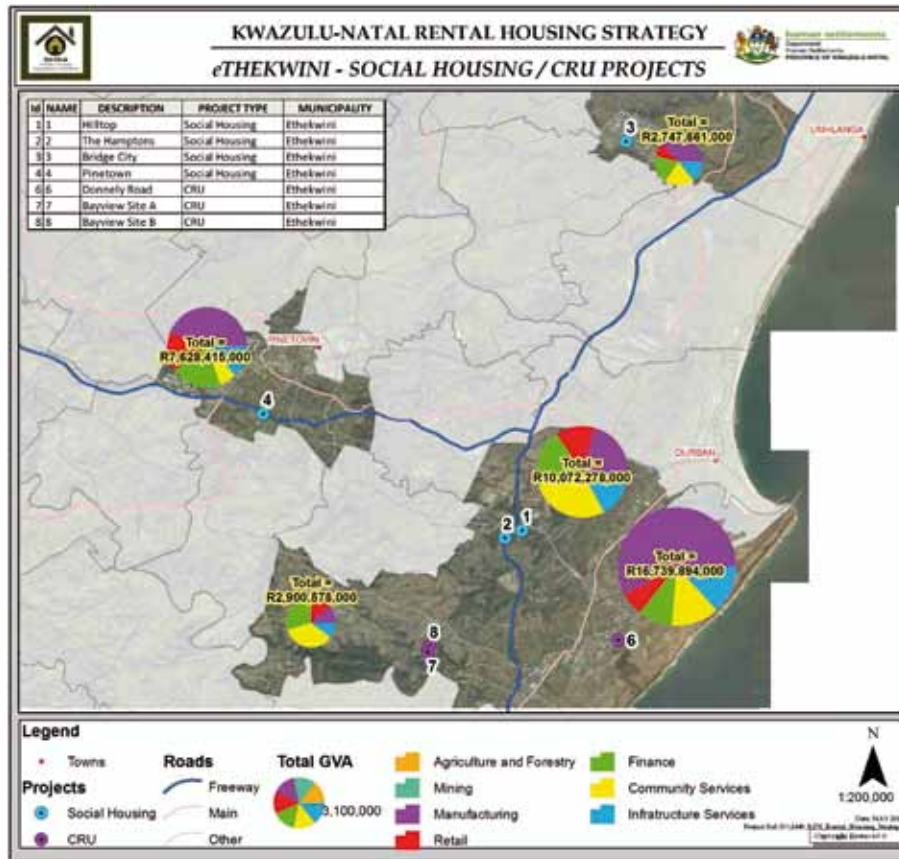
The rental potential for these PRZs is indicated on Table 12 below.

Table 12: eThekwini Metro rental potential

Population	Monthly household income			Dwelling type per income				Inadequately housed households	
	Income	Percentage of earners	Rental tenure	Formal dwelling	Traditional dwelling	Informal dwelling/shack NOT in backyard	Informal dwelling/shack IN backyard	Number	Percentage
3 611 000	R0 - R800	18%	31%	59%	8%	24%	8%	83 402	55%
	R801 - R1 600	16%	27%	63%	10%	19%	7%	65 960	51%
	R1 601 - R3 200	17%	26%	70%	8%	15%	6%	64 638	47%
	R3 201 - R6 400	13%	22%	84%	6%	6%	3%	30 707	29%
	R6 401+	10%	18%	96%	1%	2%	0%	17 073	9%
	R12 801 +	12%	n/a	n/a	n/a	n/a	n/a	n/a	n/a
	No response	15%	18%	80%	6%	11%	3%	39 905	33%

The monthly household income data indicates that 51% of eThekwini households earn less than R3 200 per month. The average prevalence for rental is 24% and most households live in formal dwellings. Moreover, 29% of eThekwini households earning between R3 200 and R6 400, are inadequately housed and would not qualify for a subsidised house. The propensity to rent is highest in lower income segments of the market, where 31% of those in the R0 to R800 bracket rent their primary dwellings.

Map 3: Locality Map – eThekweni Metro



Hibiscus Coast (Port Shepstone)

Hibiscus Coast Local Municipality provides potential for employment opportunities in the manufacturing and the services sector. It also has strong highway linkages to eThekweni and Msunduzi. Both projects are well located for access to the highway to Msunduzi. Project 19 is on the edge of the main city residential development area and within easy reach of major socio-economic opportunities. Project 20 is less well located, in that it is a more peripheral area and less able to access directly the resources of the main part of the town. No projects have been delivered as RZs are still in proposal stage. The land parcels for projects in the PRZ (as indicated on the Map 4 below) are owned by local government.

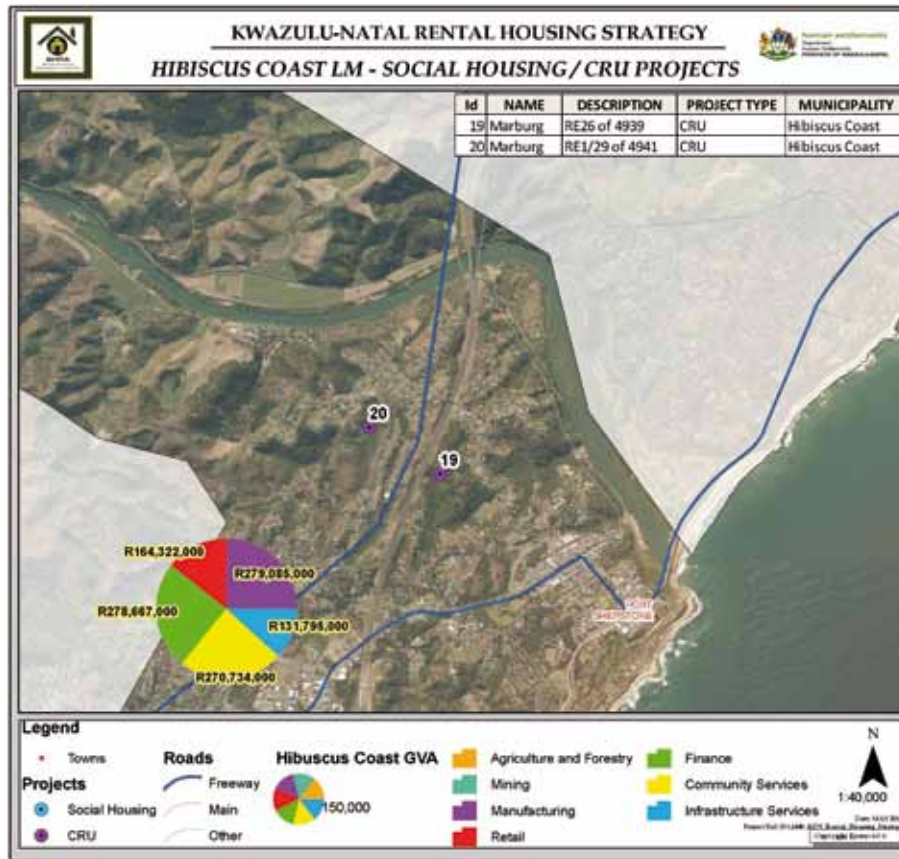
The rental potential for these PRZs is indicated on Table 13 below.

Table 13: Hibiscus Coast rental potential

Population	Monthly household income			Dwelling type per income				Inadequately housed households	
	Income	Percentage of earners	Rental tenure	Formal dwelling	Traditional dwelling	Informal dwelling/shack NOT in backyard	Informal dwelling/shack IN backyard	Number	Percentage
236 000	R0 - R800	19%	22%	75%	24%	1%	1%	6 822	71%
	R801 - R1 600	20%	21%	69%	28%	0%	1%	6 841	67%
	R1 601 - R3 200	23%	13%	65%	34%	0%	0%	8 707	74%
	R3 201 - R6 400	11%	17%	79%	21%	0%	0%	2 464	46%
	R6 401+	6%	16%	97%	1%	0%	0%	1 509	21%
	R12 801 +	8%	n/a	n/a	n/a	n/a	n/a	n/a	n/a
	No response	13%	11%	82%	18%	0%	0%	2 042	31%

The monthly household income data indicates that 62% of Hibiscus Coast households earn less than R3 200 per month. The average prevalence for rental is 24% and most households live in formal dwellings. Moreover, 46% of Hibiscus Coast households earning between R3 200 and R6 400, are inadequately housed and would not qualify for a subsidised house.

Map 4: Locality Map – Hibiscus Coast



Msunduzi (Pietermaritzburg)

This urban centre – the second largest in KwaZulu-Natal – has a significant service industry that is located in and immediately around the central part of the town. The proposed projects are spread across the city.

Social Housing Project 10 is well linked to the central business area on the edge of the inner city. It also has strong links to the industrial area in the SW and relatively easy links with the major highway system to Pinetown and Durban.

Project 6, located on the edge of the former township and therefore with less access to general social amenities, has a strong transport link to the centre of the city, as well as to the industrial areas in the SW and NE.

Projects 7, 8 and 9 are isolated from existing residential development and thus have more difficult access to the socio-economic opportunities of the city – however, there is a developed secondary transport system that allows easy access to the NW industrial area.

Project 16, north of the city centre on the periphery of the former township, has excellent links to the main highway system and access to the NE industrial areas.

Projects 9, 11 and 13 are more peripheral to the suburban areas, with poor road transport access to any of the key centres other than the industrial and commercial centre in the NE. All existing SH projects in Msunduzi have been delivered in the existing PRZs. The land parcels for projects in the RZ (as indicated on the map) above are owned by local government.

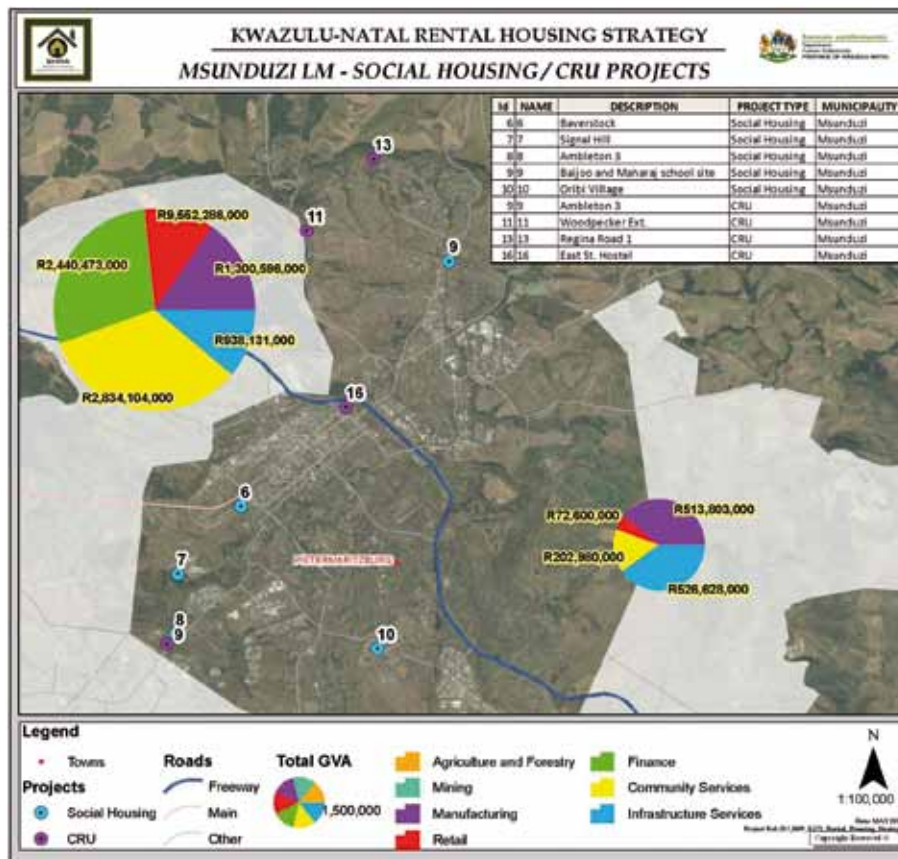
The rental potential for this PRZ is indicated on Table 14 below.

Table 14: Msunduzi rental potential

Population	Monthly household income			Dwelling type per income				Inadequately housed households	
	Income	Percentage of earners	Rental tenure	Formal dwelling	Traditional dwelling	Informal dwelling/shack NOT in backyard	Informal dwelling/shack IN backyard	Number	Percentage
636 000	R0 - R800	19%	21%	69%	24%	6%	1%	12 214	49%
	R801 - R1 600	16%	15%	63%	32%	4%	0%	10 512	48%
	R1 601 - R3 200	15%	19%	67%	30%	2%	1%	10 071	49%
	R3 201 - R6 400	13%	22%	79%	19%	1%	0%	5 016	29%
	R6 401 +	12%	18%	94%	6%	0%	0%	3 237	11%
	R12 801 +	11%	n/a	n/a	n/a	n/a	n/a	n/a	n/a
	No response	14%	11%	85%	12%	2%	0%	5 063	27%

The monthly household income data indicates that 50% of Msunduzi households earn less than R3 200 per month. The average prevalence for rental is 18% and most households live in formal dwellings. Moreover, 29% of Msunduzi households earning between R3 200 and R6 400, are inadequately housed and would not qualify for a subsidised house.

Map 5: Locality Map – Msunduzi



Emnambithi (Ladysmith)

Emnambithi (Ladysmith) offers a small-to-medium economic base for the region with a range of sectors none of which are prominent. Project 13 is well positioned for the socio-economic opportunities of the town; it is also well linked to the inner town infrastructure. Project 14 sits peripherally within the former township area and is surrounded by low-density ownership type houses. The potential for viable rental here is unclear. There are also no transport advantages in linkage to the main town. No projects have been delivered as RZs are still in proposal stage. The land parcels for projects in the PRZ (as indicated on the Map 6 below) are owned by local government.

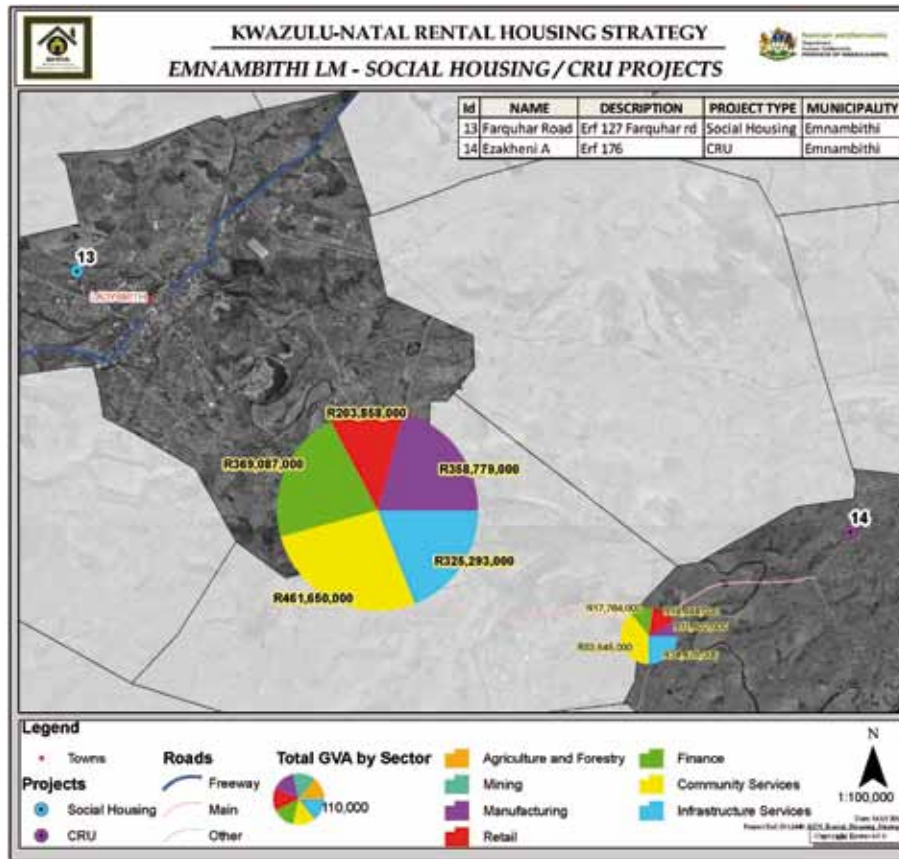
The rental potential for these PRZs is indicated on Table 15 below.

Table 15: Emnambithi rental potential

Population	Monthly household income			Dwelling type per income				Inadequately housed households	
	Income	Percentage of earners	Rental tenure	Formal dwelling	Traditional dwelling	Informal dwelling/shack NOT in backyard	Informal dwelling/shack IN backyard	Number	Percentage
246 000	R0 - R800	26%	18%	70%	23%	4%	3%	6 313	49%
	R801 - R1 600	20%	25%	70%	28%	1%	1%	5 099	50%
	R1 601 - R3 200	20%	25%	58%	39%	1%	2%	5 780	58%
	R3 201 - R6 400	11%	17%	70%	28%	1%	0%	2 727	48%
	R6 401+	6%	17%	84%	16%	1%	0%	1 266	23%
	R12 801 +	5%	n/a	n/a	n/a	n/a	n/a	n/a	n/a
	No response	11%	22%	56%	42%	0%	1%	3 209	56%

The monthly household income data indicates that 66% of Emnambithi households earn less than R3 200 per month. The average prevalence for rental is 18% and most households live in formal dwellings. Moreover, 48% of Emnambithi households earning between R3 200 and R6 400, are inadequately housed and would not qualify for a subsidised house.

Map 6: Locality Map – Emnambithi



Newcastle

Newcastle Local Municipality has high GVA for the region, with mining and manufacturing playing a large role. Projects 16 and 18 are excellently located in terms of the socio-economic and infrastructural resources of the town. They are also close to the main highway artery connecting north and south. Project 15 is more peripheral to the suburban parts of the town, without easy road access to the socio-economic opportunities.

Projects 1 and 2 are closer to the central part of town. Project 2 is in close proximity to the major industrial area, a significant provider of employment. There is an established road network linking it to this area.

Project 17 sits on the edges of the former township. It is far from the town centre but it, too, is reasonably located in terms of the major industrial area – even though the road transport network is less well developed. No projects have been delivered as RZs are still in proposal stage. The land parcels for projects in the proposed RZ are owned by local government.

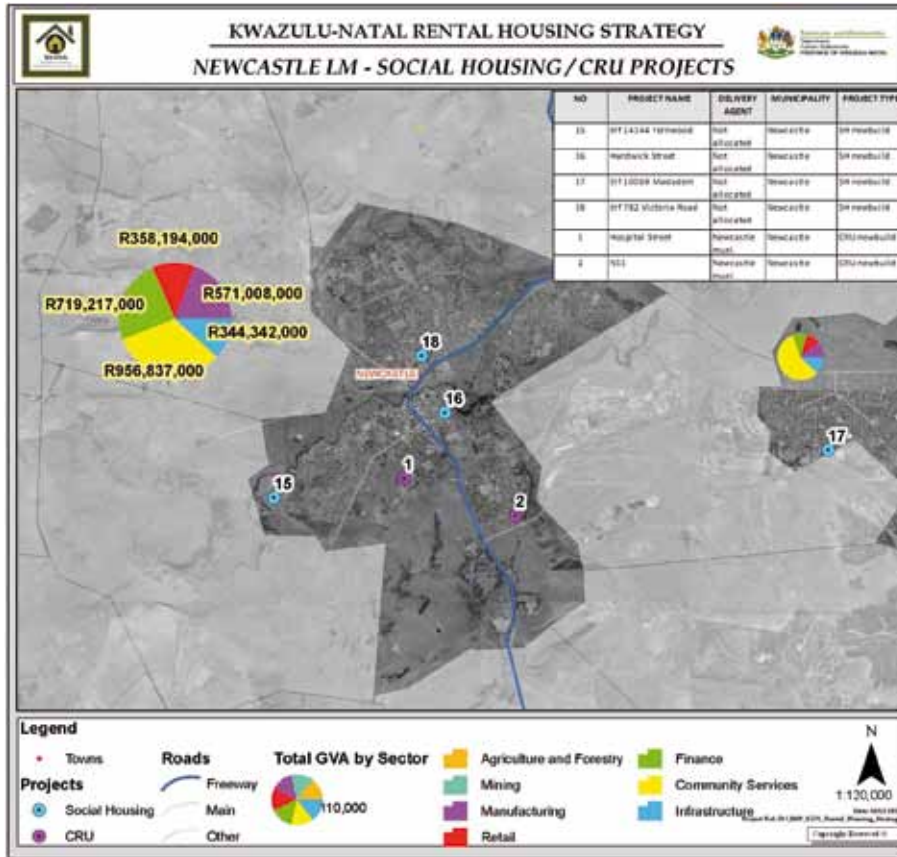
The rental potential for these PRZs is indicated on Table 16 below.

Table 16: Newcastle rental potential

Population	Monthly household income			Dwelling type per income				Inadequately housed households	
	Income	Percentage of earners	Rental tenure	Formal dwelling	Traditional dwelling	Informal dwelling/shack NOT in backyard	Informal dwelling/shack IN backyard	Number	Percentage
343 000	R0 - R800	25%	26%	85%	4%	7%	3%	8 466	43%
	R801 - R1 600	24%	26%	86%	5%	6%	3%	7 190	38%
	R1 601 - R3 200	18%	26%	87%	5%	6%	2%	6 590	48%
	R3 201 - R6 400	12%	33%	97%	1%	1%	1%	2 529	28%
	R6 401 +	9%	22%	98%	1%	1%	0%	1 205	11%
	R12 801 +	5%	n/a	n/a	n/a	n/a	n/a	n/a	n/a
	No response	8%	23%	92%	6%	1%	0%	1 627	28%

The monthly household income data indicates that 67% of Newcastle households earn less than R3 200 per month. The average prevalence for rental is 18% and most households live in formal dwellings. Moreover, 28% of Ladysmith households earning between R3 200 and R6 400, are inadequately housed and would not qualify for a subsidised house.

Map 7: Locality Map – Newcastle



Greater Kokstad

The area has a relatively low GVA compared to a number of the major townships in KwaZulu-Natal. Projects 24 (see Map 8) and 25 (see Map 9), located within former 'township' areas, have direct transport links into the town centre, the major centre of socio-economic activity.

Projects 22 and 23 are in semi-agricultural areas with very poor existing or potential linkages to urban areas. As such, these two projects would not fall within the policy framework of either CRU or SH.

The rental potential for these PRZs is indicated on Table 17 below.

Table 17: Greater Kokstad rental potential

Population	Monthly household income			Dwelling type per income				Inadequately housed households	
	Income	Percentage of earners	Rental tenure	Formal dwelling	Traditional dwelling	Informal dwelling/shack NOT in backyard	Informal dwelling/shack IN backyard	Number	Percentage
51 000	R0 - R800	21%	25%	60%	29%	8%	2%	1 513	50%
	R801 - R1 600	24%	35%	57%	30%	7%	6%	1 803	53%
	R1 601 - R3 200	19%	24%	71%	23%	1%	4%	1 304	48%
	R3 201 - R6 400	12%	35%	93%	7%	0%	0%	277	17%
	R6 401+	10%	29%	98%	2%	0%	0%	206	8%
	R12 801 +	9%	n/a	n/a	n/a	n/a	n/a	n/a	n/a
	No response	6%	18%	68%	25%	3%	2%	406	48%

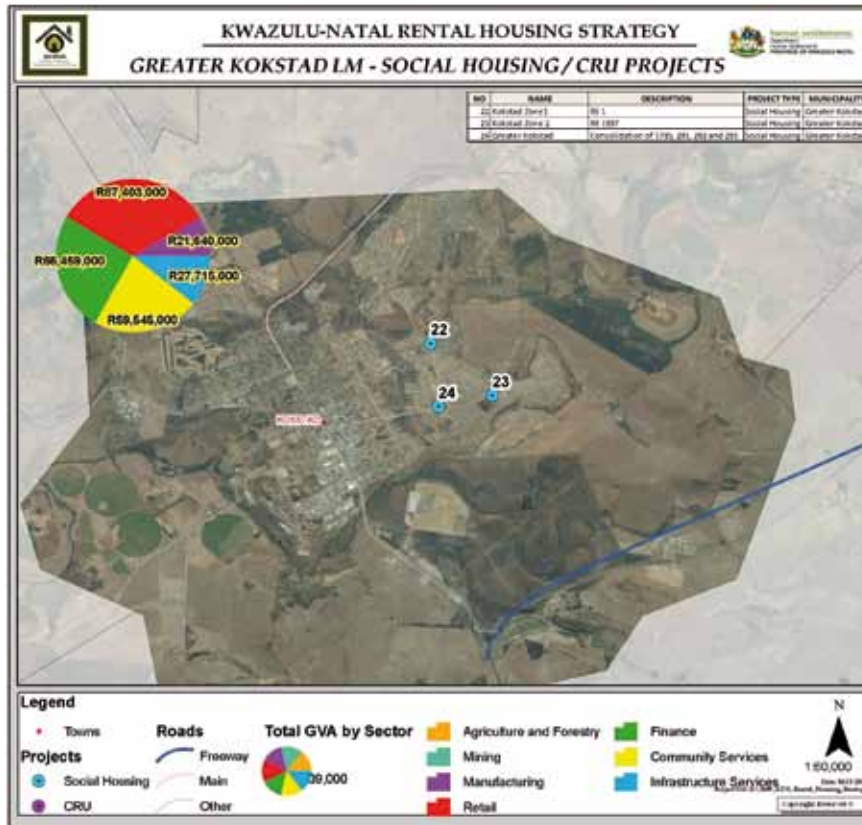
The monthly household income data indicates that 64% of the households in Greater Kokstad earn less than R3 200 per month. The average prevalence for rental is 28% and most households live in formal dwellings. Moreover, 17% of the Greater Kokstad households earning between R3 200 and R6 400, are inadequately housed and would not qualify for a subsidised house.

How does the supply analysis impact on the KwaZulu-Natal Rental Housing Strategy?

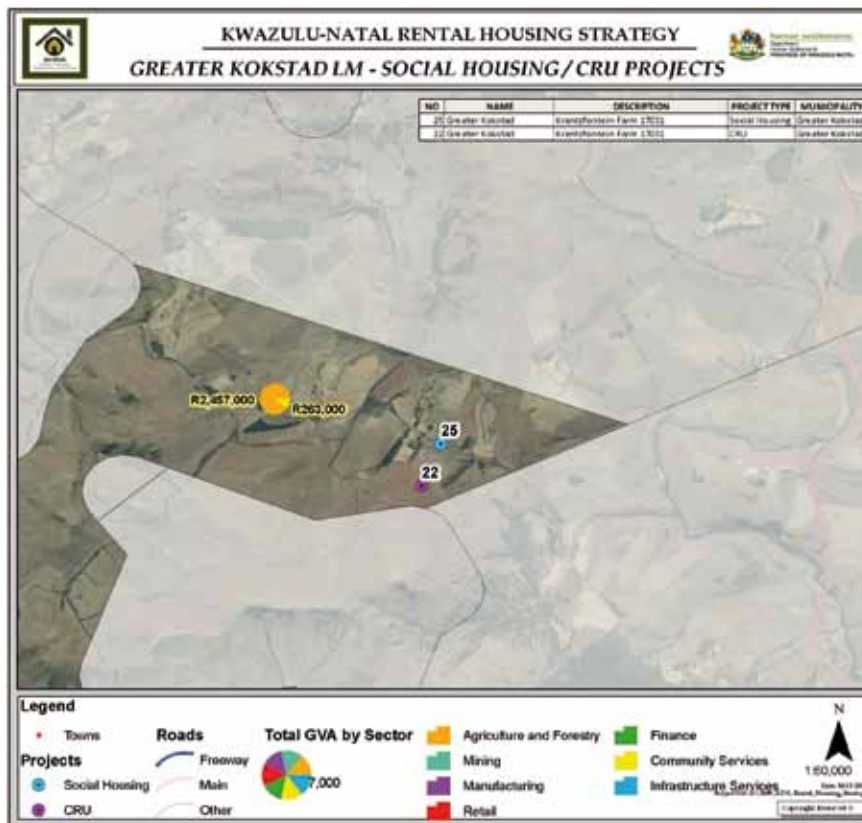
The supply analysis indicates that the appetite for rental housing is extremely prevalent in the Leader Towns. This means that social housing can be expanded considerably, provided Restructuring Zones are established, institutional capacity is improved with provincial support, and a presence of existing and/or new delivery agents is established.

In terms of CRU development, it is statistically evidenced that an average of 60% of households among the Leader Towns earns less than R3 200 per month. This is an ideal market for CRU; however, a cautionary note is that institutional capacity needs to be developed for property management. This can be encouraged with provincial support.

Map 8: Locality Map – Greater Kokstad (a)



Map 9: Locality Map – Greater Kokstad (b)



2. KwaZulu-Natal supply of rental housing



2.1 Rental housing project pipeline

The table below sets out both CRU and Social Housing projects in the rental housing pipeline. It specifies the municipalities in which projects are located, the project names, the typology of the projects and the number of units being built.

Table 18: Community Residential Unit projects

Municipality	Project name	Typology	No. of units
eThekwini	Donnelly Road, Bluff	CRU demolish and newbuild	128
eThekwini	Bayview Site A	CRU newbuild	90
eThekwini	Bayview Site B	CRU newbuild	192
eThekwini	Morans Lane	CRU newbuild	127
eThekwini	Umgeni Road, Berea	CRU newbuild	298
Msunduzi	Jika Joe (Tatham Grounds)	CRU newbuild	240
Msunduzi	East Street Hostel	CRU demolition, refurb/newbuild	190
Msunduzi	Glenwood South East Sector	CRU newbuild	800
Msunduzi	Woodpecker Road Extension	CRU newbuild	560
Msunduzi	Ambleton 3	CRU newbuild(portion SH Newbuild)	500
Msunduzi	Inhlalakahle	CRU newbuild	500
Msunduzi	Regina Road 1	CRU newbuild	500
Msunduzi	Edendale Portions	CRU newbuild	2 500
uMhlathuze	Aquadene Superblock	CRU newbuild	168
uMhlathuze	Aquadene Superblock Future Phases	SH newbuild	1 580
uMhlathuze	uMhlathuze Village Phase 6	CRU newbuild	1 099
uMhlathuze	uMhlathuze SDF Expansion Area (eSikhaleni, Vulindlela Corridor)	CRU newbuild	1 800
KwaDukuza	Thornhill and Parkwood	CRU newbuild	870
Newcastle	N11	CRU newbuild	437
Newcastle	Hospital Street	CRU newbuild	1 100
Emnambithi	Shayamoya Phase 3	CRU newbuild	250
Emnambithi	Dunlop (Rem of erf 1)	CRU newbuild	250
Emnambithi	Ezakheni ERF A 176	CRU newbuild	260
Greater Kokstad	Kokstad Zones 1-4	CRU newbuild	1 330

Table 19: Social Housing projects

Municipality	Project name	Typology	No. of units
eThekwini	Hampshire Place, Pinetown	SH newbuild	180
eThekwini	Hilltop, Bellair	SH newbuild	240
eThekwini	The Hamptons, Bellair	SH newbuild	430
eThekwini	Bridge City	SH newbuild	400
Msunduzi	Baverstock Road	SH newbuild	300
Msunduzi	Baijoo and Maharaj School sites	SH newbuild	220
Msunduzi	Signal Hill Phase 2	SH newbuild	300
Msunduzi	Oribi Village	SH newbuild	500
Msunduzi	Ambleton 3	SH newbuild(portion CRU Newbuild)	500
Msunduzi	Westgrange/Grange	SH newbuild	1 200
Msunduzi	Raisethorpe	SH newbuild	240
uMhlathuze	Aquadene Superblock	SH newbuild	195
uMhlathuze	Aquadene Superblock Future Phases	SH newbuild	1 580
KwaDukuza	Thornhill and Parkwood	SH newbuild	870
Newcastle	Dr Nelson Mandela Road	SH newbuild	606
Newcastle	Victoria Road	SH newbuild	370
Newcastle	Hardwick Street	SH newbuild	83
Newcastle	ERF 14144 Fernwood	SH newbuild	168
Emnambithi	Farquhar Road	SH newbuild	155
Emnambithi	Shayamoya Phase 3	SH newbuild	250
Emnambithi	Dunlop (Rem of erf 1)	SH newbuild	250
Hibiscus Coast	Marburg 4939	SH newbuild	300
Hibiscus Coast	Marburg 4941	SH newbuild	300

2.2 Innovation project pipeline

KwaZulu-Natal DoHS wishes to consider the use of alternative construction technologies in some pilot rental housing projects in order to promote –

- savings on both capital and running costs
- savings on erection time, while still promoting labour intensive practice and job creation
- more environment-friendly development.

The Department's intention is to consider the use of these alternatives to deliver six Social Housing and three CRU projects identified in the Leader Town municipalities.

Social Housing projects

Although the First Metro Housing Company priority projects in eThekweni are closest to implementation, these projects are too far advanced in planning, having already been designed and applications lodged with SHRA for funding, for it to be feasible at this stage to delay their progress by trying to adjust them in terms of alternative technologies. For this reason, the next projects most ready for implementation in 2012/13 are proposed for the innovation project. These are outlined in Table 20 below.

Table 20: Social Housing innovation projects

Municipality	Project name	No. of units
Msunduzi	Baverstock Road	300
Msunduzi	Baijoo and Maharaj School sites	220
uMhlathuze	Aquadene Superblock	195
Newcastle	Dr Nelson Mandela Road	606
Newcastle	Victoria Road	370
Emnambithi	Dunlop (Rem of Erf 1)	250
TOTAL		1 941

Community Residential Unit projects

Although the three priority projects in eThekweni (Donnelly Road, Bayview A and B) are closest to implementation, like the Social Housing projects above, these projects are far advanced in planning and have been designed with applications lodged with the Department for funding. At this stage, it is not considered feasible to delay their progress by first trying to adjust them according to alternative technologies. Therefore, the next projects (most ready for implementation in 2012/13) are proposed for the innovation project. The CRU projects are outline in Table 21 below.

Table 21: CRU innovation projects

Municipality	Project name	No. of units
uMhlathuze	Aquadene Superblock	168
Newcastle	N11	437
Newcastle	Hospital Street	1 100
TOTAL		1 705



An investigation was conducted by identifying potential suppliers of alternative products and systems from various sources, soliciting information about these through circulation of a structured questionnaire, and augmenting where required the information provided via the questionnaire with internet and literature searches and, in some cases, even personal interviews. Questionnaires were sent to 168 potential suppliers. After an initial poor response, sustained communication efforts resulted in more information being obtained, and a total of 31 products/systems evaluated.

The products and systems were evaluated against a set of criteria that looked at technical suitability, regulatory compliance, end-user acceptance, bankability for financiers and prudence of investment. They were then recommended for shortlisting for further possible engagement by the intended end-users (namely, the Department, municipalities and delivery agents). It is important to note that this was a desk-top evaluation based on information provided by suppliers. No field observation or testing was carried out and, although verification of information provided was requested, this was in many instances not supplied.

It is recommended that the Department convenes a forum in the form of a workshop where these suppliers can be invited to present their wares and start engaging with end-users (municipalities for CRU, SHIs and potential private delivery agents for social housing), as the final contracting for supply will be with these end-users.

In addition, with regard to energy and water-saving services systems, it is proposed that

the Department advertises and holds a workshop or seminar to which all suppliers of such systems (solar heating, heat pumps, etc.) are invited to present their products and systems.

In terms of innovation projects, the Province needs to facilitate and manage the process of engagement with suppliers of this technology. It is envisaged that Province champions this process and packages the projects.

In an endeavour to encourage management agency readiness, a facilitated engagement forum needs to be established to ensure that there is adequate cooperation, engagement and partnership from the private sector (both formal and informal), as well as SHIs within and outside the Province. The next section of the report reviews the capacity of delivery agents in rental housing programmes.



3. KwaZulu-Natal's capacity to deliver



3.1 The capacity of delivery agents

In this section the capacity of municipalities and management agencies to deliver rental housing programmes is assessed. The management agencies comprise SHIs and the formal private sector and informal private sector (or small-scale rental sector).

The capacity to deliver physical stock has been a central focus in assessing the institutional capacity of management agencies. However, the real challenge is their capacity to deliver on the long-term management of the built stock and linked tenancies.

Institutional capacity of SHIs

The table below outlines the current institutional capacity of the three SHIs operational in KwaZulu-Natal.

Table 22: Social Housing Institutions - institutional capacity

Element	SHI		
	FMHC	SOHCO	MHA
Existing stock	780 self-contained units rented within the SH Rental criteria. In process of developing a further 795 using allocated RCG.	629 units in eThekweni in three projects but further units in 1 244 in East London and 450 in Cape Town. Average rentals R1 700 per month per unit.	719 units in Msunduzi in four projects with rental range of R910 to R2 104. Average rentals R1 800pm.
Established pipeline	Four pieces of privately owned land that are presently engaged in feasibility studies to determine the project viability. Province committed to assisting if sites are feasible. Independent assessment of possibility of taking over 1 242 units of the Phoenix project. Projection will increase stock from 780 to 4 380 over next five years.	Additional 550 units over 3-year period.	Proposed additional stock estimated at 1 640 in 4 projects.
Further potential for expansion	Willing to consider establishing subsidiary in another municipality if the potential exists and municipality is committed. Willing to go into sound partnerships with interested municipalities.	Very willing to expand, however, the current rent boycott in two existing projects is causing much strain on the institution. The finality of the rent boycott and further clarity on the support offered by KZN DoHS will determine the extent of SOHCO involvement.	The MHA current structure does not have the capacity to take on development and management.
Additional support for the provincial programme	Willing to make both staff and Board members available for capacity development in the province, using experience already gained.	Could envisage 750 units over next three years in eThekweni. Might consider the possibility of stock in Stanger. Only want to work on SH and not on CRU.	Prepared to make staff available to help with capacitation in other municipalities on condition that there is cost recovery payment.
Issues	With planned expansion will need to increase existing staff capacity and procedure and systems. Setting up of subsidiary will require investment in the institutional development. Will require grants support to achieve this.	Need to ensure political commitment in the province for sustainable rental sector, including payment of rentals by tenants. Resolution of the quantum of the provincial top-up subsidy. Currently outstanding – constraint.	From a period of very slow growth must now gear up to more rapid growth – might need some institutional support in planning and delivering this.

Role and capacity of the formal private sector

The information supplied on the capacity of the formal private rental sector was governed by the presence of letting agencies and, therefore, limited to Pietermaritzburg and its surrounding areas, from Balito to Amanzimtoti and from Durban to Pinetown⁹. The absence of data from the other Leader Towns like uMhlathuze (Richards Bay) and Newcastle could reflect that there are very few, if any, units available to the market where people earn less than R7 500 per month. This assertion is based on the notion that in the smaller towns, property is more expensive due to a limited supply and, hence, rentals are higher resulting in lower income earners not having access to these units¹⁰.

In total, letting agencies have between 320 and 1 500 rental units which includes all units irrespective of rental levels and income levels of tenants. The average stock holding is around 400 to 500 units¹¹.

Most letting agencies target people who earn from R5 000 upwards, but in fact the percentage of people to whom units are actually let earning less the R7 500 is low. On average around 10% of the total number of units is under management, with the exception of Trafalgar that lets 900 of its 1 300 units in the inner city to people earning below R7 500.

Further, Trafalgar's collection rate is high (81%) in the inner city and the vacancy rate (2%) is also high. That the collection rates are not on par with Social Housing institutions in the province – which are approximately 95% – may be an indicator that the Social Housing market is specialised. This suggests that the private sector agencies will require much training and assistance if they are to successfully manage the collection of rentals.

All the agencies interviewed indicated that there is a demand for units from people earning less than R7 500 per month and that they do accommodate people in this category where units are available (mainly bachelor units). Interestingly, what has emerged is that where rentals are not affordable, the unit is let to two or more people making the rental affordable because it is split among the occupants.

All the agents indicated a willingness to partner with government and manage stock in this

⁹ To determine the role of the formal private sector, agencies were interviewed from all franchises operating within predefined areas, with the exception of Trafalgar Properties which is a branch office of a national operation. In respect of representivity of the Leader Towns, it should be noted that agencies like Pam Golding have a presence in all the Leader Towns. The information supplied, however, was for Pietermaritzburg and surrounding areas only. The same is also the case for the other agencies. Trafalgar operates from Balito on the North Coast to Amanzimtoti on the South Coast and from the greater Durban area to Pinetown.

¹⁰ This assertion, which is based on assumption of how the market operates in these towns, is untested.

¹¹ One Durban agency was interviewed with a stock holding of 1 300 units, while in Pietermaritzburg one agency out of three had a stock holding of 1 500.



All the agents indicated a willingness to partner with government and manage stock in this income band.

income band. Concerns were expressed about the conditions of such a partnership and that the stock should be as problem-free as possible if the agency was expected to manage existing tenants.

Agents suggest that their core problems with expanding on the low-income rental market are the lack of sufficient and variety of stock in this income band. Factors prohibiting access by prospective tenants into the current market were perceived to be a result of increased electricity deposits and perceptions that low-income earners would not fulfil their rental payment obligations.

Trust for Urban Housing Finance (TUHF) was also interviewed to determine its inroads into the KwaZulu-Natal rental market. It has funded a total of 770 units – 530 units in Durban inner city and 240 units in Pinetown. All of these units catered for the income group earning under R7 500. TUHF also has a pipeline of 310 units, with 70 units allocated in Pietermaritzburg and 240 units in Durban.

The formal private sector is clearly willing to get involved in the under R7 500 income bracket rental market, which they view not as social housing but merely as a rental service to tenants in return for a commission from a landlord. Moreover, the interview process revealed that agents are apprehensive about managing stock for very low-income earners, since they believe it comes with too many management problems.

The formal private sector is clearly willing to get involved in the under R7 500 income bracket rental market, which they view not as social housing but merely as a rental service to tenants in return for a commission from a landlord.

Role and capacity of the informal private sector (small-scale rentals¹²)

The 2010 SHF report, 'The Strategy for increasing supply of small-scale private dwelling rental in South Africa', illustrates that private sector small-scale rental provides substantial accommodation for low-income earners in South Africa. Four key characteristics of this housing delivery system are that –

- It is provided as a small-scale activity and generally does not exceed five units per property.
- It is on privately-held land.
- The stock is procured and managed by private individuals.
- The accommodation is offered to occupants who are separate households through private rental agreements (verbal or written).

The study also illustrates that of the 2.4 million South African households that rent their primary accommodation, 850 000 (35%) occupy small-scale rental units. Desktop research into the KwaZulu-Natal private sector small-scale rental provision market reveals that, in 2008, backyard dwellings were the only dwelling type to show strong growth rate of 43% per annum. Further, data on shack rentals is unreliable and fluctuates dramatically between 2005 and 2006.

Given that this is an important sector of rental supply, an intervention was proposed in

¹² Small-scale rental comprises informal rental, backyard rental, backyard shacks, slums, household rental, room rental, etc.

the form of the Backyard Rental Programme. This programme is still in its early stages and has not been formalised. However, national government has prioritised the Backyard Rental Programme for Provincial MHDPs. It is necessary for provincial government and municipalities to engage this sector because it is currently not regulated and receives no direct government support. It does, however, present municipalities with a “hidden” burden on services possibly without cost recovery.

3.2 The mandates of stakeholders in KwaZulu-Natal

The legislative and policy directives of KwaZulu-Natal are informed by the legislative mandates that are derived from programmes, policy and acts of national government. These mandates guide the direction and role that provincial government plays in implementation.

The consolidated mandates for KwaZulu-Natal with regard to rental housing are outlined in the tables below.

Table 23: Consolidated mandates for KwaZulu-Natal Provincial Government

Provincial Government	<ul style="list-style-type: none"> • The overall coordination of provincial housing rental policy, strategy and the delivery of rental housing to households on lower incomes who qualify within national subsidy policies • Managing the allocation of the Provincial Housing Grant allocated as part of the national budget. In the rental sector this is particularly pertinent to the allocation of CRU subsidy and the institutional subsidy element available for social housing projects • Assisting in the development of capacity of the municipalities to prepare their rental housing strategies as part of their Integrated Development Plans (IDPs) • Coordinating the implementation of these rental housing projects • Assisting in making available appropriate province-owned land and buildings for use in rental housing within the CRU and social housing programmes • Allocating additional grants available for special needs housing which can include rental • Monitoring and evaluating the roll-out of the rental programme in the province and the use of provincial government grant allocations.
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Province carries out its mandate in conjunction with the mandate of other key provincial stakeholders. This is done in the context of changing mandates, as progress is made on the accreditation of municipalities to extend their housing responsibilities. The table below outlines the mandated responsibilities of other key stakeholders:

Table 24: Local government mandates

Local Government	<ul style="list-style-type: none"> • Develop appropriate housing strategies incorporated in its IDP • Assess needs, demand and gaps in supply for rental housing • Help in securing the resources in response to these • Structure partnership arrangements with key stakeholders to ensure delivery • Identify appropriate projects that meet national policy requirements • Apply for or assist in applying for government financing of such projects • In some instances directly implement such projects • Provide access to municipal infrastructure and services for rental housing and, where appropriate, with local fiscal benefits • Where municipalities are accredited, they will take on several of the responsibilities of the province in the area of their jurisdiction.
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Table 25: Key stakeholder mandates

SHRA	<p>The SHRA, established as a direct consequence of the Social Housing Act, is specifically mandated to stimulate and regulate the establishment and running of SHIs responsible for the development and management of social housing rental stock in the country. In this, it is also responsible for the assessment of social housing projects and to coordinate decision-making on the allocation of the Restructuring Grant. It also has an important role in the capacity development of SHIs.</p> <p>This involves:</p> <ul style="list-style-type: none"> • Accrediting SHIs and approving their project applications • Accrediting projects to be developed by private sector developers and managers wanting to develop social housing projects in restructuring areas • Conducting compliance monitoring • Enforcing compliance where necessary • Advising the Minister on social housing matters • Formulating, directing and overseeing the capacity-building programme to build the social housing sector.
HDA	<ul style="list-style-type: none"> • This national agency is primarily responsible for identifying and preparing land for the provision of housing within the government's Integrated Human Settlement policy. This involves initiation of rental housing projects, in partnership with municipalities and other key stakeholders. It should also support municipalities and other key stakeholders in the implementation of these projects.
Rental Housing Tribunal	<ul style="list-style-type: none"> • These were set up at a provincial level in terms of the Rental Housing Act. Their intention is to assist with the resolution of disputes between landlords and tenants in terms of the conditions set down in the Act. Although independent, they are set up by and receive administrative support from provincial government. The effectiveness of rental tribunals varies from province to province.

<p>Provincial Steering Committee (PSC)</p>	<p>The national rental housing strategy proposes to use Provincial Steering Committees (PSCs) as the focus for achieving the necessary cooperation and alignment. There are two potential approaches to this –</p> <ul style="list-style-type: none"> • a single rental housing PSC that deals with all government-linked rental housing initiatives • separate CRU and Social Housing PSCs, with the setting up and coordination of these PSCs the responsibility of provinces. They are used to engage municipalities but can also involve other key stakeholders (like SHIs) and key government-linked entities (like the National Housing Finance Company and the HDA). <p>Developed guidelines and terms of reference (ToR) for the establishment of these PSCs are available from NDoHS. The committees are mandated to –</p> <ul style="list-style-type: none"> • facilitate and provide inputs into provincial and municipal rental housing strategies • help align the involvement of the key government and other stakeholders in delivering the Rental Housing Strategy • facilitate the removal of blockages to delivery • coordinate the development of and provide inputs on the provincial five-year rental housing project pipeline • motivate for funding required for rental housing projects • recommend projects for approval for project financing as a prerequisite for the consideration of these projects by relevant spheres of government • track progress made on delivery against agreed strategy and to propose interventions where deemed necessary.
<p>Social Housing Institutions (SHIs) Independent And Municipal Entities</p>	<p>These are generally, although not always, not-for-profit companies with the specific mandate of developing and managing rental housing stock for households on low incomes. They are usually the conduits for the investment of the government's social housing restructuring and institutional subsidy grants. Their particular expertise is the facilitation of the development of stock within a tight financial framework and then taking on managing the stock and the linked tenancies.</p> <p>Usually the SHI owns the rental stock developed or holds it on a long-term lease. However, the CRU Programme also provides the opportunity for SHIs to enter into management agreements with municipalities and province.</p> <p>The role of SHIs is to –</p> <ul style="list-style-type: none"> • develop and/or manage social housing and CRU projects for low-income residents jointly with local authorities • promote the creation of quality living environments for low-income residents • reinvest any operational surpluses in further social housing projects in restructuring areas • apply for and achieve accreditation in compliance with accreditation requirements • establish and comply with annual performance agreements with local authorities on social housing projects in the area of jurisdiction • consult with residents in rental housing projects through meaningful participation • to inform residents on issues relating to consumer protection • observe and operate within a best practice and value regime as supported by national policy • comply with the Ministerial national norms and standards in respect of permanent residential structures, the National Building Regulations and the technical standards imposed by the NHBRC, where applicable. • SHIs sometimes enter into partnership agreements or sign SLAs with municipalities. These are intended to strengthen the cooperation between them and ensure roles, responsibilities and resource flows are properly defined, and through this to strengthen both partners and to help facilitate project implementation.

How do the mandates impact on the KwaZulu-Natal Rental Housing Strategy?

The mandates highlighted in the tables above show that it is imperative that a dedicated Rental Housing Unit/Department is created and capacitated within the Department to enable effective and responsive functioning for addressing the rental housing sector.

The KwaZulu-Natal provincial government, and specifically the Rental Unit/Department, should prioritise the following core functions:

- strategic programme development (planning, budgeting and performance management)
- programme management of CRU, Social Housing and Institutional Subsidy
- investment programmes management, including subsidy administration, especially as it relates to project applications, approvals and contract management
- project management of programmes with specific regard to budget and finances
- regulation
- development, facilitation and maintenance of stakeholder relationships
- capacity building, especially for municipalities.

Stakeholder analysis

The following table shows the internal and external stakeholders necessary for the successful functioning of a Rental Housing Unit/Department.

The mandates highlighted in the tables above show that it is imperative that a dedicated Rental Housing Unit/Department is created and capacitated within the Department to enable effective and responsive functioning for addressing the rental housing sector.

Table 26: External stakeholder analysis

Stakeholder	Provincial need	Current relationship	How to influence stakeholder	Priority level
External Stakeholders				
HDA	<ul style="list-style-type: none"> Land identification and feasibility studies 	Facilitate land release	<ul style="list-style-type: none"> Formalise request for a partnership 	Medium
Municipalities	<ul style="list-style-type: none"> Land Services Project Pipeline Project applications Rental Housing strategies and support programmes for delivery agents, SDF, Smart Partner arrangements Special dispensation for utilities, rates and taxes 	Provides subsidy and grant administration	<ul style="list-style-type: none"> Formalise MOU that will initiate – The capacity building programme Alignment of infrastructure process Land availability and release Project packaging and pipeline development SHI support programme 	High
SHRA	<ul style="list-style-type: none"> Capacity building of the Rental Unit/Department and of municipalities 	Provides technical assistance and support	<ul style="list-style-type: none"> Formalise MOU for continuation of support 	High
SHIs	<ul style="list-style-type: none"> Property Development and Property Management 	Indirect relationship through municipalities	<ul style="list-style-type: none"> Smart Partner policy will formalise relationship 	High
NASHO	<ul style="list-style-type: none"> SHI mobilisation and facilitation 		<ul style="list-style-type: none"> Formalise MOU 	Low
NHFC	<ul style="list-style-type: none"> Debt funding, feasibility funding 		<ul style="list-style-type: none"> Formalise MOU through SHRA 	Medium
NGOs, CBOs	<ul style="list-style-type: none"> Community engagement Social facilitation 	Direct	<ul style="list-style-type: none"> Create a 'think tank' forum 	Medium
Higher learning institutions, like UKZN and DUT	<ul style="list-style-type: none"> Research agenda for strategic planning purposes 	Direct	<ul style="list-style-type: none"> Create a 'think tank' forum 	Medium
Private Sector: Developers Managers	<ul style="list-style-type: none"> Property development and Property management 	Direct	<ul style="list-style-type: none"> Establish rental housing network Assess management capacity and willingness to participate in delivery programme Assist with SHRA accreditation 	Medium
Funders and financiers	<ul style="list-style-type: none"> Funding 	Provides funding and funding criteria	<ul style="list-style-type: none"> KZN Rental Housing investment programme Formalise request for partnership 	Medium
Construction sector (e.g. NHBRC)	<ul style="list-style-type: none"> Construction standards 	Indirect through developers/delivery agents	<ul style="list-style-type: none"> Formalise a request for partnership 	Medium
Government departments (e.g. Public Works, Land Affairs)	<ul style="list-style-type: none"> Infrastructure development, Land and buildings Land policy direction 	Direct	<ul style="list-style-type: none"> Intergovernmental relations 	Medium
Innovative technology suppliers	<ul style="list-style-type: none"> Construction 	Indirect through developers/delivery agents	<ul style="list-style-type: none"> Establish ITS database and network forum Formalise request for partnerships 	High
Rental Housing Tribunal	<ul style="list-style-type: none"> Assist with the resolution of disputes between landlords and tenants 	Direct	<ul style="list-style-type: none"> Formalise relationship 	Medium

Strengthening capacity of stakeholders in the Province

There is opportunity to develop new SHIs in the province. To do this, initial investments in the region of R1.6 million and R2.2 million are required. SHI capacity can be mobilised to assist in developing this capacity through subsidiaries, mentoring and capacity-development programmes.

A second available option is to increase support to municipalities to grow their property management capacity.

Further, priority should be given to the formalisation of relationships with the key external stakeholders. To this end, memorandums of understanding, service level agreements and partnership agreements should be entered into. The formalisation of key priority stakeholder relations will contribute significantly to promoting the efficacy of the Rental Housing Unit/Department.

The internal stakeholder analysis is addressed in more detail in the section below.

Priority should be given to the formalisation of relationships with the key external stakeholders. To this end, memorandums of understanding, service level agreements and partnership agreements should be entered into.

3.3 Internal environment analysis

Currently, the responsibility for rental housing sits within the Housing Management Directorate with four key sections, namely CRU, Social Housing, Institutional Subsidy and own stock management.

These institutional arrangements are described in the table below.

Table 27: Institutional arrangements

Elements	Assessment
Legislation	The province uses the national legislation as a basis for its work on rental housing and has not developed any specific provincial legislation for this sector nor is it required.
Strategy	The province has no developed strategy on rental housing but this is now in progress and requires linkage with the other national planning documents, including the Provincial Growth and Development Strategy, the Provincial Spatial Development Framework and the Provincial Housing Strategy.
Policy	<p>There is no provincial policy that underpins the key aspects of the government engagement in rental housing except for a well-developed policy on 'Transitional and Special Needs Housing' linked to the allocation of institutional subsidy.</p> <p>Given that the Social Housing policy is well defined and underpinned by regulations and is the responsibility of the SHRA, further work on this is not necessary, although it is important that provincial and municipal officials understand it properly.</p> <p>Of immediate relevance is the lack of a CRU housing policy. Here the Province has responsibility for decisions on allocations and on monitoring both the development and the long-term management of units. The only guideline on this is the broad national priority. Evidence is that this is interpreted in many different ways by stakeholders.</p> <p>There is a lack of alignment between the way in which province and municipalities deal with their existing stock. They still adhere to the principles and approach of the EEDBS, despite the fact that the National Rental Housing Policy has outlined a more nuanced approach that can include the strategic keeping of stock.</p>
Procedures	<p>There has been no development of new procedures pertinent to greater involvement in rentals. This means that the Department is using its general procedures for project assessment, housing allocation, contract management and financial release to cover the rental sector that requires different approaches. Procedural approaches are often implemented on an <i>ad hoc</i> project-to-project basis creating significant risks. It is particularly important to develop more fully the following procedures:</p> <ul style="list-style-type: none"> • The linkage of RCG and institutional subsidy and the system for payment • The full procedure for CRU, including project assessment of both physical and long-term management issues, allocation of financing, tenancing, staged payments and long-term monitoring of use of stock for which the Province is presently responsible.
Staff resources	<p>The responsibility for rental housing sits within the Housing Management Directorate with four key sections, namely –</p> <ul style="list-style-type: none"> • CRU • Social Housing • Institutional Subsidy • Own Stock Management <p>The major proportion of the 200 posts in this section concentrate on own stock management and the other three sections are severely under resourced.</p>
Functional ability	
Overall spatial planning and strategy	Very limited internal capacity and systems. Relies on the municipality and only very limited capacity to forward systematically the RZ applications by municipalities. Further, there is no CRU policy to define the spatial dimensions.
Policy and procedures	See above. To go forward, this must work with the KZN DoHS Policy Unit that is discussing the possibility of developing a CRU policy.
Project identification	Little capacity. Reliance on municipalities to do this and also within the 'Provincial Strategy' process. However, after this process Province has no capacity to manage the project pipeline and to ensure that it is constantly re-assessed and prioritised.

Elements	Assessment
Functional ability	
Provision of land	See above. No systematic and agreed way of dealing with assessing land held by the DoHS and no linkage between the rental housing programmes and the land responsibilities of KZN Department of Public Works (responsible for many of the physical land and building assets of the Province).
Project assessment and grant allocation	Very limited capacity to do this. This is particularly a problem with CRU, as SH is primarily the responsibility of the SHRA. For CRU, the lack of a policy framework and understanding of CRU makes the assessments and allocations high risk and exposed to 'political' pressure. This requires urgent attention in both the development of the policy but also in ensuring that key stakeholders in province and municipalities understand and adhere to it. In addition, the making of payments requires a separate system for triggering and authorising, as several elements not in the normal Breaking New Ground (BNG) housing allocations are involved.
Monitoring and Evaluation (M&E) and contract management of grant contract	There is still some work required to strengthen the M&E of the planning of CRU projects, specifically the stock management component. Presently, there are resources to monitor the quality of the stock produced but not the policy to set the standards. The biggest gap is the contracting and then the monitoring of the management and use of stock that is linked to clear conditions in the national policy and, hopefully, in the contract. Presently, there is no capacity for the latter in the Department.
Municipal capacity support and development	There are no established support programmes for municipalities on rental housing by the province. The evidence from the Leader Town municipalities indicates that their knowledge of rental housing programmes is basic and that municipalities have little comprehension of the extent and nature of responsibility for these.
Finance	There is an MTEF that covers allocation of capital grants for the next three years totalling R1.01bn. The SH allocation must be matched by RCG subsidy allocation from the SHRA. This allocation is done on a 'project ready' basis, so there is no absolute certainty of securing the necessary RCG for projects in KZN. However the SHRA MTEF indicates a substantial growth that should cover the financing at the levels that Province can match with institutional subsidies. All in all, the total available is well short of projected pipeline numbers.
Own stock	In terms of the existing policy and action to sell this stock to tenants in accordance with EEDBS, there is no alignment with National policy to assess best way of dealing with different stock. In the meanwhile, the stock is managed by the province, with allocations and maintenance in the property management section and the finance department handling credit control.
Relationship management agents	There are three established and functioning SHIs in the province, two in eThekweni and one in Msunduzi. No formal relationship exists between any of these; Province needs to create mechanisms to formalise the relationship.
Recommendations	<ul style="list-style-type: none"> • The re-organising of the property management section with the new rental housing unit to deal with the overall rental housing strategy and the roll-out of SH and CRU • Development of Provincial Government CRU Policy to provide more focused attention to approach building on national Policy Framework and review of provincial policy on EEDBS • Structuring of the necessary management systems, particularly for CRU programme management and linkage of RCG and institutional subsidy • Detailed training on the CRU and SH policies for key staff responsible for coordinating these programmes, as well as staff in other sections linked with aspects of the roll-out of these programmes • Development and implementing a programme of capacitation on CRU and Social Housing for the key staff in municipalities responsible for these projects.

Key elements for strengthening Departmental capacity

For the Province to manage the Rental Housing Programme, the development of a strong provincial policy is necessary not only to guide municipalities, but also to provide a clear policy for the assessment, implementation and long-term monitoring and evaluation of established contracts.

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In terms of procedures, there has been no development of new procedures pertinent to greater involvement in rentals. This means that the Department is using its general procedures for project assessment, housing allocation, contract management and financial release to cover the rental sector that requires different approaches. Procedural approaches are often implemented on an *ad hoc* project-to-project basis creating significant risks. It is particularly important to develop the following more fully:

- the linkage of RCG and institutional subsidy and the system for payment
- the full procedure for municipal CRU – including project assessment of both physical and long-term management issues, allocation of financing, tenanting, staged payments and long-term monitoring of use of stock for which the province is presently responsible
- a manual for provincially owned stock and social housing needs.

An analysis of the Departmental environment illustrates that, currently, there is a lack of a dedicated unit/department for rental housing delivery in the province. Such a situation jeopardises the objective of increasing rental housing delivery in the province. For this reason, it is essential that a dedicated Rental Housing unit/department, capacitated with skilled personnel, is established. The core functions of this unit will be to provide –

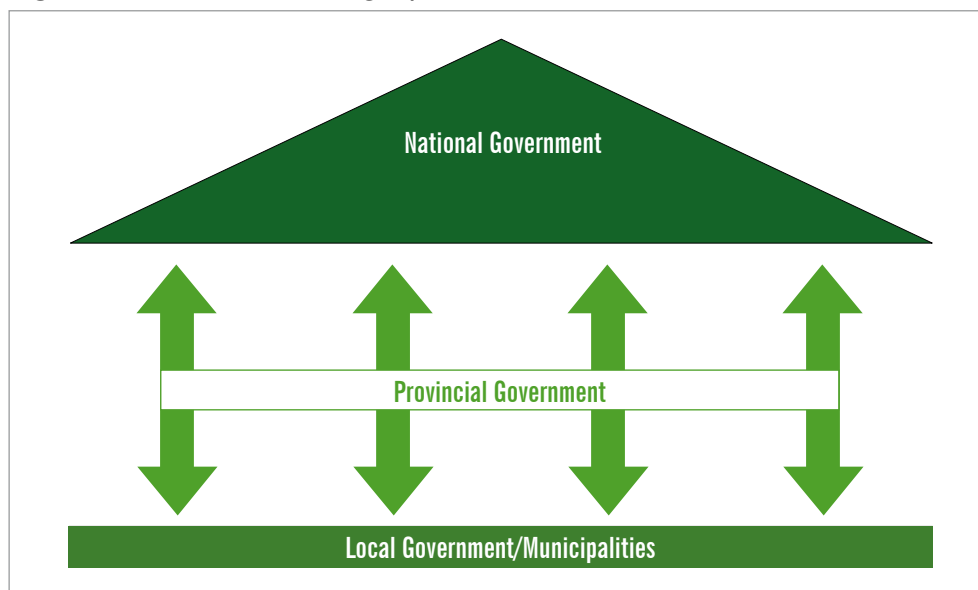
- leadership and strategic management
- programme management
- an investment programme
- project management
- regulation
- policy
- and carry out research.

4. Strategic direction



National Government contextualises the strategic, policy and mandate functions that give impetus to the delivery mandate of the ruling party. Strategically, the Province is the key driver for delivery of rental housing in KwaZulu-Natal. Municipalities are the delivery agents that take leadership and direction from the Province. Province, then, is the driving force and provides the pillars of support for rental housing delivery in KwaZulu-Natal.

Figure 2: Provincial strategic position



The Provincial rental housing policy environment needs to be developed, in order to realise the directives of the Rental Housing Strategic Plan 2012-2017. Such a policy must address the issues of land release, municipalities, SHI, Private Sector participation, innovative technology considerations and institutional capacity.

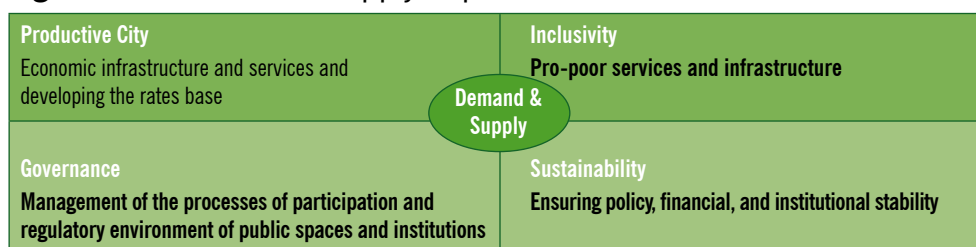
In developing the Rental Housing Strategy it was decided that two key issues should be prioritised. These issues were discussed and agreed on in workshops facilitated between SHRA and Province in 2011.

4.1 Broad policies, priorities and goals

The first issue relates to fostering cities that are productive, inclusive and sustainable –

- For a city to be productive, we need to understand what the current products are by looking at the rental housing ladder.
- For a city to be inclusive, we need to make sure that all people have access to social and economic amenities.
- For a city to be sustainable, we need to take into account financial and institutional sustainability as well as issue of environments.
- To foster such cities, we need to consider governance – how do we govern what we supply?

Figure 3: Demand and supply imperatives



Implementing these priorities necessarily involves trade-offs and decision-making. For example, in inner cities, economic aspects may over-ride other important aspects. These trade-offs would take into account the long-term built environment planning frameworks and also issues of densification, location and quality.

The second key consideration related to the issue of **STRATEGIC CONTROL**. This led to deliberation on four key areas where province has strategic control. They are –

- institutional arrangements and functions of the Department
- investment programme, including subsidies/grants
- regulations
- driving strategic engagements and partnerships.

The development of the strategic goals is premised on the common threads and constraints evident in the internal and external environment analysis of the rental housing context. These four strategic goals are presented in Figure 4 below.

Figure 4: Strategic goals

Strategic Goal 1:
A suitably structured and capacitated organisation response to rental housing
The motivation for this goal is to create an efficient, effective and responsive rental housing unit/department to meet the strategic imperatives of the rental housing strategy.
Strategic Goal 2:
To boost the supply of targeted, state-funded rental housing
The formulation of this goal is premised on three major issues – <ul style="list-style-type: none"> • Assist in the integration of the built environment, including issues of urban restructuring and densification. The instruments of restructuring zones is needed for urban renewal and changing the urban form. • Deliberate on innovative technology for improving construction standards, the environment, financial consideration and time-deliverable factors. • Provide access for the poor through programmes such as CRU and the Institutional Subsidy.
Strategic Goal 3:
To boost the supply of private sector rental housing for the lower income market
<ul style="list-style-type: none"> • There must be an understanding of supply both in KZN and nationally where both the formal and informal private sector and households have indicated that they are the major suppliers of rental stock. • Therefore, understanding the nature of supply in the private sector, formal and informal, and leveraging off the existing stock will point to the key interventions. • These key interventions include strategic partnership, appropriate incentives and regulation which will boost and manage the supply of acceptable rental housing stock.
Strategic Goal 4:
To create viable property management capacity, arrangements and systems
<ul style="list-style-type: none"> • This goal is an across-the-board intervention from fixing-up provincial property management systems, assisting municipalities to manage the property properly, and to support small-scale landlords. In terms of capacity, the scope of this goal addresses the capacity of province, municipalities and SHIs as well as private sector participation. • Further, it includes providing consumer and property management education, as well as regulation of landlord-tenant relations.



4.2 Constraints and opportunities: Priority focus areas for the Province

The constraints and opportunities identified in Table 28 highlight areas that provincial government needs to prioritise in order to address the provision of rental housing in KwaZulu-Natal. In particular, the constraints identified from policy, mandate, stakeholder, demand and supply perspectives (as illustrated in Table 28 below) should lead to the identification of specific goals and actions that need to be taken by the Department.

In moving forward with the Rental Housing Strategy, the Department will need to use the opportunities identified in Table 28 strategically, while at the same time minimising the constraints through a concerted operational plan.

Table 28: Constraints and opportunities

Policy perspective	
Opportunities	Constraints
<ul style="list-style-type: none"> • Social Housing Act • SHRA • CRU Policy • Institutional subsidy policy – new modalities 	<ul style="list-style-type: none"> • Preferential land release policy • Formalised SHI Partnership Policy • CRU guidelines • Backyard rental programme • Farm worker policy and programme • Small-scale landlord policy • Town planning amendment policy for municipalities
Mandate perspective	
<ul style="list-style-type: none"> • Social Housing Act • CRU Policy and guidelines 	<ul style="list-style-type: none"> • Lack of a dedicated Rental Housing unit/department and insufficient capacity to fulfil the key mandate as per the Social Housing Act and CRU Policy and guidelines
Stakeholder perspective	
<ul style="list-style-type: none"> • Potential for strong strategic relations with key stakeholders 	<ul style="list-style-type: none"> • These relationships are not formalised or institutionalised
Demand perspective	
<ul style="list-style-type: none"> • Statistics show demand • Thriving rental market • Deep-down market demand statistically evidenced 	<ul style="list-style-type: none"> • Primary data per Leader Town • Affordability • Rental housing trends in terms of informal and formal is not determined • Waiting list reliability and definition of criteria
Supply perspective	
<ul style="list-style-type: none"> • Existing public stock • Extension of Restructuring Zones to Leader Towns • Land availability • Project pipeline • Initiation of Innovative Projects 	<ul style="list-style-type: none"> • Land identification, allocation and release • Insufficient delivery agents capacity • Poor municipal systems and lack of capacity to deliver • Poor planning and policy • Land packaging • Grant/subsidy funding allocations • Property management costs • Property management capacity • Innovation technology buy-in

Furthermore, the proposed delivery of rental housing is scheduled to take place over a four-year period (summarised in Table 31 below). However, an analysis of the capital cost of the Rental Housing Budget to the Province in terms of the required Social Housing, Institutional and CRU subsidies, compared with the existing medium-term expenditure framework (MTEF) allocation, shows a substantial shortfall of approximately R2.4 billion over the three-year MTEF period. This is based on the assumption of an increase of the subsidy amount of 6% per annum.

Table 29: Rental housing capital budget

Type	2012/13	2013/14	2014/15	2015/16	2016/17
Institutional Subsidy Req'd (Rm) ¹³	228 725	145 553	170 121	147 441	141 006
CRU Subsidy Req'd (Rm)	546 766	799 689	1 364 243	1 283 329	872 658
Total Subsidy Req'd (Rm)	775 491	945 242	1 534 364	1 430 770	1 013 664
3 Year MTEF (Rm)	203 240	344 606	316 104		
Annual Shortfall (Rm)	572 251	600 636	1 218 260		
Subsidy assumption¹⁴ (Increase required in Rands)					
Institutional Subsidy	81 383	86 266	91 442	96 928	102 744
CRU Subsidy	280 000	286 800	314 608	333 484	353 494

This reflects a major contradiction between the national and provincial linked targets and the predicted available financial resources. If not resolved, the implementation strategy will require substantial reduction.

Table 30 below indicates the shortfall between units projected within the MTEF and the pipeline potential within the same period.

Table 30: Projected shortfall

	2012/13	2013/14	2014/15	TOTAL	Pipeline potential within MTEF period	Shortfall
SH Numbers within MTEF	460	816	971	2 247	6 405	4 158
CRU Numbers within MTEF	520	2146	2583	5 249	8 027	2 778

¹³ Required rand per million.

¹⁴ An estimate of what the subsidy amount would need to be increased by in Rand value.

This requires urgent attention – if the available amount does not change then the pipeline and the targets will need to be revised and aligned with action plans

In conclusion, this report – *Looking Ahead: The KwaZulu-Natal Rental Housing Strategic Plan (2012-2017)* – is the culmination of an in-depth analysis of multiple factors including the policy and legislative environment, government mandates and obligations, a detailed demand and supply analysis of the rental housing sector and a stakeholder and internal environment analysis. Drawing together all these various pieces of work has led to the development of rental housing priority areas of delivery in KwaZulu-Natal.

The table presented below unpacks the key activities that should be followed by the proposed dedicated Rental Housing Department/Unit in order to ensure that the KZN DoHS meets its delivery targets. KZN DoHS undertakes to approach the delivery of rental housing with the energy, enthusiasm and innovation embodied in the vision and mission statements of the Rental Housing Strategy.



Table 31: Rental Housing Strategy priority areas of delivery

Priority area	YEAR 1 2012/13	YEAR 2 2013/14	YEAR 3 2014/15	YEAR 4 2015/16	YEAR 5 2016/17
A suitably structured and capacitated organisation response to rental housing	Adequately capacitated rental housing directorate				
	Developed and approved provincial strategy and policies				
	Capacitated and supported local government to plan for rental housing				
	Institutionalised arrangements with other directorates in the Department of Housing				
	Institutionalised arrangements (strategic partnerships) with key rental housing support organisations				
Boost the supply of targeted, state-funded rental housing	Develop and deliver research agenda for rental housing				
	Provincial land (identification, allocation and release) programme				
	Technical Support Programme for Municipalities in packaging projects				
	Strategy and action plan for Public Rental Stock (Province and Municipality)				
	Social Housing delivery programme				
	CRU delivery programme				
	Functioning PSC to support roll-out of rental housing programme				
	Develop models for the use of the institutional subsidy				
	Development and implementation of a backyard rental programme				
	Development and implementation of small-scale landlord programme				
	Package innovative technology projects				
Boost the supply of private sector rental housing for the lower income market	Private Sector - Formal Assess/research sector and sector needs for participation in rental housing programmes				
	Private Sector - Informal Research/assess small-scale landlords				
	Develop an engagement programme and process				
		Launch Investment Programme			
	Develop alternative models for rental housing financing				
Create viable property management capacity, arrangements and systems	SHI Rental Housing Support programme				
	Mobilise additional property management capacity				
	Technical support for Property Management capacity				
	Tenant Education Programme				



human settlements

Department:
Human Settlements
PROVINCE OF KWAZULU-NATAL