

## **SUBMISSION**

**TO** : KZNHAC FOR APPROVAL BY THE MINISTER

**SUBJECT** : DEVELOPER DRIVEN INDIVIDUAL SUBSIDY

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### **1. PURPOSE.**

The purpose of this submission is to obtain approval of a policy on the Developer Driven Individual Subsidy( D. D. I. S.) in this Province.

### **2. BACKGROUND**

- 2.1 The Department of National Housing, in January 2001, introduced a Developer Driven Individual Subsidy (D.D. I. S. )policy.
- 2.2 The D.D.I.S. proposed the introduction of a programme, whereby small scale developers can build a limited number of homes at a time. The intention is to conglomerate individual applications (30 to 50 )in a particular area and then invite emerging developers or S. M. M. E.'s to develop the sites. The intention is also to accommodate persons wishing to access an individual subsidy for vacant land, to make provision for beneficiaries who could not be accommodated within projects and to accommodate small projects.
- 2.3 The policy was not adopted in this province since it was felt that the implementation of this policy may undermine PLS projects. The department at the time also did not have the capacity to administer this programme and ensure that sites are legitimate and not in approved PLS developments.
- 2.4 The D. D. I. S. was introduced in the period when, because of fraud, non -credit linked individual subsidies were suspended. This contributed to the decision not to implement the D. D. I. S. programme in this province.
- 2.5 The Department was also satisfied that it's arrangement with the Homeless People's Federation and the People's Dialogue, who access subsidies via the Utshani fund cater sufficiently for this market.
- 2.7 Requests are being received from individuals wanting to access a subsidy for vacant land and from municipalities wanting to develop small projects. Prospective beneficiaries, saving monies through the Savings Linked Subsidy Scheme also require a vehicle to access the subsidy. A demand has now arisen and the D. D. I. S is considered to be the most appropriate instrument to cater for this market.

### 3. **DISCUSSION**

- 3.1 Due to the tighter control measures and the involvement of municipalities, individual subsidies on land with a top-structure is to be re-introduced.
- 3.2 The housing market is becoming more broad and dynamic and not everybody wishes to access a housing subsidy through a project. Another mechanism to cater for this market as well as to help address the ever - increasing housing backlog is required.
- 3.3 Administration of individual subsidies is very expensive and requires vast administrative and technical controls. Grouping of individual subsidies in an area through DDIS could assist in addressing needs of smaller groups.
- 3.4 The Gauteng Provincial Housing Department also does not allocate individual non credit linked subsidies on vacant land. They responded to the situation by initiating the Developer Driven Individual Subsidy.

### 4. **PROPOSAL**

#### 4.1 Qualification criteria

- 4.1.1 Prospective beneficiaries must comply with the normal qualification criteria.
- 4.1.2 Where the prospective beneficiary is an owner of an unsubsidized site, the property in question must be the first residential property acquired by the beneficiary without any government assistance and the only property registered in his /her name.

#### 4.2 Developer

The developer shall be the municipality. The department will assist municipalities who do not have the necessary capacity.

#### 4.3 Procurement Principles

- 4.3.1 Procurement principles must apply. The municipality shall call for tenders inviting contractors/developers to undertake service infrastructure, where applicable, and top-structure construction.
- 4.3.2 The municipality may appoint emerging contractors or undertake the delivery in terms of the Preferential Policy Framework as outlined in Chapter 3 of the Housing Code.

#### 4.4 Product norms and standards

- 4.4.1 The property must conform to Norms and Standards and NHBRC requirements.
- 4.4.2 In instances the land may be already serviced or partially serviced and in some instances the land may be already acquired. Such information must be declared upfront. Any savings in the serviced site must realize in an increase in the top-structure. The regional office must peruse specifications and costs and confirm value for money.

#### 4.5 Land / tenure

Beneficiaries must acquire ownership, leasehold rights or Deeds of Grant. A land audit must be done and the land must be found suitable for development.

#### 4.6 Milestone Payments

- 4.6.1 The municipality may negotiate and propose milestones in the application. The milestones must however be clearly defined and must not be inconsistent with the progress payment milestones for PLS subsidies as contained in Part 3, Chapter 3 of the housing code.
- 4.6.2 The department and the municipality may negotiate for the department to make two up-front payment tranches to the municipality. The first tranche will be paid upon signature of agreement for land acquisition, installation of services and registration of transfer to beneficiaries. The second tranche be paid on completion of top-structures and handover to beneficiaries.
- 4.6.3 Up-front payments to the municipality will be paid in the municipal operating account. All interest that accrues out of this interest bearing account must be deposited in the municipalities', Municipal Housing Operating Account.
- 4.6.4 The municipality is responsible for payments to contractors. Payments must be made against certification of invoices in terms of contracts prepared in accordance with standardized procurement documents. Claims by contractors must be submitted to the Regional Offices in order that the necessary inspections are carried out and payment certification is made before payment is finalized by the municipality.

#### 4.7 Contribution

Beneficiaries will be required to make the required contribution. Contributions must be collected in accordance with the contribution strategy as outlined in Chapter 3 of the Housing Code.

## **5. APPLICATION PROCEDURE**

- 5.1 Where there is an existing housing need or the municipality wishes to initiate a small project the application must be submitted in a business plan format, through the Regional Office.
- 5.2 The normal interaction, facilitation, evaluation, checks and controls that takes place between the department and the municipality in conventional projects must take place. The department and the municipality in addition must ensure that the sites are not in approved PLS developments.
- 5.3 The business plan must be submitted via the Region to the HAC for approval by the MEC of Housing.
- 5.4 An agreement will be entered into between the department and the municipality. The agreement must include time frames of the expected milestones, as defined in the business plan.
- 5.5 Payments must be made in terms of paragraph 4.6.

## **6. FINANCIAL IMPLICATIONS**

- 6.1 An allocation of a quantum of funds under the Individual subsidy is catered for in the Provincial Housing Development Plan. This amount may have to be increased.
- 6.2 The Department, at the beginning of each financial year will make an allocation for individual subsidies to each municipality.

## **7. LEGAL IMPLICATIONS**

The D. D. I. S. is in terms of National Housing Policy.

## **8. RECOMMENDATION : THAT**

The Developer Driven Individual Subsidy as outlined in paragraphs 4 and 5 be approved for implementation in this Province.

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MRS.M.GODLIMAN  
CHIEF DIRECTOR : STRATEGIC SUPPORT SERVICES

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DATE

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MR.C. NTSELE  
CHAIRPERSON : KZNHAC

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DATE

APPROVED/ APPROVED AS AMENDED/NOT APPROVED

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REV.W.M. NGCOBO  
MEC FOR HOUSING

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DATE