



**AFFORDABLE HOUSING IN RELATION TO LAND, FINANCE AND TENURE IN THE
CITY OF CAPE TOWN**

by

CHARLES WITBOOI

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Supervisor: Professor Rozenda Hendrickse

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ABSTRACT

Affordable housing delivery has been a major deliverable for the South African government since 1994. The apartheid laws created a fragmented city and had a negative impact on previously vibrant communities. Since the dawn of the new South Africa in 1994, government has created a platform to stimulate the creation of sustainable communities. This has proven to be a daunting task and the progress in this regard has been slow.

In 1994, the South African government published the White Paper on A Housing Policy and Strategy for South Africa. This was followed in 2004 by a housing code, A Comprehensive Plan for Sustainable Human Settlements, called “Breaking New Ground”, which contained practical guidelines to implement sustainable human settlement development. The aforementioned was supported by other legislation and the abolishment of apartheid planning legislation.

Sustainable human settlement development consists of many facets, but this mini-thesis focused on three themes, being land, finance and tenure options with respect to affordable housing delivery in the City of Cape Town. Ten housing practitioners were identified, representing government and the private sector. A semi-structured interview comprising of 12 questions was used to allow the housing practitioners to share their knowledge on the aforementioned themes during the process.

The research found that a shortage of affordable housing is an international problem and not just a South African or City of Cape Town phenomenon. With regard to land it concluded that strategic government-owned land parcels remain underdeveloped. Despite government’s comprehensive finance programmes, the study found that the financial sector had no formal obligation to assist government with the delivery programme. With regard to tenure options, the research concluded that additional forms of tenure, such as incremental and rental options, should become more prevalent in the delivery model.

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LIST OF ABBREVIATIONS

BNG	Breaking New Ground
CoCT	City of Cape Town
CRU	Community residential units
FLISP	Finance-linked Individual Subsidy Programme
FSC	Financial Sector Charter
HDA	Housing Development Agency
IDP	Integrated Development Plan
IRDP	Integrated Residential Development Programme
LUPO	Land Use Planning Ordinance
MEC	Member of Executive Council
NDOHS	National Department of Human Settlements
PGWC	Provincial Government of the Western Cape
USDG	Urban Settlement Development Grant
UISP	Upgrade of Informal Settlements Programme
WCDoHS	Western Cape Department of Human Settlements

CHAPTER 1: GENERAL INTRODUCTION

1.1 INTRODUCTION AND BACKGROUND

According to the researcher, the need for affordable housing is a growing concern across South Africa (SA) and appears to be much bigger than initially anticipated by the South African government and the City of Cape Town (CoCT) prior to the first democratic elections in 1994.

Tissington (2011) states that, nationally, government delivered over 2.6 million houses between 1994 and 2008, of which 293 053 were in the Western Cape. A further 440 000 housing units were estimated to have been delivered nationally between 2008 and 2011, of which 64 069 were to be delivered in the Western Cape. Tissington (2011) goes further to state that the majority of the housing delivered in the Western Cape is in the jurisdiction of the City of Cape Town. The need for formal housing is growing faster than the rate of delivery, and logic dictates that the dilemma would persist if the gap between delivery and the growing need is not reversed or reduced substantially.

An estimated 400 000 families in the City of Cape Town needed housing in the form of rentals, ownership and/or serviced sites. Of these 400 000 families, approximately 310 000 were registered on the City's integrated housing database. It was conservatively estimated that a further 90 000 were included in the total of 150 000 households living in the City's various informal settlements, of which there are 223. These vary in size, from 46 679 structures in Khayelitsha to 224 in Simon's Town (City of Cape Town, 2009).

Pollack (2011) states that the City's total operating expenditure had increased from R19 476 billion in 2010/11 to R22 142 billion in 2011/2012. This represented a 13,7% growth in spending, a consequence of rising bulk purchase cost, new transport allocations with the integrated rapid transport (IRT) system, and rising employee costs negotiated by the bargaining council at the time. He further states that human settlements received approximately R700 million, an increase of 9.1% in comparison to the previous financial year. The housing budget of R700 million could deliver approximately 6 975 housing units if site, services and top structures were to be delivered in all cases. There were other competing government housing programmes, such as the Upgrade of Informal Settlement Programme (UISP). The budget relative to the need could at best be described as optimistic if one considered the extent of the need versus the budget allocation.

The researcher is of the opinion that the shortage of money is a consequence of our macro-economic circumstances, a clear indication that government alone does not have the financial ability to eradicate the housing shortage in our country in the foreseeable future.

According to the researcher, affordable housing is one of the most important deliverables of the government in order to ensure the success of the “new” South Africa. South Africa has a culture of home ownership and, because of this, most South Africans have an aspiration to own a home, plot and top structure. The place of residence is the single biggest investment most South Africans, irrespective of race, creed and gender, and across the socio-economic spectrum, will make in their lifetime.

1.2 PROBLEM STATEMENT

Affordable housing delivery is a complex basic human right, and government has put constitutional guidelines in place to provide a platform to stimulate the effective delivery thereof. This platform has been set in terms of Section 26 of the Constitution of the Republic of South Africa (Republic of South Africa, 1996)

The ideal would be adequate and well-located housing for all South Africans, with a manageable backlog with no slums or informal settlements, and employment for all, with the correct amount of rental stock to accommodate migrants who choose to rent for job opportunities or social services. The challenge is housing delivery with a wide array of tenure options suited to the needs of recipients, and housing with appropriate end-user finance options with affordable repayment structures for those in the lower income bands.

Based on the researcher’s work experience, daily interaction and policy interpretation, the reality is that the Human Settlements Policy is geared towards certain results, such as large-scale sustainable integration, but many housing practitioners in the City and private sector are of the opinion that the Breaking New Ground Policy (Department of Human Settlements, 2004) is impractical, a delusion, and those who have to implement it are not succeeding with the implementation. The researcher is of the opinion that, because of the backlog, housing delivery is slow, and in instances where houses are delivered they often are of poor quality and on the outskirts of cities and towns (e.g. Delft, Khayelitsha and Atlantis). The researcher further believes that affordable housing requires more than creative planning, engineering and technical solutions. It requires these elements, combined with compassion for poor people and

practitioners and implementers who can identify with the struggle of poor people. It further requires housing practitioners with technical competency and the will to put the needs of the homeless before self – seemingly a daunting task.

Land, finance and tenure options are key elements of the housing delivery process and their ineffective use can result in unsustainable human settlements. Effective housing delivery must be focused on well-located land and, if well-located land is going to be utilised, then one must reconsider the format of current government housing revenue streams and find workable tenure options to support affordable housing delivery. Affordable housing is part of a much bigger picture, but it is often designed not to have a negative impact on the provider instead of affecting the recipient positively.

The researcher therefore will focus on the delivery of affordable housing in relation to land, finance and tenure options within the jurisdiction of the City of Cape Town.

1.3 PRELIMINARY LITERATURE REVIEW

In 1994, when the newly elected government came into power, housing the nation was one of its most strategic objectives, and the same is true today. The South African Government published a document, *New Housing Policy and Strategy for South Africa*¹ (1994), which is still in use and forms the basis of the South African approach to resolve the housing crisis. The document states, page 4:

- “Housing the nation was one of the greatest challenges facing the Government of National Unity. The extent of the challenge derives not only from the enormous size of the housing backlog and the desperation and impatience of the homeless, but stems also from the extremely complicated bureaucratic, administrative, financial and institutional framework inherited from the previous government.
- The time for policy debate was past – the time for delivery had arrived”.

It is now 20 years since the abovementioned statement was published, and housing the nation is as critical now as it was then. This research focused on three critical areas in relation to housing, namely land, finance and tenure options.

¹ Department of Human Settlements (Housing White Paper) housing delivery policy document, 1994

1.4 LAND

The researcher is of the view that well-located land is important for the overall success of government's housing delivery programme. Almost all government housing delivery post-1994 has taken place on the outskirts of towns. It is imperative that better located land is used for government housing delivery in order to provide recipients access to a sustainable and balanced livelihood.

The Housing Development Agency² (HDA) (Republic of South Africa, 2011) states that a key objective of this organisation is to promote sustainable communities by making well-located land and existing underutilised government buildings available for the development of human settlements and housing.

The Housing Development Agency Act (No. 23 of 2008) provides the framework in which the HDA³ operates (Republic of South Africa, 2008). It makes provision for the HDA to expedite the processes of housing development by overcoming the delivery challenges across all spheres of government. The specific mandate of the HDA is to identify, acquire and manage the release of land and development of land for human settlement development. Affordable housing delivery is almost pointless if the land identified for such delivery remains on the outskirts of towns.

Computers in Urban Planning and Urban Management (2006) describes a planning support system as a framework that combines the three components of planning task specification (in response to the specific problem), models and methods of analysis, prediction and prescription, and then the transformation of basic data and information, modelling and design. In response to the problem, the broad planning task has been that of identifying the best localities for providing subsidised housing for poor people. It must take into account resource limitations on the one hand, and the policy objective of using the delivery of housing to contribute significantly to the restructuring of an entrenched urban spatial pattern, where the poor are predominantly located on the periphery, on the other.

Tonkin (2008) indicated that Breaking New Ground⁴ (BNG) promotes densification and integration, which are key objectives to "integrate previously excluded groups into the city and

² The Housing Development Agency (HDA) is a national public development agency established by an Act of Parliament (Act, No. 23 of 2008).

³ Through its board the HDA is accountable to the National Minister of Human Settlements.

⁴ Breaking New Ground (BNG) is the South African national government's human settlement implementation strategy.

the benefits it offers, and to ensure the development of integrated, functional and environmentally sustainable human settlements, towns and cities”.

Tonkin (2008) further states that land for housing ideally should be located close to transport, employment and other urban opportunities. It should:

- be within urban activity nodes or corridors;
- be close to places of employment, including lower density suburbs that provide low-skilled employment opportunities to domestic workers and gardeners;
- if not in an activity node or corridor, it should ideally be within 10 minutes’ walk (i.e. 500 m) of an existing public transport route. Similarly, primary schools should be no more than 15 minutes’ walk away, and high schools, clinics and libraries should be no more than 30 minutes’ walk away; and
- not be part of the open space system.

The location of affordable housing delivery will have a significant impact on the overall value-add to the lives of poorer and marginalised people as well as communities. It therefore is important that the delivery of affordable housing becomes and remains the responsibility of government and private sector, and that value-add becomes part of the affordable housing delivery proposition.

1.5 FINANCE

According to the researcher, affordable housing development does not deliver the same financial returns for developers as free market residential developments due to the revenue restriction (price range of the units). The successful delivery of affordable housing requires the cooperation of financial institutions (banks), development funders, private sector developers and government.

The Financial Sector Charter⁵ (FSC) came into effect in January 2004 as a result of the Financial Sector Summit (FSS) hosted by the National Economic Development and Labour Council (Nedlac), the multilateral social dialogue forum on social, economic and labour policy.

⁵ The Financial Sector Charter (FSC) is a transformation charter in terms of the Broad-based Black Economic Empowerment (BBBEE) Act No. 53 of 2003.

The Nedlac partners, i.e. government, business, labour and community constituencies, negotiated the Financial Sector Summit Agreements (FSSA) on transforming the financial sector and signed the Summit declaration on 20 August 2002. The Charter commits its participants to actively promoting a transformed, vibrant and globally competitive financial sector that reflects the demographics of South Africa and contributes to the establishment of an equitable society by effectively providing accessible financial services to black people and by directing investment into targeted sectors of the economy (Financial Sector Charter Council, 2004).

This initiative was expanded into the housing environment, and the National Department of Housing and the major banks, being the Banking Association South Africa (BASA; 2002), Absa Bank, First Rand Bank, Nedcor Bank and Standard Bank, all entered into a Memorandum of Understanding (MoU) in 2005. The focus of the MoU was for the banking sector to assist previously marginalised groups as far as possible by making bank loans available to contribute towards the delivery of affordable housing.

Banks, under threat of more direct state intervention in the form of prescribed minimum lending targets, signed a Memorandum of Understanding (MoU) with the Minister of Housing in March 2005 in which they committed to providing R42 billion in housing finance before the end of 2008 to the low income market, defined at that time as households with an income of between R1 500 and R7 500 per month (Melzer, 2007). The minimum income required for mortgage was reduced to as low as R1 500 per month, with the minimum mortgage size set at a capital value of R20 000. Informal income sources were recognised subject to some form of verification, and credit vetting processes were adjusted to ensure that more borrowers would qualify for loans. This was instituted to support the large segment of the South African population who are employed in the informal sector.

According to the researcher, the original R42 billion FSC target since expired in 2008. It has still to be confirmed whether the MoU signed as a result of the Charter achieved the desired outcomes in order to determine the way forward to ensure sustained assistance to this market in various ways and forms.

It is clear to the researcher, based on his working experience and property development exposure, that the property market in South Africa and across the world is driven by security of tenure, and that the formal registration of property rights is unavoidable in wealth creation through property investment, irrespective of the value of the property.

1.6 TENURE

Inadequate options of tenure were identified as a major stumbling block that led to the unsatisfactorily living circumstances of poor people prior to 1994 (National Department of Human Settlements, 1994). According to the New Housing Policy and Strategy for South Africa, many South Africans do not have adequate tenure security over their homes:

- Approximately 58% of all households (4.8 million households) have secure tenure (ownership, leasehold or formal rental contracts) over their accommodation; whereas
- an estimated 9% of all households (780 000 households) live under traditional, informal/inferior and/or officially unrecognised tenure arrangements in predominantly rural areas; and
- an additional estimated 18% of all households (1.5 million households or 7.4 million people) are forced to live in squatter settlements, backyard shacks or in overcrowded conditions in existing formal housing in urban areas, with no formal tenure rights over their accommodation.

One of the most significant and short-term interventions required of the South African government will be to provide the widest range of options for the rapid attainment of secure tenure. As an invisible intervention it is likely to have a highly significant and positive impact on the propensity of individuals and communities to commence with the process of investing in their own housing, no matter how modest they may be at the beginning (National Department of Human Settlements, 1994).

Habitat Agenda⁶ (1996) states that housing policy and programmes should ensure:

- Non-discriminatory access;
- Security of tenure and equal access to all;
- That housing is made accessible through a series of interventions to improve the supply of affordable housing; and
- Monitoring and evaluation of homelessness and inadequate housing.

⁶ Habitat Agenda provides a practical roadmap to an urbanising world, setting out approaches and strategies towards the achievement of sustainable development of the world's urban areas. It was adopted by 171 governments at Habitat II, 1996.

In order to address the research problem and having formed a tentative theoretical framework, the following section – research objectives – will put forward the study's research objectives.

1.7 RESEARCH QUESTIONS:

The following research questions underpin the study:

- In what way can the City of Cape Town and the Department of Human Settlements rectify the historical development patterns of Cape Town to ensure the integration of all communities and to facilitate equitable land redistribution?
- What incentives and monitoring mechanisms can be introduced by the City of Cape Town and Department of Human Settlements to ensure the participation of private developers and financial institutions in the affordable housing delivery model?
- In what way are the current tenurial options associated with affordable housing delivery appropriate and effective, and how does it facilitate better land redistribution?

1.8 RESEARCH OBJECTIVES

The research objective of the study was to:

- Investigate the best use of land, finance and tenure options with respect to affordable housing delivery in order to achieve a well-balanced, sustainable integrated city.

In order to achieve the core objective, the following secondary objectives were set:

- Provide a national legislative overview of legislation and government policy that impacted housing development in South Africa pre- and post-1994;
- Discuss international, national and local housing delivery processes and models and link them to land, finance and tenure options in order to learn lessons for the South African context;
- Provide a clear research methodology to be used for the study; and

- Forward the results, findings and recommendations on attaining affordable housing to stakeholders like the Department of Human Settlements as well as financial institutions.

1.9 RESEARCH METHODOLOGY

According to Newman and Benz (1998:1), research outcomes are of no value if the methods from which they are derived have no legitimacy. The methods must justify our confidence. Those who read and rely on research outcomes must be satisfied that the studies are valid, that they lead to truthful outcomes.

There are two mainstream approaches to research, namely qualitative and quantitative research.

1.9.1 Qualitative research methodology

Thomas (cited in Denzin & Lincoln, 1994:2) states that qualitative research is multi-method in focus, involving an interpretive, naturalistic approach to its subject matter. This means that qualitative researchers study things in their natural settings, attempting to make sense of or interpret phenomena in terms of the meaning people bring to them. Qualitative research involves the studied use and collection of a variety of empirical materials – case study, personal experience, introspective, life story, interview, observational, historical, interactional, and visual texts – that describe routine and problematic moments and meanings in people's lives.

According to Glesne and Peshkin (1992:1), qualitative researchers seek to make sense of people's stories and the ways in which they interact.

1.9.2 Quantitative research methodology

Muijs (2004) describes quantitative research as “explaining phenomena by collecting numerical data that are analysed using mathematically based methods (in particular statistics)”.

Muijs (2004:2) further states that quantitative research is effectively the collection of numerical data to explain a particular phenomenon, with particular questions immediately being suited to being answered using quantitative methods.

In lieu of the aforementioned expositions, the study used the qualitative research approach, as it proves to be most suited for the research in question because housing practitioners have varied opinions on housing delivery. The qualitative approach therefore will provide the opportunity for them to share their experiences and stories.

1.10 DATA COLLECTION METHODS

Data collection methods allow us to collect information about our objects of study (people, objects, phenomena) and about the settings in which they occur. If data are collected haphazardly, it will be difficult to answer the research questions in a conclusive way (Kothari, 2004).

Adams (1990) lists the following data collection methods that form part of the qualitative research methodology:

- Using available information;
- Observation; and
- Semi-structured interviews.

The semi-structured interview was regarded as the most effective data collection technique for this study.

1.10.1 Semi-structured interview

According to Harrel and Bradley (2009:27), a semi-structured interview collects detailed information in a style that is somewhat conversational. Semi-structured interviews are often used when the researcher wants to delve deeply into a topic and to understand thoroughly the answers provided.

Five senior government officials (viz. managers, directors and chief directors) were purposefully selected to represent the Western Cape Human Settlement Department and were interviewed. Five private sector housing practitioners with specific knowledge of affordable housing finance and tenure options were also interviewed, including senior staff at financial institutions. These interactions took place in the form of semi-structured interviews.

A qualitative approach therefore is preferred when the objective of the research is non-numerical and a comprehensive understanding of a problem is to be gained. English, Fielding, Howard and van der Merwe (2006) state that interviews also are an important method of data collection that aims to understand the participant's point of view.

The interviews were conducted on a face-to-face basis with each participant and were recorded digitally to ensure the highest degree of accuracy. The digital recordings were supported by field notes.

1.11 DATA ANALYSIS

Wolcott (1994) states that, by reading through various materials, the researcher may isolate themes and expressions that can be reviewed with the informants, but it should be maintained in its original form throughout the study.

1.11.1 Content analysis

Holsti (1969) defines content analysis as “any technique for making inferences by objectively and systematically identifying specified characteristics of messages”.

Content analysis enables researchers to filter large volumes of data with relative ease in a methodical fashion. It is a useful technique and allows us to discover and describe the focus of individuals, groups, institutions or social attention (Weber, 1990).

Content analysis was used to interpret and reflect on the opinions of the individuals that were interviewed, as well as the organisations they represent.

1.12 DELINEATION OF THE STUDY

The study was limited to the City of Cape Town metropolitan area and drew on the experience of the participants to identify specific projects for further discussion. The demographic of the Western Cape is substantially different to that of the rest of South Africa and the results of the findings will be applicable only to this region.

1.13 SIGNIFICANCE OF THE STUDY

Emphasis was placed on the use of land, finance and tenure options with respect to affordable housing delivery, as well as the economic opportunities and infrastructure to create a sustainable living environment. The study provides vital information for national and provincial Human Settlement Departments and City of Cape Town, as well as private housing practitioners, on international and national best practice in affordable housing delivery.

1.14 ETHICAL CONSIDERATIONS

According to the Social Research Association (2003), if social research is to remain of benefit to society and the groups and individuals within it, then social researchers must conduct their work responsibly and in light of the moral and legal order of the society in which they practice. They have a responsibility to maintain high scientific standards in the methods employed in the collection and analysis of data and the impartial assessment and dissemination of their findings.

The researcher endeavoured to reflect the true results of the data collected in all forms and upheld the highest ethical standards applicable in the research field and beyond. All necessary ethical clearances were obtained by the researcher prior to the commencement of the study.

1.15 CHAPTER OUTLINE

Chapter One – INTRODUCTION AND BACKGROUND: This chapter comprises an introduction and background, problem statement, preliminary literature review, research objectives, research methodology, delineation of the study, significance of the study, ethical consideration and chapter outline.

Chapter Two – LEGISLATIVE OVERVIEW: This chapter highlights the pertinent legislation and policy that have had an impact on the geographical footprint of historical and future housing development.

Chapter Three – LITERATURE REVIEW: This chapter deals with the literature on affordable housing, land, finance and tenure options in the local and international context, and discusses the housing delivery processes in the City of Cape Town.

Chapter Four – RESEARCH METHODOLOGY: This chapter is devoted to the research instruments or research methodology used for the data collection.

Chapter Five – DATA ANALYSIS AND RESULTS: This chapter provides an explanation of the data collection techniques and the analysis of the data.

Chapter Six – CONCLUSIONS AND RECOMMENDATIONS: Chapter 6 concludes the study and presents recommendations.

CHAPTER 2: LEGISLATIVE OVERVIEW

2.1 INTRODUCTION AND BACKGROUND

According to the researcher, affordable housing is a major focus area for national government and is high on the agenda of government's list of priorities. Affordable housing has formed part of the annual presidential address since 1994 – an indication of its importance. A large part of the South African population was denied security of tenure during the enforcement of apartheid legislation and policy. Also, the non-whites who owned property in good locations were negatively affected by the enforcement of racial segregation.

FinMark Trust, Urban LandMark and South African Cities Network (2010) state that the South African government, and more specifically the Department of Human Settlements, is seen as a world leader in affordable housing delivery and, by 2009, had processed approximately three million housing units since 1994. Government-funded housing makes up 25% of the total Deeds Registry in South Africa. This figure could be understated due to the lack of and delay in property registration in government housing projects.

Pre-1994, the South African government also funded numerous housing developments, such as Thornton and Sanddrift in previously white areas, which are not reflected in the research conducted by FinMark Trust *et al.* (2010). It could be said that the 25% would be much higher if all historical government subsidies were taken into consideration. The net financial impact of government's role in the housing market therefore could be significantly bigger.

Based on the researcher's experience, the abolishment of the controversial apartheid legislation resulted in an environment to facilitate racial integration. The pace of integration could be said to be a factor in the growth of the South African black middle and upper classes. These groups are acquiring market-related houses in the former white areas. With reference to the researcher's experience, not too many white people have moved into historic non-white areas. Integration is therefore not happening at the desired pace. Is the current government therefore doing enough to ensure integration across all platforms?

Zhang and Hashim (2011) state that, in order to achieve a fair distribution of affordable housing, each element within the legal operational system needs to function properly, including affordable

housing legislation, affordable housing law enforcement, affordable housing judiciary remedy and the sanctioning of wrongdoings.

The aim of this chapter is to provide an overview of the legislation and government policy that underpinned the development of historical and present South African communities.

2.2 LEGISLATION AND POLICY THAT UNDERPIN HOUSING DELIVERY:

This section will highlight and discuss legislation and government policy that have influenced housing delivery. Based on the researcher's experience, the following legislation and policies have had a significant impact on the development and formation of neighbourhoods in South Africa, the Western Cape and the City of Cape Town, listed in chronological order:

- The Black (or Natives) Land Act, 1913 (Act No. 27 of 1913)
- Deeds Registry Act, 1937 (Act No. 47 of 1937)
- Group Areas legislation, 1950 (Act No. 41 of 1950)
- Black Communities Development Act, 1984 (Act 4 of 1984)
- Land Use Planning Ordinance 15 of 1985
- Less Formal Township Establishment Act, 1991 (Act No. 113 of 1991)
- Department of Housing White Paper, A New Housing Policy and Strategy for South Africa, 1994
- Constitution of the Republic of South Africa, 1996
- Housing Act, 1997 (Act No. 107 of 1997)
- The Rental Housing Act, 1999 (Act No. 50 of 1999)
- The Municipal Finance Management Act, 2003 (Act No. 56 of 2003)
- Housing Code, "Breaking New Ground": A Comprehensive Plan for the Development of Sustainable Human Settlements, as approved by cabinet and presented to MINMEC on 2 September 2004
- Western Cape Sustainable Human Settlement Strategy, "Isidima", 2007
- The framework for an Inclusionary Housing Policy, 2007
- The Social Housing Act, 2008 (Act No. 16 of 2008)
- The Housing Development Agency Act, 2008 (Act No. 23 of 2008)
- Municipal Integrated Development Planning (IDP)
- The Environmental Management Act, 2008 (Act No. 62 of 2008)

- The National Housing Code, 2009

The content and intention of the abovementioned Acts will be summarised and discussed to demonstrate their impact on modern society. The latter part of the above-listed legislation and policies include the current government's response to rectify racial segregation and to change the socio-economic impact of the past. The legislation and policy will be discussed in chronological order.

The passing of the Black (or Natives) Land Act, 1913 (Act No. 27 of 1913) gave essence to a racial approach and provided guidelines to implement apartheid. It also most probably provided the implementers a sense of law abidance as opposed to the emotion of villainous intentions.

The legislative overview will start with the Black (or Natives) Land Act of 1913 and its contribution to setting a statutory platform for the South African racial divide.

2.2.1 The Black (or Natives) Land Act, 1913 (Act No. 27 of 1913)

Plaatjie (1916: 87) states: "Awakening on Friday morning, June 20, 1913, the South African Native found himself, not actually a slave, but a pariah⁷ in the land of his birth."

Thompson (n.d.) states that the Black (or Natives) Land Act, No. 27 of 1913 (Republic of South Africa, 1913) formed an important part of the history of South Africa and paved the way for future racial segregation on an official basis. The legislation was passed in 1913 by the Union Parliament and provided "white" South Africans a tool to dispossess "black"⁸ South Africans of their land.

Davenport (1991) states that the Act was applicable to South Africa in its entirety, but was in real terms only applied and enforced in the Transvaal and Natal. The Free State already had similar legislation in force since 1876. The Act still had significant impact in the Free State, although a law forbidding blacks to own property in the Cape would have been in conflict with the constitution of the Union of South Africa.

⁷ Somebody who is despised, avoided and treated like an outsider.

⁸ Black – not coloured, Indian or Asian, etc.

Plaatjie (1916) confirms the impact of the Act as being a situation where the “baas”⁹ had demanded from the “black-man” the services of himself, his wife and his oxen, for a wage of 30 shillings a month, Whereas “Kgobadi, the black-man”, had been making more than £100 a year, amounting to £8.33 per month on average, and retained the services of his wife, his cattle and himself. Further, when he refused to accept the excessive terms, the “baas” would retaliate with a Dutch note dated 30 June 1913, demanding that he ‘betake himself from the farm’ by sunset of the same day, failing which his stock would be seized and impounded, and himself would be handed over to authorities for trespassing on the farm.

The Act allowed for the creation of African reserves and land was set aside for this purpose. It was from this land that mines and urban employers were to draw migrant labour. The Act also set aside to eliminate independent rent-paying African tenants and cash croppers residing on white-owned land. The legislation had a significant impact on the settlement and re-settlement of black South Africans, creating “black boxes” and no-go zones (South African History Online, n.d.).

At a documented meeting, the African National Congress (1916) recorded:

this Congress begs to point out that the great bulk of the of the Native population in South Africa has no protection or and privilege under the Constitution of the Union, no legal safeguard of their interest and vested rights as subjects of the British Empire, no channel for any other intervention on their behalf in the redress of their just grievances, no recognised means whereby they can effectively make their legitimate objections felt on any proposed legislation in the Union Parliament; and that as things stand the Executive for the time being in its own initiative and their interest and that of their supporters may (without any previous consultation with the Natives and their Chiefs) impose any law on the Native people without let or hindrance and regardless of the principles of that law and its effects on the people concerned. Guided by these facts and by the light of political experiences in the past we cannot accept the projected solution of the land in question. We regard the Native Land Act as one-sided and as inconsistent with the ideals of fair Government by reason of the objections of the European people only. Consequently, instead of establishing good relationship it is creating friction and racial antipathies between the blacks and the whites.

⁹ Baas is an Afrikaans word used for a white boss.

The ownership of property in South Africa today is regulated and administered by the Deeds Office, which forms part of the Department of Land Affairs and Rural Development. The registration process is governed by the Deeds Registry Act, No. 47 of 1937 (Republic of South Africa, 1937). The following section will deal with the pertinent issues pertaining to the aforementioned Act.

2.2.2 The Deeds Registries Act, 1937 (Act No. 47 of 1937)

The Deeds Registries Act, 1937 (Act No. 47 of 1937; Republic of South Africa, 1937) states that it is the foundation of property ownership in South Africa and forms part of the broader Cadastre.¹⁰ The legal certainty provided by a title deed issued under the registration of the recorder of deeds is of great significance to all parties who hold, or wish to acquire rights in, real property. Certainty of title is the basis for the investment of massive amounts of money in property development for residential, commercial, industrial and agricultural use each year. This is why the meticulous recording of registration information by the recorder of deeds is so important. The system is effective and, through its foundation and longevity, guarantees title.

Swart (2002) states that it takes approximately 24 days in South Africa, as opposed to the 81 days for the Sub-Saharan Africa region, to register property and lists the following steps in the property registration process in South Africa:

- the conveyancer prepares the transfer deed;
- the conveyancer obtains a rates clearance certificate from the local authority;
- the conveyancer obtains a transfer duty receipt from the South African Revenue Services;
- the conveyancer prepares and collects all the required documentation;
- the parties sign all the documentation at the conveyancer's office; and
- the conveyancer lodges the deed at the Deeds Registry.

A record of all property transactions is available for public scrutiny. The office is mostly frequented by conveyancers and land surveyors, and the general public hardly inspect the public

¹⁰ A combination of the Deeds Registries Act, 1937 (Act No. 47 of 1937) and the Land Survey Act, 1997 (Act No. 8 of 1997), in which property is accurately defined spatially and ownership is recorded in a public register to provide security of tenure over said property.

records. The services of the aforementioned professionals are expensive and are used only when necessary.

Records of property transactions driven by the Group Areas Act of 1950 are well documented in the deeds registry, but past knowledge is required to identify the exact location to confirm historical ownership, and this knowledge has often been taken to the grave.

2.2.3 Group Areas Act, 1950 (Act No. 41 of 1950)

Apartheid¹¹ was implemented with enthusiasm in South Africa and resulted in long-term socio-economic damage. The consequences cannot be reversed overnight. Ironically, the new government is often criticised by those who benefited from the inhumane legislation for the slow transformation process.

Louw (2010) states that the Group Areas Act, 1950 (Act No. 41 of 1950; Republic of South Africa, 1950) was aimed at residential segregation, mainly to relocate coloured and Indian people from inner city areas to new remote suburbs, far from work opportunities and mainstream infrastructure. Africans were not excluded from this process and were affected by earlier segregation efforts. They were moved to demarcated locations in terms of the Black (or Natives) Land Act, 1913 (Act No. 27 of 1913), unless they were granted special permission to reside outside of the demarcated areas.

Rebirth Africa life on the continent (n.d.) states that the Group Areas Act, 1950 (Act No. 41 of 1950) was designed to restrict the movement of non-whites and to group people into different racially defined neighbourhoods. As a consequence, non-white people were restricted to badly located areas. The law was introduced on the basis that government had received petitions from “whites” objecting to the presence of coloureds and Indians in white areas. Whites were of the opinion that mixed neighbourhoods led to the devaluation of their properties and that coloured and Indian businesses were competing with them unfairly.

In the researcher's experience, the forced dispossession of land is seen by non-white South Africans as the enrichment of a select few motivated by those who unfairly held dictatorial power, and was executed without any meaningful, holistic consultation. It resulted in a swap of valuable property for property that was inferior.

¹¹ Racial segregation in South Africa

Furthermore, according to Rebirth Africa life on the continent (n.d.), the “apartheid” policy was highly effective in achieving what it set out to do, as is demonstrated by the statistics in Table 2.1.

Table 2.1: Disproportionate treatment circa 1978

Apartheid and the People of South Africa		
	Blacks	Whites
Population	19 million	4.5 million
Land allocation	13%	87%
Share of national income	< 20%	75%
Ratio of average earnings	1	14
Minimum taxable income	R360	R750
Doctors/population	1/44 000	1/400
Infant mortality rate	20% (urban) 40% (rural)	2.7%
Annual expenditure on education per pupil	\$15	\$696
Teacher	1/60	1/22

Source: adapted from Leo80

The Group Areas Act, 1950 (Act No. 41 of 1950; Republic of South Africa, 1950) was amended over the years and was finally repealed with many other discriminatory laws in 1991.

Lewis (n.d.) states that no factor is more critical in determining quality of life than access to adequate housing. The need for a safe and sound place to live is universal, regardless of race, gender, culture, country, religion or socio-economic status. An adequate dwelling and access to necessary amenities, such as a clean water source, toilet and electricity, can make the difference for many people between sickness and health, stagnation and upward mobility, and destitution and prosperity.

The most recent historical township establishment guidelines for black communities were stipulated in terms of the Black Communities Development Act, 1984 (Act No. 4 of 1984; Republic of South Africa, 1984). The establishment of black townships in urban areas had to follow the prescripts of this legislation.

2.2.4 Black Communities Development Act, 1984 (Act No. 4 of 1984)

The Black Communities Development Act, 1984 (Act No. 4 of 1984; Republic of South Africa, 1984) was established to facilitate the approval of black township establishment. Part of the aim of the legislation was to fast-track the town planning application and approval processes. The legislation was only applicable to areas demarcated by the competent minister and had no relevance outside the boundaries of proclaimed areas.

The Act provided the occupant partial security of tenure in the form of a 99-year leasehold contract. The majority of the Black Communities Development Act, 1984 (Act No. 4 of 1984) was repealed, but two sections are still in use: Section 17, for the amendment of town planning applications not yet approved by the Surveyor-General's Office; and the 99-year leaseholds, which later were upgraded to freehold in terms of Act 112 of 1991. The majority of Act 4 of 1984 was replaced by Act 113 of 1991, but the latter was not endemic to black areas only.

The majority of town planning applications in the Western Cape are processed in terms of the Land Use Planning Ordinance 15 of 1985, a lengthy process.

2.2.5 Land Use Planning Ordinance, Ordinance 15 of 1985

The Land Use Planning Ordinance, Ordinance 15 of 1985 (LUPO) is one of the most important pieces of legislation for land-use applications and approvals in the Western Cape. LUPO applies to the entire Western Cape and includes sections on structure plans (forward spatial planning), zoning schemes (regulation of development), and the way in which applications may be made for new development rights and appeal rights.

Based on the researcher's experience, LUPO can be time consuming and tedious, especially if it extends into an appeal process. The approval and appeals authority for LUPO applications is the Local Authority.

The Less Formal Township Establishment Act, 1991 (Act No. 113 of 1991; Republic of South Africa, 1991) replaced the Black Communities Development Act, 1984 (Act No. 4 of 1984) and is effectively used to upgrade informal townships.

2.2.6 Less Formal Township Establishment Act, 1991 (Act No. 113 of 1991)

The Less Formal Township Establishment Act, 1991 (Act No. 113 of 1991; Republic of South Africa, 1991) (LFTEA) is less tedious and less cumbersome than LUPO for the establishment of low-cost housing schemes or the upgrade of informal townships. The legislation was introduced to assist land reform in South Africa and is predominantly used for the establishment of subsidy housing schemes. It is effectively used on the outskirts of major cities and towns. Developers are still expected to use LUPO in the City of Cape Town, especially in well-established nodes. LFTEA provides an environment for easier township establishment and made it possible for black people to own property in South Africa before 1994. This act was followed by a White Paper, A New Housing Policy and Strategy, in 1994. The intention of the policy was to encourage sustainable residential development on an integrated basis.

2.2.7 Department of Housing White Paper, A New Housing Policy and Strategy for South Africa 1994

According to the White Paper, A New Housing Policy and Strategy for South Africa (1994), South Africa had an all-inclusive housing policy framework for the first time in its history. The intention of the policy was to create an enabling environment for sustainable, integrated development. It required a partnership between the various tiers of government, the private sector and the communities to argue for their rights, but also to accept their respective responsibilities. The intention was to create a public environment conducive to attracting the necessary private investment and collective success in achieving this productive climate to eliminate the plight of homelessness – one of the most visible and destructive legacies of the past. Success in meeting the housing challenge was perceived as one of the cornerstones for rebuilding social structures and the regeneration of the economy. The White Paper further recommended that the housing budget constitute 5% of the national budget to meet current housing demand and to eradicate the backlog. However, since 1994, the government has been unable to reach 3%, and the housing backlog has increased further.

It is not clear whether government is still interested in its policy mandate of a 5% target of the national budget. The intention of the White Paper was good, but it is not clear whether the target

was realistic in the context of other competing national programmes, like health and education. The answer to these questions constitutes a different research proposal.

The housing delivery principles of the White Paper, A New Housing Policy and Strategy for South Africa (1994), were supported by the Housing Act, 1997 (Act No. 107 of 1997; Republic of South Africa, 1997), in which the roles of the tiers of government are clearly defined, and the Constitution of the Republic of South Africa, 1996, which gave further impetus to the importance of housing delivery and government's constitutional obligation in this regard.

2.2.8 The Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996)

The Constitution of the Republic of South Africa, 1996 (Republic of South Africa, 1996), in Chapter 2, the Bill of Rights, is clear on the rights to housing of each South African citizen. The Bill of Rights gives protection to the life and rights of all South Africans. It furthermore enshrines the rights of all people in the country and affirms the democratic values of human dignity, equality and freedom (Chapter 2:7, (1)).

Section 26: Housing states:

- 1) Everyone has the right to have access to adequate housing.
- 2) The state must take reasonable legislative and other measures, within its available resources, to achieve the progressive realisation of this right.
- 3) No one may be evicted from their home, or have their home demolished, without an order of court made after considering all the relevant circumstances. No legislation may permit arbitrary evictions.

It is clear, according to the researcher that the Constitution is clear and that government has a responsibility towards its citizens. The Housing Act, 1997 (Act No. 107 of 1997; Republic of South Africa, 1997) is part of the reasonable legislative measures and builds on the White Paper of 1994 to reinforce the constitutional right of citizens to have access to adequate housing.

2.2.9 Housing Act, 1997 (Act No. 107 of 1997)

The Housing Act, 1997 (Act No. 107 of 1997; Republic of South Africa, 1997) sets out to provide for the facilitation of a sustainable housing development process. For this purpose, it lays down general principles applicable to housing development in all spheres of government, defines the functions of national, provincial and local governments in respect of housing development, and provides for the establishment of a South African Housing Development Board, the continued existence of provincial boards under the name of provincial housing development boards and the financing of national housing programmes; repeals certain laws; and provides for matters connected therewith.

The Housing Act defines and clarifies the roles and responsibilities of the different spheres of government and is supported by the Rental Housing Act, 1999 (Act No. 50 of 1999; Republic of South Africa, 1999), which focuses on rental housing delivery.

2.2.10 Rental Housing, 1999 (Act No. 50 of 1999)

The purpose of the Rental Housing Act, 1999 (Act No. 50 of 1999; Republic of South Africa, 1999) is:

- to define the responsibility of government in respect of rental housing property and delivery;
- to promote access to adequate housing through creating mechanisms to ensure the proper functioning of the rental housing market;
- to make provision for the establishment of Rental Housing Tribunals;
- to define the functions, powers and duties of such Tribunals;
- to lay down general principles governing conflict resolution in the rental housing sector;
- to provide for the facilitation of sound relations between tenants and landlords and for this purpose to lay down general requirements relating to leases;
- to repeal the Rent Control Act, 1976; and
- to provide for matters connected therewith.

The Act acknowledges that rental housing plays an important role in the broader housing sector in South Africa. It confirms the need for rental housing and facilitates delivery. It strives to

strengthen relationships between tenants and landlords and to create mechanisms to protect both tenants and landlords against unfair practices and exploitation respectively. There is a need to introduce mechanisms through which conflicts between tenants and landlords can be resolved speedily at minimum cost and inconvenience to both parties.

Based on the researcher's work experience and governmental interaction, local authorities are at the forefront of housing delivery in the Western Cape and the City of Cape Town is no exception. The framework for local authority finance management is encapsulated in the Municipal Finance Management Act, 2003 (Act No. 56 of 2003; Republic of South Africa, 2003). The purpose of the Act is to contribute positively to the overall performance of municipalities and it certainly has an impact on government housing development expenditure.

2.2.11 Municipal Finance Management, 2003 (Act No. 56 of 2003)

The Municipal Finance Management Act, 2003 (Act No. 56 of 2003; Republic of South Africa, 2003) (MFMA) aims to modernise budget and financial management practices in municipalities in order to maximise the capacity of municipalities to deliver services to all their residents, customers and users. It also aims to put in place a sound financial governance framework, by clarifying and separating the roles and responsibilities of the executive mayor or committee, non-executive councillors and officials. This separation is critical, as the role of politicians is to provide direction and officials are responsible for implementation.

The five underlying principles in the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) that form the basis of the key reforms envisaged in the Act are consistent with the other legislation on local government. It is anticipated that these principles and the specific reforms that flow from them will encourage a stronger, better managed and more accountable local government sphere, one that is better placed to meet the emerging demands and new challenges of the different communities that it serves in a more consistent and sustainable manner.

The following principles are discussed:

- promoting sound financial governance by clarifying roles;
- a more strategic approach to budgeting and financial management;

- modernisation of financial management;
- promoting co-operative government; and
- promoting sustainability.

The Act also gives effect to the constitutional principle that recognises that the local sphere of government is “distinctive” and “independent”, with the power to determine its own budget and policies. It also recognises the approval and oversight role of the municipal council as a legislature in its own right.

The researcher confirms that subsidy housing is financed by national government and implemented by provincial government and local authorities in the Western Cape. Local authorities are expected to implement housing projects within the framework of the National Housing Policy. National government has formulated a sustainable human settlement policy to provide planning and implementation guidelines. *Breaking New Ground* (BNG; Department of Human Settlements, 2004) is a comprehensive policy and provides sound principles for the implementation of sustainable human settlements.

2.2.12 Housing Code, “Breaking New Ground”: A Comprehensive Plan for the Development of Sustainable Human Settlements, 2004

Breaking New Ground (Department of Human Settlements, 2004) states that housing the nation is one of the greatest challenges facing the South African government. The extent of the challenge derives not only from the enormous size of the housing backlog and the desperation and impatience of the homeless, but also from the extremely complicated bureaucratic, administrative, financial and institutional framework inherited from the previous government.

Based on the researcher’s experience, housing delivery is still a government priority and will remain so in years to come, but the gap between delivery and the need for housing is ever increasing, resulting in negative growth. It can be argued that the national budget allocation is not aligned with the actual housing need.

Breaking New Ground (Department of Human Settlements, 2004) states further that, for the first time in its history, South Africa now has a housing policy framework for all of its citizens. The

approach adopted has been the search for the creation of an enabling environment, and not for the publication of a new set of rules. It aims to contribute to the certainty required by the market, as well as give the provincial and local governments their capacity to fulfil their constitutional obligations.¹²

The researcher concedes that the policy in BNG (Department of Human Settlements, 2004) aims to deliver more than housing. The aim of the policy is to focus on delivery of an asset in a balanced, sustainable living environment. Government realised that housing delivery in remote areas was not having the desired positive impact on the lives of beneficiaries. The lack of amenities and economic opportunities were resulting in poor living conditions. The delivery of housing also was focused too much on mass delivery as opposed to quality of life. BNG addresses the lifestyle issue by creating the framework to create sustainable, balanced communities.

The Western Cape Government realised that the regional conditions were different to the national environment and, in 2007, published the Western Cape Sustainable Human Settlement Strategy, “Isidima”,¹³ to build on the foundation laid by BNG.

2.2.13 Western Cape Sustainable Human Settlement Strategy, “Isidima” 2007

According to the researcher the Western Cape Sustainable Human Settlement Strategy (WCSHSS) provides a road map, building forth on the visionary work done by the BNG policy. It combined various policy frameworks, such as iKapa Elihlumayo, devised by the Western Cape Provincial Government as part of its obligation to provide communities with sustainable settlements. This document was the first step towards the development of a set of fully-fledged strategy and implementation plans for “sustainable human settlements” in the Western Cape.

In 2007 the policy formulated a number of scenarios to demonstrate what was required to eradicate the housing backlog timeously:

- The RDP-type housing would have cost R8,1 billion to eliminate by 2010 and R4 billion by 2015. With funding of R2 billion per year, the backlog would only be eradicated by 2030. With funding of R1 billion per year the backlog would not be eradicated.

¹² Section 26 (1), (2) & (3), the supreme law of the Republic of South Africa.

¹³ Creating dignified communities

- However, if the focus was to provide every intended beneficiary with a fully serviced site – as envisaged by the Upgrading of Informal Settlements Programme (UISP) – the backlog could be eradicated by 2010 with funding of R2,5 billion per year, by 2015 with funding of R1,8 billion per year and by 2030 with funding of R0,7 billion. However, if the focus was only on providing serviced sites in outlying areas, it would condemn the poor to permanent poverty and reinforce apartheid divisions.

Isidima (2007) states that the above scenarios are applicable to the Western Cape specifically. The WCSHSS proposed to find an alternative to both the current housing model and the serviced site model: a solution that would not cost more than R1 billion per annum to implement. The subsidy housing quantum for the Western Cape in 2007 was approximately R1 billion from the national coffers. This meant moving away from the “one-size-fits-all” approach to an incremental approach and adopting a range of interventions (in situ upgrades, high-density rental, social housing in mixed developments, backyards, greenfields, etc.) across a multiplicity of location types. This approach would densify urban areas and make it more ecologically sustainable.

The researcher is of the opinion that the delivery of service sites only will result in very little to no integration, as it is almost impossible to introduce serviced sites in well-located neighbourhoods. The gap in policy was identified and acknowledged by national government and led to the finalisation of the Framework for an Inclusionary Housing Policy (Department of Human Settlements, 2007).

2.2.14 Framework for an Inclusionary Housing Policy, 2007

The primary objective of inclusionary housing is to promote greater social cohesion through inclusion/integration and to shatter the highly segregated processes of the built environment in South Africa (Republic of South Africa, 2007).

The key objectives of inclusionary housing are:

- to make a contribution towards achieving a better balance of race and class in new residential developments;

- to provide accommodation opportunities for low-income and lower-middle-income households in areas from which they might otherwise be excluded because of the dynamics of the land market;
- to boost the supply of affordable housing (both for purchase and for rental);
- to mobilise private sector delivery capacity to provide affordable housing;
- to leverage new housing opportunities of existing stock, while at the same time contributing to the densification of South African cities; and
- to make better use of existing sustainable human settlement infrastructure.

The policy seeks to achieve a mutually satisfactory outcome for both the private and public sector by implementing two distinct but complementary strategies:

- 1) The one strategy is a voluntary, proactive, deal-based approach according to which local authorities will identify and make land available and provide administrative and statutory assistance for private developers to incorporate more inclusive housing developments.
- 2) The second strategy is a compulsory but incentive-linked, regulation-based component whereby mandatory inclusionary requirements are off-set as far as possible by appropriate incentives. The policy further provides for the immediate implementation of its initiatives and alignment with other national policies, with the voluntary, proactive, deal-based component being the simplest to implement.

The intention was for a large portion of the well-located subsidised housing to be delivered in the form of social housing.¹⁴ And for this reason the Social Housing Act, 2008 was formulated to assist the creation of rental housing stock.

2.2.15 The Social Housing Act, 2008 (Act No. 16 of 2008)

The Social Housing Act, 2008 (Act No. 16 of 2008; Republic of South Africa, 2008) stipulates the following:

- the general principles of social housing;

¹⁴ Government-subsidised rental housing stock.

- the roles and responsibilities of national, provincial and local government respectively;
- the roles and responsibilities of other role players;
- the establishment of a Social Housing Regulating Authority, its composition and function;
- the accreditation of Social Housing Institutions, their functions, management, and reporting structure; and
- the equitable administration, financing of social housing, regulations, short title and commencement.

According to the researcher, social housing has predominantly been delivered by accredited social housing institution but, due to the slow delivery of rental housing stock, government intervened and involved private sector developers through the establishment of the Social Housing Regulatory Association (SHRA). The SHRA administers the Restructuring Capital Grant (RCG), which serves as top-up funding over and above the social housing subsidy¹⁵ within proclaimed restructuring zones as determined by local authorities. This has been a significant shift in government thinking and approach. It can be interpreted as a measure to fast-track the integration of residential neighbourhoods. SHRA was placed under administration by the National Minister of Human Settlements in 2014.

The responsibility of integration was also placed on local authorities and the broad plan in this regard has to be stipulated in the Integrated Development Plan (IDP) of the municipality.

2.2.16 Municipal Integrated Development Planning (IDP)

Municipal Integrated Development Planning states that local authorities in South Africa have to use integrated development planning as a method to plan future development. Apartheid planning left us with cities and towns that:

- have racially divided business and residential areas;
- are badly planned to cater for the poor - with long travelling distances to work and poor access to business and other services;
- have great differences in level of services between rich and poor areas; and

¹⁵ Government social housing subsidy, specifically for rental housing stock formally available to social housing institutions only.

- have sprawling informal settlements and spread-out residential areas that make cheap service delivery difficult.

Rural areas were left underdeveloped and largely un-serviced. The new approach to local government has to be developmental and aims to overcome and rectify the poor planning of the past.

Integrated Development Planning (IDP) is an approach to planning that involves the entire municipality and its citizens in finding the best solutions to achieve good, long-term development. Municipalities no longer only have the task of providing basic local administration. They are now expected to play an important role in the country's struggle against poverty and underdevelopment. Government policy requires municipalities to play a developmental role. This policy places the local sphere of government in the forefront of a national effort to put right the political, social and economic wrongs of apartheid (Department of Provincial and Local Government, n.d.).

The IDP will have an impact on the broader operations of a local authority and will require a more strategic approach and interventions. Local government is at the forefront of government delivery and is required to motivate inclusionary new development and to rectify the geographical, social and economic divide of the past. It especially should target those members and groups within communities that are marginalised or excluded, such as women, disabled people and very poor people (White Paper on Local Government, 1998).

Municipalities are seen as developmental when they:

- provide household infrastructure and services;
- create liveable, integrated cities, towns and rural areas; and
- stimulate local economic development (LED).

Based on the researcher's experience, the lack of bulk infrastructure has at times stalled the provision of basic services and housing to marginalised communities. And many municipalities do not have the financial means to fund large-scale infrastructural projects. Integrated communities remain elusive despite government's focus on integration with every new development policy and strategy. The realisation and implementation are slow and no examples are found in the City of Cape Town.

There are six main reasons municipalities should have an IDP:

- effective use of scarce resources to benefit of the broader community with appropriate funding allocations;
- it helps to speed up delivery to deliver services to the neediest over the shortest period of time;
- it helps to attract additional funds with a forward plan and substantial municipal investment;
- it strengthens democracy by allowing all to participate in the decision-making process;
- it helps to overcome the legacy of apartheid by encouraging integration; and
- it promotes co-ordination between local, provincial and national government to provide effective service delivery.

The IDP is the most important document in the municipality and directs all future social, economic and infrastructural development in a modern, compliant South African municipality. Well-located affordable housing can only be achieved if well-located land is identified for this purpose, or if existing buildings are renovated for this purpose. The Housing Development Agency was established in 2008 with this in mind.

2.2.17 The Housing Development Agency Act, 2008 (Act No. 23 of 2008):

According to the Housing Development Agency (2013), the Agency (HDA) is a national public development agency established by the Housing Development Agency Act, 2008 (Act No. 23 of 2008; Republic of South Africa, 2008). The HDA promotes sustainable communities by making well-located land and buildings available for the development of housing and human settlements. As an organ of state, the HDA is accountable through its Board to the Minister of Human Settlements.

The HDA was established to address land acquisition and to accelerate housing delivery and human settlement development. The specific functions of the Agency are spelt out in Section 7 of the Act.

The two main objectives of the HDA are to:

- identify, acquire, hold, develop and release well-located land and buildings; and
- provide project management support and housing development services.

In order to achieve these objectives, the HDA must:

- ensure that residential and community developments are sustainable, viable and appropriately located;
- ensure that job creation is optimised in the process of residential and community development;
- introduce and manage a land inventory and information system; and
- ensure that community participation takes place.

It is evident that the HDA is pivotal in the creation of well-located, affordable housing. An environmental authorisation is a prerequisite before any Greenfield development can take place, and is obtained through the requirements of the National Environmental Management Act, 2008.

2.2.18 National Environmental Management Act, 2008 (Act No. 62 of 2008)

The purpose of the National Environmental Management Act, 2008 (Act No. 62 of 2008; Republic of South Africa, 2008) was to amend the National Environmental Management Act, 1998 (Republic of South Africa, 1988):

- so as to insert certain definitions and to substitute others;
- to further regulate environmental authorisations;
- to empower the Minister of Minerals and Energy to implement environmental matters in terms of the National Environmental Management Act, 1998, in so far as it relates to prospecting, mining, exploration, production or related activities on a prospecting, mining, exploration or production area; and
- to align environmental requirements in the Mineral and Petroleum Resources Act.

The researcher is of the opinion that the above listed points do not all have a direct impact on development, but they do have a profound impact on development in all areas. This legislation is

often interpreted as a stumbling block and a delaying factor in affordable housing delivery. The concluding policy of this chapter is the National Housing Code of 2009, which gives significance to government's housing programmes.

2.2.19 The National Housing Code, 2009

The National Housing Code (Department of Human Settlements, 2009) is responsible to set the tone in terms of the underlying policy principles, guidelines, norms and standards that apply to government's various housing assistance programmes introduced since 1994. It is supplemented by seven business plans aimed at meeting the objectives relating to the vision of creating sustainable human settlements. The business plans and related objectives are met by the implementation of the nine strategies:

- supporting the entire residential housing market;
- moving from housing to sustainable human settlements;
- applying existing housing instruments;
- adjusting institutional arrangements within government;
- building institutions and capacity;
- enhancing financial arrangements;
- creating jobs and providing housing;
- building awareness and enhancing information communication; and
- implementing system for monitoring and evaluation.

It can be said that the implementation of the objectives is critical for the success of affordable housing delivery and must work in parallel to achieve the ultimate intention of the policy and legislation.

2.3 CHAPTER SUMMARY

Zhang and Hashim (2011) state that the concrete legislative contents are to safeguard the realisation of the legislative goal of affordable housing. Effectiveness should not only include detailed regulatory articles, but should include the rational and feasible application procedure for

the prospective applicant and administrative procedure for law enforcement officers as well. The following should apply:

- Affordable Housing Law Enforcement

The fair distribution of affordable housing generally goes through four steps, namely application, verification, supervision and administration.

- Judiciary Remedies for Affordable Housing Distribution

Substantive law is different from procedural law, although they both are the major categories within law. In China, substantive law stems from legislative statutes rather than judicial decisions in the common law system. Affordable housing falls within substantive law and the judiciary forms part of the process to grant the remedies if the right is violated. The administrative procedure falls into this jurisdiction when the plaintiff files a complaint against the affordable housing officers.

- Sanction upon the wrongdoings of affordable housing distribution

There are two possible types of punishment. The first involves sanction due to the wrongdoing by the applicant and the officers. The other could be criminal sanction by the applicant and the officer being subject to bribery and malpractice.

The researcher concedes that, similar to China, the primary affordable housing deliverer in South Africa is government and the custodian of the delivery programme is the National Department of Human Settlements, which is responsible for policy, national housing subsidy administration and budgeting. Affordable housing development in South Africa is well regulated and the role of the various spheres of government and the different departments are well defined. The policies and legislation are comprehensive and at times cumbersome. The emphasis and dedication must be focused on implementation as the housing need increases and the inadequate budget struggles to meet the requirements. The next chapter will interrogate various affordable housing approaches around the world, with the focus on land, finance and tenure options.

CHAPTER 3: LITERATURE REVIEW

3.1 INTRODUCTION

This chapter will deal with the literature overview of the three focus areas of this research. It will sight international, national and local best practice and challenges in relation to land, finance and tenure options.

Kan (n.d.) states that, with the booming population and calls for social reforms in the wake of the Arab Spring in the Middle East and North Africa (MENA) region, it is necessary to provide enough affordable housing options for inhabitants or face the consequences in the streets.

According to a study conducted by LaSalle (2011), an international property agent, there is currently an oversupply of upscale or luxury houses in many markets. There remains a shortage of over 3,5 million affordable housing across major MENA markets.

LaSalle (2011) further argues that the shortage of affordable homes is one of the underlying causes of the social unrest and the resulting political turmoil that has spread across the MENA region during the Arab Spring in 2011. He concedes that the connection between the so-called Arab Spring and the shortage of affordable housing is difficult to prove, but easy to understand. Access to proper, affordable housing is a basic human right and need, since it is critical to proper human development.

In an address at Harvard University, Reckford (2011), Chief Executive Officer of Habitat for Humanity International,¹⁶ said there are three myths about affordable housing:

1. Housing is important, but not on top of the list. Health care, education and jobs for example, demand more attention and resources. The reality is that health and education suffer and job opportunity diminishes if affordable housing is not available. In fact, the lack of affordable housing directly undermines society's massive investment in health and education. What would you do if you lived in a place that was making your child chronically ill and you absolutely could not afford to move to a healthier home?

¹⁶ International nongovernmental, non-profit organisation devoted to building simple and decent affordable housing, Christian housing ministry.

2. The second myth is that affordable housing is someone else's problem. What would you do if your situation changed drastically and suddenly you could no longer afford to live in your home?
3. Home ownership is not for low-income people. Can you recall a time when all you needed was a little help to purchase a home, pay tuition or find a car that would get you to work? What happens to those who have no one to reach out a helping hand?

Reckford (2011) concluded by stating that home ownership is not for everyone and renting might be the best option for some people, based on their lifestyle and circumstances. Whether you are in the affluent suburbs of the US or the slums of India, resources are available to address poverty housing. Consider the impact of stable housing on health and education in communities all around the world. Ponder the fact that poverty housing affects everyone across demographics and it takes everyone to address the challenges of ensuring adequate shelter for all.

Tonkin (2008) states that a rapidly growing number of people in South Africa are unable to access adequate housing and are forced to live in poor conditions, with inadequate access to basic services, no protection from the elements, a lack of living space and no protection from arbitrary evictions. Gardner (2003) states that the Banking Council of South Africa (BCSA) estimates that only 20% of new households could afford mortgage loans to buy housing through the markets, and only 22% of households had access to non-mortgage finance, loans less than R10 000. Up to 80% therefore are unable to gain access to adequate housing. And inadequate housing conditions have enormous implications for health and the quality of life.

The researcher concedes that this is a profoundly challenging environment that requires all people to become more positive about our local housing environment. The location of affordable housing will play a significant role in the success of the delivery model, and well-located land is a pertinent ingredient of the delivery model.

3.2 AFFORDABLE HOUSING LAND

Sabah (2012) states that, amongst the reasons why the real estate industry has failed to deliver more affordable housing, is the rising cost of land and construction material, as well as the government's role as a direct builder. She is of the opinion that governments should stimulate the delivery of sustainable, affordable housing. Sabah (2012) is of the opinion that, if a country like Saudi Arabia, one of the richest and more stable countries in the region, is having real

problems solving its housing challenge by throwing money at it, what chance are there for North African countries, whose coffers have been left empty by decades of autocratic and corrupt regimes?

LaSalle (2011) praises the Turkey government for its intervention to facilitate affordable housing. The Turkish government used a public private partnership (PPP) model to deliver mass housing projects through TOKI (Housing Development Administration of Turkey). The Turkish government issued tenders for the disposal of government-owned land for mass affordable housing. Private developers were invited to submit plans of their development proposals and what proportions they were willing to give back to government to rent or sell to those in need of private housing. This model has delivered more than 500 000 housing units over 2 000 projects over a 25-year period. According to LaSalle (2012), this model has proved to be very successful, specifically in areas where government owns large areas of land.

In the United Kingdom (UK) there is general agreement that the planning system controls the available land for development (Monk & Whitehead, 1996). This not only affects the quantity, but also the location, timing and quality of land in terms of development intensity (Monk & Whitehead, 1996). The supply of affordable housing is also affected by non-planning factors such as demand.

The governments of Hong Kong, both the previous colonial and the current indigenous governments, have adopted a producer-subsidy approach whereby they directly build and provide subsidised rental housing and most of the subsidised owner-occupied housing for lower-income families. To minimise the need to buy back land which has already been leased, sites earmarked for public housing development are located mainly on government land or newly reclaimed land (Chiu, 2001).

The direct provision of public housing on a large scale is possible in Hong Kong primarily because the government is the owner of undeveloped and new land, and also the landlord of developed land that is rented to users on lease terms. In addition, the town planning process enables the government to control development rights and development intensity. Although the statutory land-use zoning is considered and recommended by the Town Planning Board, which mostly comprises official and non-official members, the ultimate approval lies with the Chief Executive and the Executive Council of government. Two key factors that define the development intensity of public housing sites are transport and infrastructure capacity, which are under the control and management of government departments. The extent of subsidised

housing provision therefore depends on the commitment and priority of government to develop new sites and provide infrastructure to meet the housing needs of lower-income families (Chiu, 2006).

Lai (1998) is of the opinion that, except for a small piece of privately-owned land in the city centre, all developed land in Hong Kong is leased to developers and property owners by the government for periods ranging from 50 to 99 years, leases which usually are renewable. It therefore has been argued that the leasehold system is as good as a freehold system. In Hong Kong the main source of land comes from redevelopment. The government is the only supplier of new land and is the biggest single supplier of land. The government therefore can play a significant role in regulating land supply and housing prices through this supply control mechanism. However, this supply regulatory control has not been successful, due to the dominance of other factors influencing the housing market.

Land ownership is less effective in regulating private housing prices, which, until the last few years, were barely within an affordable range of the middle-income families who were not eligible for public housing. Between 1984 and 1994, land supply in Hong Kong was restricted due to political reasons. Although the quota was relaxed in 1994, its impact on housing prices was not evident, as other political and economic factors affected the situation and fuelled housing prices. The planning tools were also found to have a secondary impact, as their major roles were only to increase the density of existing housing sites (Lai, 1998).

Equally, the sudden decrease in house prices in the late 1990s rendered housing much more affordable for middle-income families. It was not the intended consequence of government's policy to increase land supply, but the consequence of macro-economic changes. Similarly, although the government has adopted new disposal methods in the past few years, housing prices did resurge until the general economy picked up in 2004. Although public land ownership and government control of land supply in principle helped to stabilise the market and improve affordability over the property cycles, the empirical evidence of Hong Kong suggests that land supply was adjusted in response to the economic environment, rather than shaping market outcomes. Therefore, government ownership of land and development rights are more effective in providing affordable subsidised housing to low-income families through the producer-subsidy approach than the regulation of housing prices to enhance the affordability of private housing consumers (Hui, 2007).

Paterson and Dunn (2009) concede that the lack of affordable housing is recognised as a problem in most urban and rural areas in the United Kingdom. It is one of the issues that gives rise to the social exclusion of disadvantage individuals and can contribute to the weakening of community cohesion overall within a local community, mainly through people leaving to seek housing elsewhere.

Athurson and Jacobs (2003) note that social exclusion is a difficult concept, and the cause of social exclusion is difficult to evaluate. Somerville (1998) states that there clearly are different degrees of social exclusion, as some are excluded from rented housing and others from ownership. Somerville's point is that some, through exclusion, are denied their full enjoyment of being a complete citizen. Perry and Black (2007) are of the opinion that the community cohesion literature relates predominantly to racial issues, but that the affordable housing issue is also a central part of the cohesion agenda.

According to Ramashamole (2011), the human settlement issue in South Africa has posed a great challenge to the post-apartheid government. Due to apartheid, South African human settlements are characterised by the spatial separation of residential areas according to class and race; urban sprawl; and desperately low levels of service provision to formerly underprivileged communities. There are low levels of suburban densities of the poor on the outskirts of cities and towns, with the wealthy situated close to the urban core.

Tonkin (2008) points out that sprawl is not the only factor inhibiting human settlements from meeting the needs of all citizens; other factors include the rapid formation of informal settlements, overcrowding of existing housing, resulting in backyard structures, entrenched segregation, suburbanisation, and the inaccessibility of well-located land make the shift to more densely populated settlements imperative. The struggle of access to land for the poor is a critical issue in post-apartheid South Africa. This responsibility rests with government and it must intervene in the property markets to provide for the poor and increase the provision of higher-density housing in strategic locations.

The City of Cape Town (2012) states that Cape Town's fragmented spatial structure means that, despite the dramatic political changes, growth and development since 1994, the challenge of providing adequate housing in integrated settlements continues. The current population of Cape Town has been estimated at 3,7 million, comprising approximately 1 060 964 households in 2010. Approximately 291 820 households lived in densely occupied informal settlements or in

front or backyards of public or private formal housing, and it is estimated that approximately 18 000 households in-migrate to the city annually.

The City of Cape Town's Integrated Development Plan (2012) articulates that the scarcity of suitably located and affordable vacant land for low-cost housing development, coupled with limited state funding, means that housing remains a huge challenge for the City. The City makes no provision for the additional 18 000 households that in-migrate into the city on an annual basis. Based on the aforementioned it is clear that the housing need is growing on an annual basis and therefore will not be eradicated in the foreseeable future. The City's available budget at that time allowed for 8 400 housing opportunities per annum. Housing opportunities are defined as access to a serviced site, social and rental housing or land made available through claims settled by the Regional Land Claims Commissioner.

The City of Cape Town has made a number of attempts to compile a land and property audit of all its properties, be they registered or vested ownership. The City concluded that it does not own sufficient land or property to solve the local housing crisis.

If the City would endeavour to deliver one house per plot for its current housing need of 400 000 households, it would require approximately 10 000 ha of suitable vacant land. In 2010, land prices in the City were estimated to be in the region of R1 million per hectare, which translates to a capital requirement of R10 billion for suitable vacant land (City of Cape Town IDP, 2012).

Based on the City of Cape Town Integrated Development Plan (2012), the City's strategy is to purchase land in the future growth nodes of the city; the City bought 165,2 ha of land within the urban edge in the aforementioned growth node at a cost of R63,7 million.

According to the researcher, the above actual cost amounts to R385 593 per hectare, and is in contradiction to the abovementioned figure of R1 million per hectare of land stipulated by the City of Cape Town. At a land value of say R400 000 per hectare, a theoretical amount of R4 billion was required in contrast to the R10 billion quoted in the Integrated Development Plan.

With the lack of affordable housing being clearly identified as a social and economic exclusion issue for most communities, innovative ways of addressing this deficiency should be considered. Increasingly, local communities are engaging with the possibility of direct provision themselves and discussion on this notion has profound implications for community cohesion. One community-based solution gaining popular support within communities, and with government ministries, is the Community Land Trust mechanism. This involves control and ownership of land

to help ensure affordable housing is built and remains affordable in perpetuity for the community (Paterson & Dunn, 2009).

3.2.1 Conclusion on land

Forsyth *et al.* (2010) state that, in many places around the world, the need to increase densities and expand affordable and lifecycle housing units in residential areas has been met with suspicion and resistance by communities, fearful of what development will do to the character of their neighbourhoods. Municipalities need processes to obtain community support for development that can meet citywide goals and adhere to neighbourhood values. Local communities need a way to constructively influence the future of their neighbourhoods, rather than relying solely on strategies to restrict development. They must become equal partners with developers and government in decisions that affect them. The Corridor Housing Initiative, which entailed affordable housing projects in the central American cities of Minneapolis and St. Paul, had been focus areas for such projects.

Forsyth *et al.* (2010) also are of the opinion that these projects typically use a three-legged approach, involving the city, developers and community stakeholders, where each has an equal voice. The Corridor Housing Initiative concluded with the following limitations and lessons:

Limitations

Participation has a limited half-life: This refers to the fact that people are not static and that they sometimes will move. The community representatives will change during the process and valuable information will be lost.

Control of land: The project ultimately must realise units, but this can only be achieved where government-owned land or landowners are prepared to co-operate.

Lessons

It is important to bring government and residents closer together: The public often oppose development due to a lack of full understanding. This initiative brought the community and government closer together and lessened the distance between officials and the community.

Common values: This refers specifically to the common interest of having quality development undertaken by all stakeholders, i.e. community, city officials and developers. All stakeholders realise through this process that they can influence design and thereby improve the neighbourhood.

Design can help resolve conflicts: Madanipour (2006) states that design can help resolve the potential conflicts between neighbourhood values, development realities and city goals.

The economics of developments is intensely engaging. This allows participants to interact with real numbers on identified sites. It also provides the opportunity to understand the impact of various designs on the financial feasibility of the project.

3.3 AFFORDABLE HOUSING FINANCE

The term 'affordability' can be defined as the capital price to be paid or the annual rent paid for consumption upon housing (Haffner & Boumeester, 2010). Gabriel *et al.* (2005) define affordable housing as lower cost housing than the prevailing market price to meet the minimum affordability requirements of low-income people, and the affordability can be measured based on various indicators. However, Milligan *et al.* (2004) emphasise that affordable housing should be built for the poor or low-income social stratum by non-governmental, not-for-profit organisations and could be financed by alternative ways to provide low-cost housing.

The Affordable Housing Regulations (2007) in China stipulate that affordable housing programmes are granted preferential treatment in terms of tax and are assisted by the allocation of state-owned land. This enables affordable housing to be cheaper than houses supplied by the market. Affordable housing was built across China to alleviate the plight of the poor.

Elliot and Bailey (2009) explain that the quiet growth and low inflation between 1982 and 2007 caused investors, managers and regulators to believe that we had come to understand how the

economy worked and how to tame the business cycle. This mistaken view led to a decline in the normal risk-aversion approach and created a housing bubble that gave rise to the financial crisis.

According to Wallison (2011), the reality is that the United States government became a willing buyer of unprecedented amounts of subprime and other high-risk mortgages. Elliot and Bailey (2009) articulate their own theory of what caused the financial crisis. The three narratives are as follows:

Narrative 1: Government housing policy caused the crisis by inflating a housing bubble and mismanaging the resulting risks and problems.

Narrative 2: Wall Street created the crisis by reckless behaviour, greed and an arrogant belief in its own ability to understand and manage excessively complex investments.

Narrative 3: The crisis was a very broad-based event with a wide range of people and institutions bearing responsibility, including many outside of the United States of America (USA), and that Wall Street financial institutions failed to put measures in place to protect the American economy, thus leading to the global crisis.

Elliot and Bailey (2009) furthermore explain that the American government went to extraordinary lengths to force private sector lending that would not otherwise have occurred, but was as a result of the American affordable housing requirements.

Wallison (2011) reiterates that the USA's social policy aimed to increase local home ownership and was not subject to the usual limitations and therefore lasted longer than any other property bubble. This had a negative impact on housing values in the USA and resulted in the weakening of financial institutions around the world, known as the global financial crisis.

According to the researcher, many of these theories exist around the world and the above is an attempt to demonstrate the phenomenon of unintended consequences. South Africa has its own set of unique circumstances that have resulted in an insurmountable housing backlog. The South African banking sector has proven its resilience over the same period.

The next few paragraphs will be dedicated to the South African affordable housing programmes designed to facilitate affordable housing delivery in the South African context and to assist potential beneficiaries in the affordable housing income groups. These programmes have been formulated by the South African National Department of Human Settlements.

According to the Department of Human Settlements (2009a), the following housing programmes are currently active in South Africa and will regulate government's financial contribution to a specific housing development type.

3.3.1 Integrated Residential Development Programme

The Integrated Residential Development Programme (IRDP) provides for the acquisition of land and the servicing of stands for a variety of land uses, including commercial, recreational, schools and clinics, as well as residential stands for low-, middle- and high-income groups (Department of Human Settlements, 2007a).

Housing and Community Development (2011) affirms that future affordable housing projects should combine the concepts of mixing income groups with a creative use of internal subsidies. Projects of larger than 50 units for low-income groups can not only be difficult to manage, but also economically unsustainable.

Furthermore, Housing and Community Development (2011) is aware that the need for affordable housing is not always about economics, but is also about creating opportunity, changing lives and creating sustainability and viable communities.

According to the researcher, the map in Figure 3.1 is an example of a project that could be implemented under the IRDP but was placed on hold for reasons unknown. The land is located approximately 25 kilometres from the CBD and provides an opportunity for the integration of different racial and socio-economic groups.

Smith (2005) states that the government's accountability in terms of affordable housing provides four key things:

- assurance of permanent affordability;
- assurance of mission alignment;
- longevity and durability; and
- tenant protection in a problem-solving model

The researcher is of the opinion that one can add tenant mix to the above list to ensure that socio-economic groups are integrated.

3.3.2 Upgrading of informal settlements

More than 50% of the global population lives in cities and an astounding 1.06 billion (32%) of urban dwellers live in slums. This number is set to double in the next 30 years.

Bolnick (2010) cites Tannerfeldt and Ljung (2007), who say that, unlike most countries in the developed world that gradually moved from 10% to 52% urban over a two-hundred-year period (1750 to 1950), the developing world has been shifting to an urbanised existence at an exponential rate. From 1985 to 2003 the urban population in developing countries increased from 1.2 billion to 2.1 billion. In Africa, the United Nations (UN) predicted then that the 400 million urban citizens will exceed 750 million by 2030 and will reach 1.2 billion by 2050 (Pieterse, 2009).

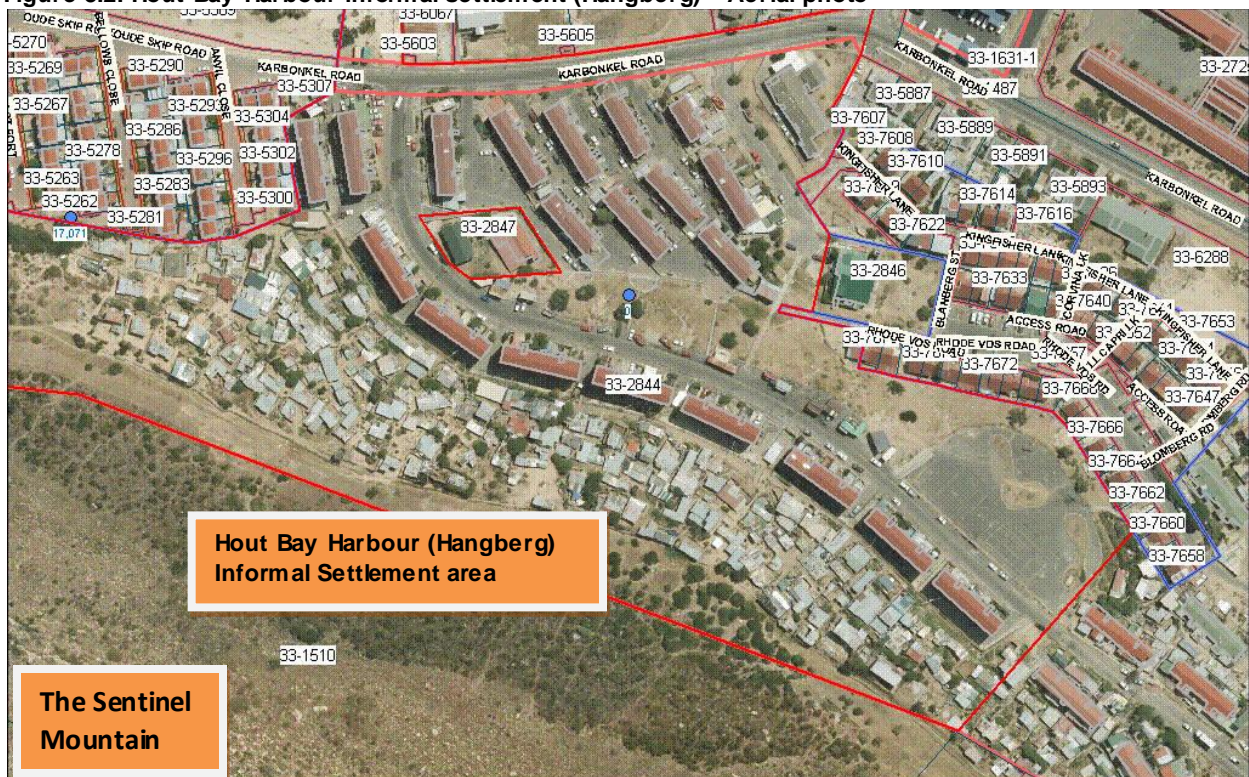
According to the researcher, due to rapid urbanisation in developing countries, the Upgrading of Informal Settlement Programme (UISP) in South Africa is one of the most important programmes of government aimed at upgrading the living conditions of millions of poor households by providing secure tenure and access to basic services and housing in existing and new informal areas.

Misselhorn (2008) states that the UISP is a significant policy shift. The policy has not been adequately put in practice and translated into changed delivery on the ground. It has not been accompanied by the necessary changes in systems, mechanisms and regulations, nor has there been the requisite political will to enable real take-up on the alternative approaches. The de facto policy approach therefore has remained one that is focused primarily on the provision of

conventional housing, i.e. a house + related services + title, as a fixed package. The UISP will provide funding only for informal settlements that are on land suitable for permanent residential development. Secondly, the UISP is to be implemented in four phases, each of which requires heavy regulatory intervention by the State, with the final phase being the housing consolidation phase of the subsidy programme. The problem is that all the intermediary phases that allow for incremental upgrading are not approved by the State unless they lead to Phase 4, a top structure.

Figure 3.2 (from the City of Cape Town, 2009) depicts a map of one of the most controversial informal settlement areas within the CoCT, Hout Bay Harbour (Hangberg). The settlement is situated on the lower slopes of Sentinel Mountain. Bellanchi Photography (2011) captured the photographs in Figures 3.3 and 3.4 as illustrations of the type of informal dwellings constructed by the occupants. Figure 3.5 is a demonstration of the view from the informal settlement facing east towards Constantiaberg and Chapman's Peak, also overlooking the bay (Bellanchi Photography, 2014).

Figure 3.2: Hout Bay Harbour informal settlement (Hangberg) – Aerial photo



Source: adapted from City of Cape Town – GIS (2009)

Figure 3.3: Hout Bay Harbour informal settlement (Hangberg) – Overview



Source: Bellanchi Photography (2011)

Figure 3.4: Hout Bay Harbour informal settlement (Hangberg) – Individual dwelling



Source: Bellanchi Photography (2011)

Figure 3.5: Hout Bay Harbour informal settlement (Hangberg) – Views from settlement



Source: Bellanchi Photography (2014)

3.3.3 Housing assistance in emergency circumstances

Bolnick (2010) states the one billion citizens who do not enjoy the basic security of access to land and decent affordable shelter are potentially the most powerful force for change. Homelessness and poverty cannot be resolved as long as the urban poor are passive beneficiaries waiting for others to deliver solutions. They need to unite at a global level and determine their own solutions if they are to break this cycle.

The above listed programme is specifically used during the upgrade of informal settlements where beneficiaries temporarily have to be relocated and re-housed while services are being installed or formal houses are being built. The programme is also used in situations where temporary relief is required as a result of natural or manmade disasters. The programme will work in parallel with the National Disaster Relief Fund.

The image depicted in Figure 3.6 is an example of an emergency site established by the CoCT to relocate residents of Hout Bay Harbour (Hangberg) during the construction of community residential units on the site that they occupied previously (Bellanchi Photography, 2013).

Figure 3.6: Sea-O-Rama shop site in Hout Bay Harbour (Hangberg), Emergency Assistance site



Source: Bellanchi Photography (2013)

3.3.4 Provision of social and economic facilities

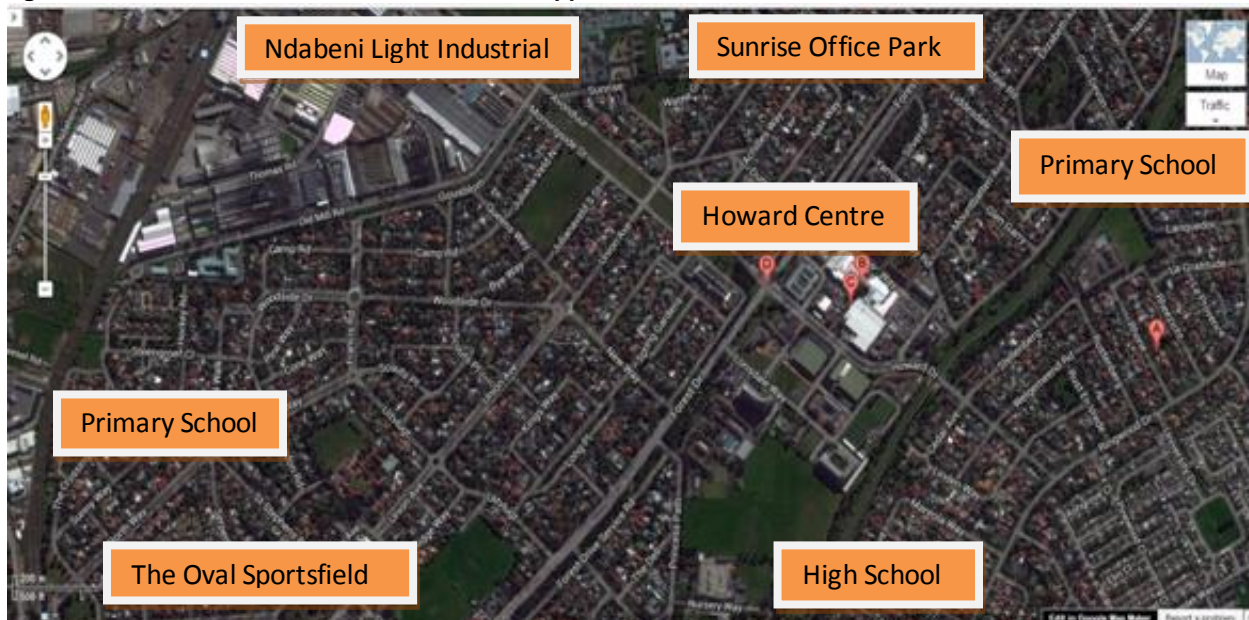
Due to the backlogs in existing underprivileged settlements with respect to socio-economic facilities such as schools, clinics, community halls, recreational facilities and trading facilities, the Department of Human Settlements (2009b), in line with sustainable human settlements policy, has reserved funding for these amenities.

The Department of Social Development aims to ensure the provision of comprehensive, integrated, sustainable and quality social-development services that address vulnerability and poverty, and to create an enabling environment for sustainable development in partnership with those committed to building a caring society (Social Development, 2011).

Research conducted by the CSIR (2012) states that sustainable human settlements cannot be achieved without adequate social facilities that are differentiated according to varying development densities, community magnitude, mobility levels and socio-economic variation. Facility provision standards relating to accessibility, proximity and population size are the starting point for the development of sustainable and integrated communities. The quality and capacity of facilities, in offering the right range of services for a specific community profile, operated by competent staff, together with good maintenance of the facilities, remain critical to the effective delivery of services.

The map depicted in Figure 3.7 is an example of a well-balanced suburb (Pinelands) within the City of Cape Town. A number of land uses are highlighted on the map to demonstrate the extent and nature of the land uses, as well as their proximity to the general community. Pinelands, however, is an example of a previously advantaged community, but the same is not true for most other communities. This is an example of what this housing grant is aspiring to.

Figure 3.7: Pinelands amenities and economic opportunities



Source: Google Maps (2014)

3.3.5 Social housing programme

Schuetz, Meltzer and Been (2011) of Urban Studies state that rising house prices and rentals in metropolitan areas have drawn the attention of policy makers and academics to the affordable housing crisis. One such popular policy in the United States is the local inclusionary zoning (IZ).

This programme requires developers to make a certain percentage of the units in their developments available to specified income groups, thereby targeting the affordable housing market. IZ has become a controversial topic, as many economists and developers believe that IZ imposes additional costs on new residential development and predict that it will constrain the supply and increase the price of housing in jurisdictions that adopt it. Affordable housing advocates counter that IZ can be an effective way of producing below-market-rate units that would not otherwise be produced and that, unlike traditional affordable housing programmes, it does not require direct public subsidies and produce affordable units in a geographical dispersed pattern.

In a study to confirm the effect of declaring IZ on house prices, Powell and Stringham (2004) define the 'cost' of each affordable unit as the difference between the average market price in the jurisdiction and the maximum affordable price allowed under IZ; by their calculations, the median cost of each affordable unit across all cities was \$346 212. Powell and Stringham (2004) also assessed the impact of IZ on production levels by comparing the average number of housing permits issued in cities with IZ over several time intervals before and after the adoption of the ordinance; on average, permits declined by 31% in the seven years after it was adopted.

Basolo and Calavita (2004) pointed out that Powell and Stringham's work relies on several questionable assumptions, viz. the cost differential assumes that, in the absence of IZ policies, the same number of units would have been built and that all units would have been sold for the average market price. The study provides evidence of the changes in housing prices and new permits in the California jurisdictions without inclusionary zoning over the same time period. They conclude by stating that the results of the two studies should be interpreted as descriptive, not as proof of the causal relationship between IZ and housing market outcomes.

The social housing programme identifies the need to address inequalities and historic racial segregation. It accepts that our cities must be more integrated across income and racial groups. The programme aims to bring low-income people into the inner city and is applicable only to restructuring zones identified by municipalities. The aim of the programme is to develop affordable rental in areas where bulk infrastructure maybe underutilised, and ultimately aims to improve urban efficiency. It also provides beneficiaries with security of tenure and is most suitable to those who prefer mobility (Republic of South Africa, 2005).

Figure 3.8, from the City of Cape Town (2007), shows two well-located government-owned land parcels on the corner of Settlers Way and Main Road, Mowbray. Both sites are situated on a bus

and taxi route, and the southern suburbs railway line is also in close proximity – two perfect sites for social housing development.

Figure 3.8: Strategically located government-owned sites for proposed social housing, Mowbray



Source: adapted from City of Cape Town (2007)

3.3.6 Institutional subsidies

According to Zhang and Hashim (2011), urbanisation is a worldwide phenomenon and China is a good example of this. By the end of 2009, the total population in China reached 1.334 billion, with 712 million (53.4%) and 622 million (46.6%) living in rural and urban areas respectively. Land is limited, especially in the cities. The limitation of land negatively influences the delivery of housing by creating a shortage and therefore triggers the price to increase. Yi (2008) states that the central government, as well as local governments, in China formulated a body of affordable housing regulations to safeguard the rights and interests of urban poor citizens and to improve their living conditions.

The Institutional subsidy programme provides security of tenure for those beneficiaries who prefer to be mobile. The programme is focused on areas that are not well located with regard to employment opportunities, but the need exists for rental housing to provide security of tenure. The programme can be utilised as part of the upgrade of informal settlements. The institutional subsidy provides social housing institutions with access to capital grants and development of

rental stock. The programme also allows for the sale of units by the social housing institution after at least four years have lapsed (Republic of South Africa, 2009).

Tonkin (2008) is of the opinion that a good location is a complex concept to define, but access to employment, transport and urban opportunities and facilities are useful indicators. Through the efficient use of state and other well-located land (including infill housing in lower-density suburbs), and the use of value capture and tax mechanisms, government should ensure the provision of affordable higher-density housing on well-located land for households earning below R3 500 per month. These initiatives should also provide households with security of tenure, such as rental and possible freehold. Some people are often more interested in good locations rather than housing quality, as the location has a direct impact on the accessibility of urban opportunities and underpins the social networks and income strategies critical for survival.

3.3.7 Community residential units

The Community residential units arose as a result of the large number of backyard dwellers, who often are very poor and desperate for secure accommodation. Both the Social and Institutional Programmes do not focus on the very poor, i.e. those earning below R3 500 per month. The programme aims to upgrade the traditional substandard government-owned rental units in existing housing schemes and the hostels historically reserved for migrant workers (Department of Human Settlements, 2009).

According to Bellanchi Photography (2014), Figure 3.9 illustrates community residential units (CRUs) owned by the CoCT in Lavenderhill and is a typical example of the condition of the substandard units before the upgrade. The CRUs in the CoCT are currently being upgraded across the metro by funds provided under this national housing programme. Figure 3.10 shows a typical block after the upgrade.

Figure 3.9: Lavenderhill Flats, community residential units before upgrade



Source: Bellanchi Photography (2014)

Figure 3.10: Lavenderhill Flats, Community residential units after upgrade



Source: Bellanchi Photography (2014)

The programme can also be used to develop a new stock of public rental housing or for the acquisition of possible stock, but units are to remain in the ownership of the state in the form of predominantly provincial and local government and cannot be transferred to the occupants (Department of Human Settlements, 2009c).

Figure 3.11 (Bellanchi Photography, 2014) shows the new CRUs currently being constructed in the Klarinet Integrated Development implemented by Absa Development Company in Mpumalanga province. Figure 3.12 is an example of new CRUs currently being constructed at Hout Bay Harbour (Hangberg) by the City of Cape of Town in the Western Cape.

Figure 3.11: Klarinet Integrated Development, community residential units



Source: Bellanchi Photography (2014)

Figure 3.12: Hout Bay Harbour (Hangberg) community residential units



Source: Bellanchi Photography (2014)

3.3.8 Individual subsidy programme

The individual subsidy mechanism is available to individual households who wish to apply for a housing subsidy to purchase an existing house or to purchase a vacant stand and enter into a building contract for the construction of a house. The latter subsidy option may only be awarded to those households that have entered into a loan agreement with a financial institution. These properties are available in the normal secondary housing market or have been developed as part of projects not financed through one of the National Housing Programmes to beneficiaries earning between R0 and R3 500 per month (Department of Human Settlements, 2009).

In a study conducted by FinMark Trust *et al.* (2010) to analyse the performance of subsidised properties on the Deeds Registry, the following were found:

- by September 2010, 1.44 million government properties were registered on the Deeds Registry;
- the majority (89%) of the original beneficiaries remained in their properties;
- of the 1.44 million subsidised properties on the Deeds Registry, 90 858 properties had been sold to a new owner via a legitimate property transaction. On average, the

properties sold for R54 032 (nominal) between 1994 and 2000, and increased to R160 849 (nominal);

- the 90 858 property transactions were accompanied by approximately 50 000 mortgage bonds. Approximately 30 000 mortgage bonds are still active. In addition, a further 120 000 government-subsidised properties have leveraged roughly R20 billion in mortgage finance. The Discount Benefit Scheme properties accessed more finance than the project-linked subsidised properties; and
- households invest significantly in their housing top structure, and the house at times performed better as a social asset and created an opportunity to generate income.

The backlog in property transfers and title deeds registration significantly undermine the performance of government-subsidised housing as an asset in South Africa.

3.3.9 Finance-linked Individual Subsidy Programme

According to FinMark Trust (2012) households earning R3 501 to R3 600 per month are eligible to apply for an R87 000 subsidy in terms of the new Finance-linked Individual Subsidy Programme (FLISP), first announced by South African President Zuma in his State of the Nation Address in February 2012. For every R100 more earned, a reduced subsidy of R675 is offered, all the way up to households earning R14 901 to R15 000 per month, who are eligible to apply for a R10 050 subsidy. This programme is applicable to qualifying households who wish to acquire an existing house or serviced stand linked to the construction of a top-structure through securing a mortgage from a financial institution. This programme is aimed specifically at the secondary housing market and for the acquisition of housing not financed by the national housing funding programmes. The programme is aimed at those who earn too much to qualify for a fully subsidised state house.

The programme can also be used to acquire a house/stand with the full subsidy quantum, and where the purchaser aims to supplement the acquisition by means other than securing the shortfall from a financial institution.

According to the researcher, the limitations of the FLISP was adjusted and improved by the National Minister of Human Settlements during 2014 to address the weaknesses in the original programme. The income band was adjusted to R3 501 to R15 000 per month per household

income. The capped price of R300 000 per housing opportunity was removed and the emphasis is now on end-user finance qualification based on criteria set by the National Credit Act as applied by financial institutions. The maximum subsidy available at the bottom end of the scale (lowest income per month) remains R87 0000, and the minimum subsidy has been increased to R20 000 per housing opportunity at the top end of the scale (National Department of Human Settlements, 2014). The table below demonstrates the incremental adjustments.

Table 3.1: Finance-linked Individual Subsidy Programme sliding scale

Finance-linked individual Subsidy Programme: Implementation date: To be determined by MEC

Subsidy Quantum Table			
Upper limit		R	87 000.00
Lower limit		R	20 000.00
Subsidy increment		R	1 175.00

Increment Band					
Step Number	Lower		Higher		Amount
1	R	3 501	R	3 700	R 87 000.00
2	R	3 701	R	3 900	R 85 825.00
3	R	3 901	R	4 100	R 84 650.00
4	R	4 101	R	4 300	R 83 475.00
5	R	4 301	R	4 500	R 82 300.00
6	R	4 501	R	4 700	R 81 125.00
7	R	4 701	R	4 900	R 79 950.00
8	R	4 901	R	5 100	R 78 775.00
9	R	5 101	R	5 300	R 77 600.00
10	R	5 301	R	5 500	R 76 425.00
11	R	5 501	R	5 700	R 75 250.00
12	R	5 701	R	5 900	R 74 075.00
13	R	5 901	R	6 100	R 72 900.00
14	R	6 101	R	6 300	R 71 725.00
15	R	6 301	R	6 500	R 70 550.00
16	R	6 501	R	6 700	R 69 375.00
17	R	6 701	R	6 900	R 68 200.00
18	R	6 901	R	7 100	R 67 025.00
19	R	7 101	R	7 300	R 65 850.00
20	R	7 301	R	7 500	R 64 675.00
21	R	7 501	R	7 700	R 63 500.00
22	R	7 701	R	7 900	R 62 325.00

23	R 7 901	R 8 100	R 61 150.00
24	R 8 101	R 8 300	R 59 975.00
25	R 8 301	R 8 500	R 58 800.00
26	R 8 501	R 8 700	R 57 625.00
27	R 8 701	R 8 900	R 56 450.00
28	R 8 901	R 9 100	R 55 275.00
29	R 9 101	R 9 300	R 54 100.00
30	R 9 301	R 9 500	R 52 925.00
31	R 9 501	R 9 700	R 51 750.00
32	R 9 701	R 9 900	R 50 575.00
33	R 9 901	R 10 100	R 49 400.00
34	R 10 101	R 10 300	R 48 225.00
35	R 10 301	R 10 500	R 47 050.00
36	R 10 501	R 10 700	R 45 875.00
37	R 10 701	R 10 900	R 44 700.00
38	R 10 901	R 11 100	R 43 525.00
39	R 11 101	R 11 300	R 42 350.00
40	R 11 301	R 11 500	R 41 175.00
41	R 11 501	R 11 700	R 40 000.00
42	R 11 701	R 11 900	R 38 825.00
43	R 11 901	R 12 100	R 37 650.00
44	R 12 101	R 12 300	R 36 475.00
45	R 12 301	R 12 500	R 35 300.00
46	R 12 501	R 12 700	R 34 125.00
47	R 12 701	R 12 900	R 32 950.00
48	R 12 901	R 13 100	R 31 775.00
49	R 13 101	R 13 300	R 30 600.00
50	R 13 301	R 13 500	R 29 425.00
51	R 13 501	R 13 700	R 28 250.00
52	R 13 701	R 13 900	R 27 075.00
53	R 13 901	R 14 100	R 25 900.00
54	R 14 101	R 14 300	R 24 725.00
55	R 14 301	R 14 500	R 23 550.00
56	R 14 501	R 14 700	R 22 375.00
57	R 14 701	R 14 900	R 21 200.00
58	R 14 901	R 15 000	R 20 000.00

Source: adapted from National Department of Human Settlements (2014)

3.3.10 Rural subsidy: Communal land rights

This programme applies to areas of communal tenure that have been declared so by the Minister of Rural Development and Land Reform. The subsidies can only be accessed on a project basis in areas where a real need can be identified. The programme will accommodate land that is registered by the state or land held by community members subject to the rules or custom of that community. The community members must be able to provide proof of uncontested land tenure rights and qualify for a new order tenure right on the land portion allocated to them.

The subsidy can be used for internal services, top structures or the upgrading of existing structures, or any combination of the aforementioned. The programme takes a view on the overall sustainability of the community, including technologies, funding mechanisms and security of tenure and socio-cultural matters.

3.3.11 Consolidated Subsidy Programme

This subsidy programme is specifically for those who received a serviced site prior to the publishing of the White Paper on a New Housing Policy and Strategy for South Africa in December 1994. The programme allows these households to complete their houses, which will be situated on a serviced site, or to upgrade/complete a house that they might have constructed with their own resources.

3.3.12 Enhanced Extended Discount Benefit Scheme (EEDBS)

According to the researcher, this policy framework is designed to facilitate the transfer of pre-1994 housing stock to qualifying occupants. This has happened on a large scale in suburbs like Mitchells Plain, Athlone, etc. for rectification of certain residential properties created under the pre-1994 housing dispensation.

This programme aims to improve state-financed residential properties created through state housing programme interventions during the pre-1994 housing dispensation. It is applicable to houses in public sector institution ownership and/or that were disposed to beneficiaries. The programme is applied to properties owned by a provincial department, municipalities or individual persons (Republic of South Africa, 2009).

Figure 3.13 depicts a typical council-owned house that was transferred to the occupant (tenant) under the EEDBS housing programme, and Figure 3.14 is the same typology transformed by renovations subsequent to transfer and registration of ownership. These are some of the untold stories in the government affordable housing environment. These properties have a significant social and economic impact on the livelihoods of the beneficiary families (Bellanchi Photography, 2014).

Figure 3.13: Athlone Kewtown/Silvertown (typical row house transferred to beneficiaries)



Source: Bellanchi Photography (2014)

Figure 3.14: Athlone Kewtown/Silvertown (transformed renovated house)



Source: Bellanchi Photography (2014)

3.3.13 Housing chapters of an Integrated Development Plan

Baker (2012) states that sustainability is probably one of the most interesting, but least understood, concepts to have emerged onto the world stage since the rise of the information age. It has the power to reshape economies, communities and lives. Sustainability can be seen as the integration of human activities in order to maintain or improve our wellbeing, while providing responsible resource stewardship. Building our communities in a more sustainable way includes changing our development patterns and our transportation infrastructure, reevaluating our work practices, and developing and deploying new technologies that reduce resources consumption, while also changing energy production patterns.

An Integrated Development Plan (IDP) is a single inclusive strategic plan for the development of a municipality and takes into account the capacity and resources of the municipality and complies with the Municipal Systems Act, 2000 (Act 32 of 2000).¹⁷ The IDP contains a housing chapter that focuses on housing planning and development in the municipality. This programme

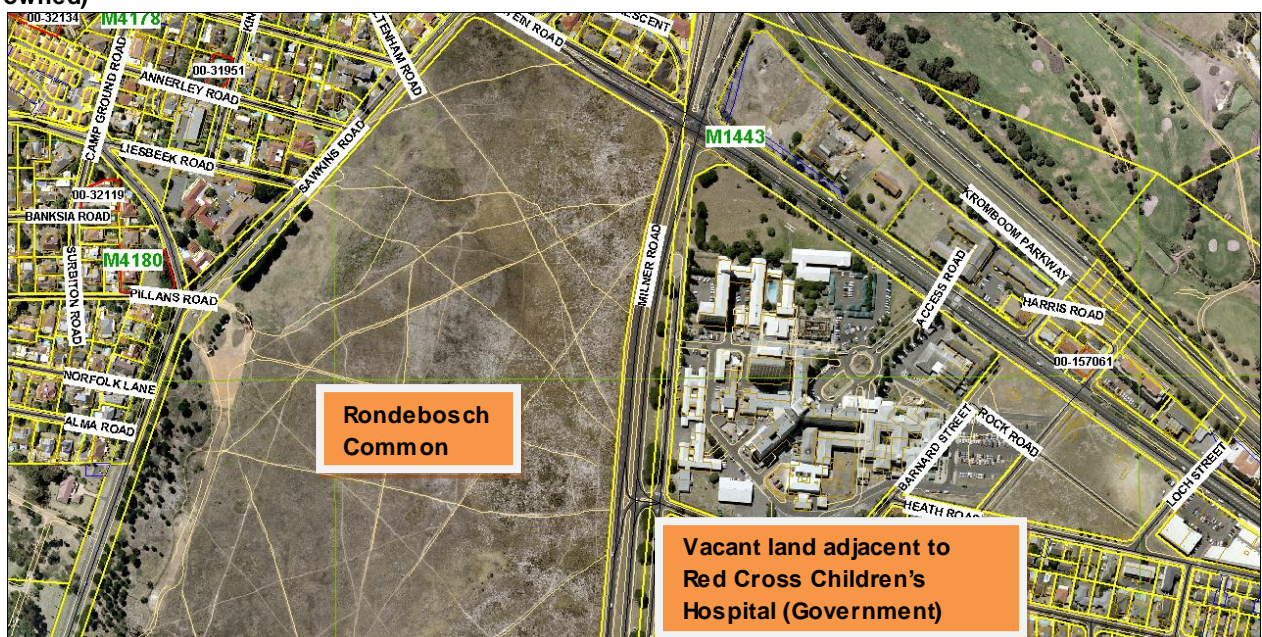
¹⁷ It is the Act that governs local authorities in South Africa

will assist municipalities that do not have sufficient financial and/or human resources in the execution of the housing chapters in the IDP. The proper implementation of the housing chapters in the IDP contribute to the overall spatial development and integration objectives of the municipality and must facilitate sustainable development by way of ensuring inter-sectoral agreement on integrated programmes with the housing investment of government (City of Cape Town, 2011).

Housing and Community Development (2011) makes the point that beautiful project design is essential, as one bad project can cause a negative perception that can last more than a decade. The need for affordable housing must be identified, and well-established existing communities and the beneficial impact of affordable housing must be understood by all. The next time a piece of land on the outskirts of town is identified for affordable housing where there is limited transport, no shopping centres or employment it would be more beneficial to South Africa if the offer to develop was declined.

Figure 3.15 depicts good examples of well-located government-owned land that can be used and set aside as a test case. The proposed development of Rondebosch Common, as well as the site adjacent to the Red Cross Children's Hospital, would be controversial.

Figure 3.15: Rondebosch Common and vacant land adjacent to Red Cross Children's Hospital (government owned)



Source: City of Cape Town (2007)

3.3.14 Operational Capital Budget (OPS/CAP)

National government has identified the need for implementation assistance at provincial government level to achieve the housing objectives. OPS/CAP creates a framework for funding to assist provincial government in this regard and is geared for the appointment of external consultants by provincial departments to supplement the internal capacity required for housing delivery.

3.3.15 Enhanced People's Housing Process

The People's Housing Process (PHP) is designed to assist people who would like to contribute labour to the construction of their own homes. The process requires the establishment of an organisation that will provide technical and administrative assistance to those beneficiaries. Beneficiaries do not necessarily have to contribute financially towards the process, but contribute through sweat equity. Participation in this process has the benefits of saving in labour cost, avoiding payment of developer's profit and optimising control and decisions regarding the housing product to be delivered (Department of Human Settlements, 2009d).

Figure 3.16 shows an example of what can be achieved if the PHP is implemented successfully. The project is situated in Knysna and is referred to as Oupad Housing development (Bellanchi Photography, 2014).

Figure 3.16: Oupad Knysna PHP Housing Project



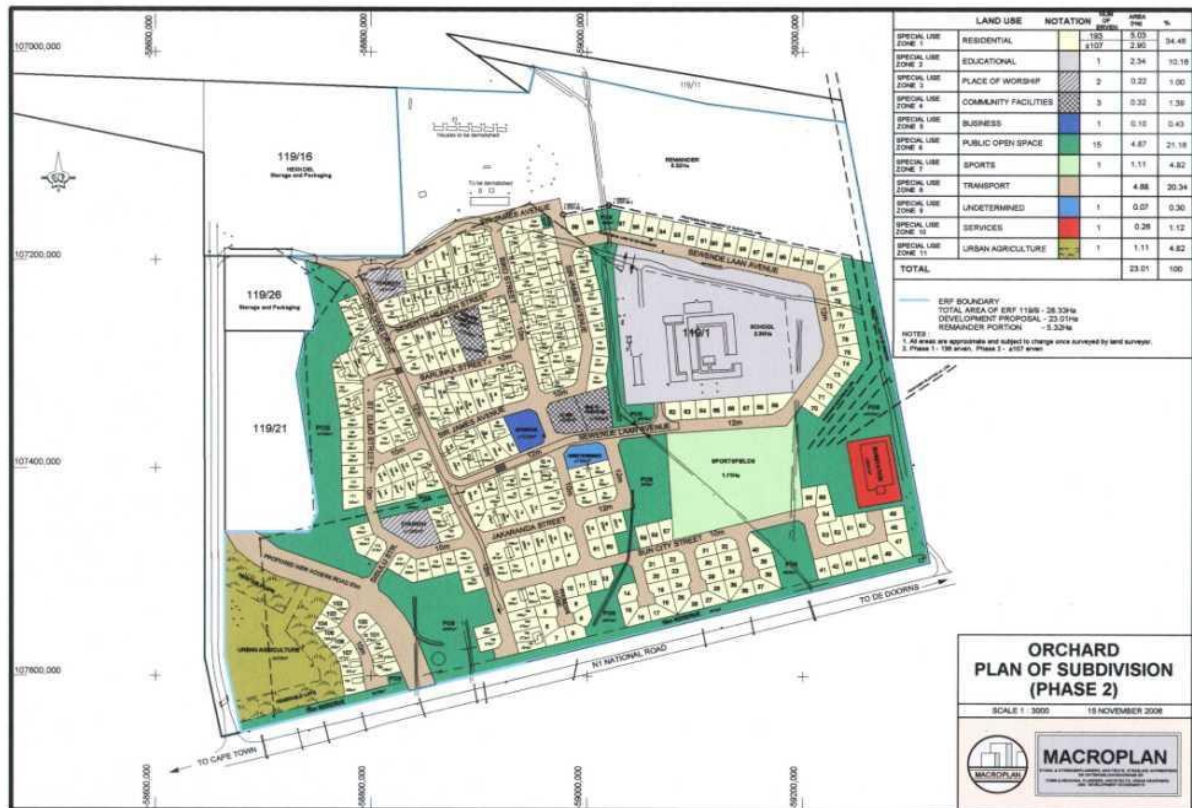
Source: Bellanchi Photography (2014)

3.3.16 Farm Residents Housing Assistance Programme

The Farm Residents Housing Assistance Programme provides capital subsidies for the development of engineering services and adequate housing for farm workers and gives flexible housing solutions for people residing on farms. The programme adopts a cautious approach and does not want to create unsustainable farm worker settlements that might place a burden on municipal service delivery. Both the farmer and farm workers will play a pivotal role in all aspects of the required housing solution (Department of Human Settlements, 2009e).

Figure 3.17 below is an illustration of a Farm Residential Assistance Programme, namely the Orchard Housing Project in De Doorns. It was implemented by the National Departments of Rural Development and Land Reform in conjunction with the Department of Human Settlements. The layout promotes sustainability, reflected in the combination of land uses such as educational, place of worship, sports, urban agriculture etc., amongst other (Macroplan Town Planners, 2005).

Figure 3.17: The Orchard Housing Project, De Doorns - Farm Residence Housing Assistance Programme



Source: Macroplan Town and Regional Planners (2005)

This concludes the South African national government funding programmes. The next few paragraphs will deal with other possible interventions or the financial institution approach to affordable housing finance in terms of end-user and development finance.

According to the researcher, government housing delivery has received much criticism from the general public, but it could be argued that the criticism generally stems from the lack of specialist knowledge of non-housing practitioners. The comprehensive housing funding programmes are a reflection of the extent to which government has gone to address the plight of homelessness in South Africa. Affordable housing delivery has become a specialist function that is not entirely understood by the general public or developer.

3.3.17 Conclusion on Government Human Settlement Funding Programmes

In 2005, South Africa had an estimated population of 46.7 million people, of whom 79.3% were black, 9.4% were white, 8.9% were coloured and 2.5% were Indian. Between 1991 and 2001, South Africa's Gini coefficient increased from 0.68 to 0.77 (0 being absolute income equality and 1 being absolute income inequality). It was found that, if social grants were excluded from the equation, it would measure 0.8 by 2008. This would result in South Africa being one of the most unequal countries in the world in terms of income. Poverty therefore is an enormous problem in South Africa (Tonkin, 2008).

The researcher therefore is of the opinion, against the backdrop of the aforementioned, that it is critical for government to continuously review the affordable housing funding streams as well as the successful application and implementation thereof because the need is so great and the few resources are facing mounting pressure.

3.4 PRIVATE DEVELOPMENT FUNDING IN SOUTH AFRICA

According to Graaskamp (1970), the initial constraints on financing are the initial capital input by the developer, the degree to which the ownership position is willing to remain invested in the project and the credit power of the ownership position. Therefore, the amount of equity available for investment will dictate the amount of external finance required, together with the cost of such finance.

3.4.1 Development finance

Collins and Ghyoot (2012) state that the importance of meeting the bank's credit requirements when applying for development finance cannot be emphasised enough. The bank assesses the risk related to the property, the client and the physical and economic environment. The provision of development by financial institutions is dependent on a number of factors. These factors generally include the following:

- the borrowing entity;
- loan amount;
- contractual period;

- interest rate;
- security ;
- deal fees;
- end-user finance;
- loan conditions; and
- a list of required company information.

Borrowing entity

According to Graaskamp (1970), the borrowing entity is the client that will be borrowing the money from the financial institution, the financial well-being of that client at the time of borrowing, and the ability to provide equity and surety for the deal.

Loan amount

Greer and Farrell (1988) state that the loan amount is a factor of the development cost and that the percentage extent of the loan is dependent on the borrowing entity and the specific project. The investor is faced with an array of alternatives, which differ according to amount, timing and certainty of receipt, and therefore the determination of relative values of investment alternatives also differs. Financial institutions generally do not provide 100% of development finance and the loan differs from one deal to the next. The extent of the loan will be influenced by factors such as cash flow, pre-sales, securities, etc. Development finance can be limited to as little as 60% up to as high as 90% of the total development cost, or calculated as a percentage of the net sell-out value, say 65%, depending on the risk profile of the transaction. Equity is required before the first draw down on the loan. The equity requirement fluctuates and is dependent on the project and the borrowing entity. The equity required can range from 10% to 40% of the development cost. The level of gearing is established by the sustainable sale value of the property, which affects the amount of equity required and the maximum possible level of debt that can be serviced by the property cash flow.

Interest rate

Collins and Ghyoot (2012) describe the repo rate¹⁸ as the key interest rate that determines South Africa's banks' lending rates to the public. It also is the rate that the commercial banks pay for the cash they borrow from the Reserve Bank. The prime lending rate is the benchmark used by commercial banks to lend money to the public and the risk associated with the deal has a substantial impact on the end result. The interest rate refers to the cost of finance, is project specific and dependent on the borrowing entity, loan to value, return on economic capital and the track record of the principals involved, such as the professional team and contractor, and has some influence on the interest calculation.

Security

Wight and Ghyoot (2005) are of the opinion that security forms the basis of the transaction and that future draw-downs will take place against the bond registered. Financial institutions will require:

- the cancellation of all historical or existing bonds against this property and the registration of a new bond to the minimum value of the development loan;
- suretyships from the shareholders of the borrowing entity to cover the extent of the loan, all shareholders do not necessarily have to contribute but the suretyships have to cover the loan amount;
- cession of the loan accounts of the borrowing entity;
- cession of the net proceeds of the sale agreements;
- cession of the rental income (rental enterprise);
- cession of insurance; and
- a waiver of builders' lien.

Fees

Brueggeman and Fisher (2005) state that fees should not be confused with interest, as interest is predominantly recovered as compensation for the risk associated with lending the money,

¹⁸ Repo rate is the rate at which the central bank of a country lends money to commercial banks

while fees are compensation for the costs incurred and for services provided other than lending the money. The payment of this cost coincides with the registration of the mortgage bond and is between 1% and 3% percent of the loan facility, and is further influenced by the gearing of the overall deal.

Loan agreement

According to the researcher, a loan agreement is a typical agreement, with standard terms and conditions to cover both the borrowing entity and the financial institution. This agreement will encapsulate the structure of the repayment over the agreed loan period and will govern the relationship between the parties and related contractual obligations. The loan period for development is generally 10 years, in comparison to end-user finance, which can range from 10 to 30 years to enable better affordability.

The next section is pivotal in the affordable housing value chain and concludes the cycle of the proposed wealth creation through property ownership. Various tenure options will be discussed in relation to the affordable housing concept, focusing predominantly on South African options.

3.4.2 Affordable rental housing development incentives

Housing and Community Development (2011) confirms that the primary tax policy in place that incentivises investment in affordable rental housing production is the Low Income Housing Tax Credit programme (LIHTC). This programme has resulted in a boom in affordable housing supply, as well as in the broader economy. The programme has achieved far more than the framers imagined and it is an important tool. The suggestion to consider additional tax policy to promote renting and rental stock is motivated by these factors:

- job markets are much more mobile, resulting in workers not wanting to be tied to a fixed asset;
- an uncertain real estate market and an unwillingness to invest in appreciation;
- the result of too many people using homes to build wealth rather than using homes for shelter; and
- the growing understanding that not everyone is ready for the financial and related responsibility of homeownership.

According to the researcher, policy makers are now shifting towards incentives to accrue to the renter. The most prominent is rent credit. These measures could possibly assist government to entice private developers to develop rental stock and for it to remain as such in perpetuity to accommodate people in the lower income bands.

In the South African Housing Foundation (2014), Human Settlements Minister Lindiwe Sisulu states that she hopes to incentivise private sector developers to get involved in the provision of social housing and therefore approached treasury to discuss the possibility of the introduction of such incentives.

3.4.3 Conclusion of private development finance

A core criterion when lending is the input of own cash/equity into the project before the bank will lend money to the developer. Equity invested in the property therefore acts as a buffer to the provider of gearing in the event of failure of the property or the developer not performing as expected. The forced sale of a property is expected to reach 70 to 80% of the open market value and has been found to be as low as 50% in the case of high-risk projects or where a poor economy affects demand. This is why the 20 to 30% equity input and 65 to 80% pre-sales in proposed developments are required before lending takes place. Where the property transaction is inconsequential in relation to the client's overall financial position, the general guidelines given above can be overlooked or applied more flexibly. Banks often are prepared to give certain high net worth individuals 100% loans, regardless of the cash flows produced by the property to be financed (Collins & Ghoot, 2012).

3.5 AFFORDABLE HOUSING TENURE OPTIONS

Full tenure options could be inappropriate for a number of reasons. The services of professional town planners, land surveyors and conveyancers are required to establish individual properties to enable the transfer of properties in the formal registration system. It also takes a very long time for formal township establishment processes to be undertaken, which will facilitate the transfer of properties through formal title deeds (Eglin, 2012).

According to the researcher, an appropriate tenure system for the poor is one that is affordable and easy to maintain, yet effective. It should be able to compensate people for the investment

they make in their property, thereby encouraging the on-going maintenance and improvement of the property that they occupy.

The supreme South African housing law, the Housing Act, 1997 (Act No. 107 of 1997; Republic of South Africa, 1997) states that all citizens of the country will, on a progressive basis, have access to “permanent residential structures with secure tenure” (1.vi(a)). Also, that national, provincial and local government must ensure that housing development “provides as wide a choice of housing and tenure options as is reasonable possibly” (2.1.c.i).

Eglin (2012) states that the South African homeless person is stuck between a shack¹⁹ and an RDP²⁰ house and points out that if they occupy land illegally they face eviction, but that if they wait for government to provide them with a house they might wait until 2032 due to the limited funds available.

Urban Land Matters (2010) in a publication affirms that the lack of security of tenure leads to:

- no sense of security;
- damage of social safety nets;
- damage of employment networks; and
- inability to use the house as an interest asset income source.

The history of South Africa is long and complex, but the registration of title²¹ is well documented. Since the first democratic elections in 1994, the new South African government has had to take reasonable legislative measures for the citizens to contend with the extremely skewed distribution of land and to put measures in place to deal with a new, equitable distribution of land. The major advantage is that the South African cadastral system²² accurately identifies the position and extent of rights of every land parcel. The custodian of the system is the Department of Land Affairs and Rural Development through the nine Deeds Offices under the supervision of the Chief Registrar. It is internationally regarded as an accurate and reliable system in providing world-class guaranteed security of tenure (Barry, 1995).

Simpson (1976) has classified the South African property registration system as full title because of the quality of the document and processes that have developed a reliable, accurate record of

¹⁹ Informal house generally constructed by the family.

²⁰ Fully subsidised government house supplied with state funding for people earning up to R3 500 per month.

²¹ Fixed property ownership

²² A land surveying system that supports the Deeds registry system with spatial data regarding property registration

property registration. It is a de facto guarantee of title, which is equal to the 'certificate of title' in the Torrens system,²³ through the approved Surveyor-General's diagram²⁴ showing the exact location of the property.

This section will focus on the various tenure options currently used in South Africa.

3.5.1 Ownership (freehold)

The underlying principle of freehold ownership is that the property owner cannot be deprived of his/her property right without his/her consent and can recover the property from any person who retains possession of it. This property right is secured by Section 25 of the Constitution and protects the right of all property owners. This form of property ownership is most commonly used in the delivery of affordable housing in South Africa (Tonkin, 2008).

According to Urban Land Matters (2010), freehold is the most expensive tenure type and not always the most suitable for poor and or low-income families. Their substantiation is as follows:

- Only a small proportion of households can afford the cost associated with a freehold site due to the cost of maintenance and rates and often end up selling their properties to realise the real value.
- In customary areas, freehold title creates classes of those with and those without a title deed. The title also cannot automatically accommodate extended family.
- It is found that freehold title often forces low-income tenants out and rents rise drastically after registration.
- It is expensive to establish a township for registration purposes due to the associated professional services cost required from town planners, land surveyors and conveyancers.
- Freehold title, without any protective measures, has occasionally excluded women and children.
- Freehold title does not guarantee assistance from financial institutions due to the often low household income.

Sectional title is generally the next most popular tenure option after freehold in South Africa.

²³ World-leading property registration system.

²⁴ Property boundary survey diagram.

3.5.2 Sectional title

Originally the purpose of sectional title was to provide affordable accommodation for flat dwellers, who usually could not afford houses or sections of buildings. In time, the scope of buying sectional title has broadened to the point where it provides for various other needs and has become, in many instances, preferable to owning a house on its own stand (Pienaar, 2010).

Tonkin (2008) states that the Sectional title's Act allows for buildings to be divided into sections for individual ownership, such as blocks of flats and mixed-use buildings. The common property in these developments is jointly owned by the Body Corporate, who consists of all the owners in a particular sectional title scheme. The Body Corporate elects a Board of Trustees, who are responsible for managing and maintaining the common property.

The sectional title lifestyle, often in the form of multi-storey buildings, brings together people from diverse backgrounds with often the only common factor being the unit in which they live. Sectional title developments can also consist of mixed uses or commercial and business only. The Sectional Title Act, 1986 (Act No. 95 of 1986) prescribes the framework for running the Sectional Scheme and allows for some changes in the spirit of the Act (Kelly, 2010).

The researcher is of the opinion that this is a costly and partly impractical ownership structure for the poor, and it has not been used on a large scale by the South African government for affordable housing delivery. The government's multi-storey developments generally are associated with affordable rental schemes and ownership is retained by government or social housing institutions.

3.5.3 Communal ownership

Communal ownership is joint ownership by a group of people/individuals/families and has a diversity of forms. The use agreement provides the guidelines under which members can occupy the property and is governed by shareholding as stipulated in the agreement. This right is tradable and transferable, but can be governed by restrictions as determined by the shareholders/members (Tonkin, 2008).

Cousins (2002) states that the long-awaited draft Land Rights Bill sets out government's proposal to resolve urgent land tenure problems in the former 'homeland'²⁵ areas, where most rural South Africans live. The land in these areas is registered in the name of the state. Problems have derived from the lack of adequate legal recognition of communal tenure systems and led to the abuse of power by the elite and men as a result of gender inequalities. This has resulted in conflicting claims to land and the most unfortunate disputes over the correct authority. The historically forced overcrowding due to apartheid has led to insecurity and often the real rights to the land have overlapped and resulted in conflict.

The two common communal ownership structures are co-operatives and communal property associations.

Co-operatives and Cooperatives Public Participation Vision

According to Tonkin (2008), co-operatives are widely used internationally for the ownership of affordable housing. The system operates on a one-member one-vote principle. The board of directors is elected by the members to manage the property. Each household has one vote at a general meeting to take major decisions. Co-operatives can also be used for business opportunities involving properties.

The purpose of the Co-operatives and CPPP Unit is:

- to promote the establishment of co-operatives and collectively owned enterprises in partnership with other stakeholders;
- to establish linkages with other government initiatives that support co-operatives and collectively owned enterprises;
- to increase access by co-ops and collectively owned enterprises to information, business skills training and markets; and
- to foster a culture of cooperation among co-operative beneficiaries.

The Chicago Mutual Housing Network (2004) housing co-operatives are generally divided into affordable and market-related entities. The fundamental difference between these two forms is that affordable housing co-operatives promote long-term affordability, primarily through agreed

²⁵ Black townships in the Eastern Cape established under the apartheid regime for black South Africans.

upon limits on resale prices of shares. In addition, income restrictions also apply to buyers of affordable housing co-operative shares in order to ensure that the housing is affordable to targeted low- and moderate-income households. In co-operatives in general, and those that are affordable in particular, the co-operative corporation secures and holds the mortgage for the whole building; as such, individuals buying shares in an affordable housing co-operative once it is up and running do not have to secure a mortgage (although they have to come up with the share prices, which typically are very modest because of the limit in share prices), unlike in condos/apartment, where each and every transaction for a condo/apartment unit triggers the mortgage lending process with its associated costs. Affordable housing co-operatives have many of the same characteristics as market-related co-operatives. However, they are designed to regulate individual sales of units in order to make homeownership affordable to low- and moderate-income people for the long term through their agreed upon bylaws, they limit the maximum price at which shares can be sold and restrict the re-sale of co-operative shares to designated low-income groups.

Communal Property Association (CPA)

The Community Property Association Act, 1996 (Act No. 28 of 1996) governs the CPAs. The CPAs generally are established to own common immovable property on behalf of communities and are self-regulated by a constitution. The constitution must be based on the principles of the CPA (Tonkin, 2008).

According to a study by the International Fund for Agricultural Development (2010), governments should develop accessible, affordable and transparent land administration systems with the following in mind:

- balance the cost recovery with affordability for all users;
- integrate land rights recognition with participatory land use planning;
- utilise a mix of low-cost GIS aerial photography/satellite imagery, GPS and PRA methods;
- recognise local and customary dispute-resolution mechanisms;
- develop local capacity – multi-disciplinary skills; and
- strengthen the role of private sector and civil society service providers.

As far as Land Tenure Security and Agriculture in Africa, the IFAD (2010) perspective above states that CPAs have been established to create a vehicle for land reform in rural areas in post-apartheid South Africa. To date, this form of tenure has been used only in rural areas and financial institutions are reluctant to mortgage immovable property owned in this manner.

3.5.4 Leasehold/rental

Adebayo (2000) states that inner-city housing must be pursued in South Africa, but the notion and opinion prevail that the inner cities will turn into slums if poor people live in densely populated nodes. This is not true for most European cities, however, and it is recommended that South Africans agree to grant the poor access to existing infrastructure and privileges.

Tonkin (2008) confirms that this form of ownership is common in all international cities. It accommodates people on the move and can be a short- or long-term arrangement. Rental is used more in some cities than others, especially where property is too expensive to acquire outright. Internationally property can be rented from:

- corporate private-sector landlords;
- small-scale private-sector landlords;
- public authorities; and
- social housing institutions/associations

Based on the researcher's experience, the leasehold/rental form of tenure in South Africa is more common amongst lower income groups and for student accommodation, where the second group requires affordable accommodation on a temporary basis. The lower income group comprises predominantly migrant workers, but housing practitioners are of the opinion that it should be expanded to include domestic workers and gardeners who provide their services in the well-located suburbs. The international trend in major cities like New York, Paris and London is that the higher income groups rent accommodation in the central business districts. Internationally the market is dominated by young professionals.

The researcher believes that the conversion of vacant inner-city buildings for rental accommodation is more prevalent in Johannesburg, as more reasonably priced buildings are available as a result of inner-city decay. The exact reason for the decay is not known, but it is

suspected that it is as a result of inner-city crime, which in turn resulted in the decentralisation of most corporate headquarters.

3.5.5 Informal tenure

According to Schoeman (2007), informal tenure is not a form of formal security of tenure, but does provide vulnerable groups in informal settlements and families in backyards some form of tenure through the Prevention of Illegal Eviction and Occupation of Land Act, 1998 (Act No. 19 of 1998), commonly referred to as the PIE Act.

Eglin (2012) explains that, according to the United Nations Habitat programme, security of tenure is defined as “the right of individuals and groups to effective protection by the state from unlawful evictions”. Furthermore, under international law, forced eviction is defined as “the permanent or temporary removal against the will of individuals, families and/or from the homes and/or land which they occupy, without the provision of, and access to, appropriate form of other legal protection”.

Levy (2011) explains that the South African Prevention of Illegal Eviction Act, 1998 guidelines for landlords to follow in order to execute a lawful eviction. The procedure is as follows:

Step 1 – an application for eviction needs to be issued out of either the High Court or Magistrate’s Court requesting the eviction of the tenant.

Step 2 – the application is served upon the local authority and the tenant.

Step 3 – the tenant has five business days to oppose the application. After the lapse of the five days, an *ex parte* application (an application to court without giving notice to the tenant) is brought immediately and the Court orders how the requisite notice in terms of the PIE Act is to be served.

Step 4 – the Court order and the PIE notice are served upon the tenant and the local authority.

Step 5 – 14 days lapse in terms of the PIE Act

Step 6 – the matter is then heard by the Court and the eviction order is granted.

The eviction order can order the tenant to be evicted immediately, but normally grants the tenant 30 days to vacate the premises, failing which the sheriff of the court can evict him/her.

3.5.6 Conclusion on tenure options

Smith (2005) makes the point that it is impossible to manage a world-class tenure system that is dominated by regulations with a few resources. It can also be said that tenure systems have an impact on the stability of neighbourhoods and therefore require a wide array of options. Individuals require access to training in asset building, asset management and financing, as some intend to progress from occupants to landlords of rental stock. Financial institutions must take the lead in offering financing products that are designed for flexible tenure. However, the difficulty to raise flexible capital for rental and mixed or hybrid-tenure options persists in the affordable housing market and thus has a negative impact on delivery at scale.

CHAPTER 4: RESEARCH METHODOLOGY

4.1 INTRODUCTION

This chapter focuses on the research methodology used and the specific research approach adopted. Clarity will be provided on the choice of research approach linked to the research problem, the research questions and the research objectives in Chapter 1, the South African legislative and policy overview, as well as the review of the international, national and local literature in Chapter 2 and 3.

The study is limited to the City of Cape Town, Cape Metropolitan area, and is dominated by three themes, namely land, finance and tenure options with respect to affordable housing.

4.2 JUSTIFICATION FOR METHODOLOGY USED

Numerous studies have been conducted on affordable housing initiatives, and both quantitative and qualitative approaches have been adopted for these studies. The quantitative approaches use statistical representation of information, ranging from collating charts on available land extents, house prices linked to affordability levels, house sizes and the total units transferred in a particular market segment. Qualitative research is concerned with the non-numerical investigation and interpretation of observations and results from interviews, whether structured or semi-structured (Babbie, 2007).

The researcher found that little practical information in statistical format was obtainable to address the availability of appropriate land, finance as well as tenurial options to resolve the shortage of affordable housing in the City of Cape Town. Currently, land parcels for human settlement development are identified as the need arises and with some extent of forward planning. The acquisition of land is based on the availability of funds and the land often is on the outskirts of mainstream economic activity and infrastructure. It therefore would not be possible to conduct a statistical or quantitative analysis in this regard.

Furthermore, the researcher established that the finance streams available for affordable housing delivery are predominantly driven by the government budget, and the scope to deliver across the broad affordable housing income band of R0 to R15 000 per month is limited. Few studies have been conducted on the total amount of Breaking New Ground (BNG) units

constructed, occupied, transferred and resold. These studies are limited to the BNG product and do not deal with the broader affordable housing market in terms of development or end-user finance. The available arithmetical information thus is not sufficient to justify a quantitative approach.

The third focus area, tenure, is a legalistic specialist function supported by a well-functioning cadastral system. Statistical data do exist on the total amount of BNG houses funded since 1994 and the total amount transferred since, but the information does not span across the affordable housing income band. Many other tenure options are available and the aim was to discuss the suitability of these options for affordable housing. The emphasis of this study was on obtaining specialist input from pertinent role players and to seek alternative options to security of tenure, but not enough statistical information is available.

According to English *et al.* (2006), interviews are a valuable method of data collection and provide insight into the participant's understanding of the subject matter.

The semi-structured interview therefore was identified as the best approach to conduct this non-statistical study, as it provides the best platform for practitioners to share their valuable experience across the three focus areas. The specialists were carefully selected and consisted of five senior government officials and five private practitioners (consultants), including an affordable housing finance specialist from the banking sector.

For this study, various projects in the City were used as discussion points where appropriate links to the research themes and the literature review were found. The responses were collated and reproduced along the three themes of land, finance and tenure options.

4.3 RESEARCH PROCEDURES

The research procedure describes the approach to the research.

4.3.1 Literature review

A comprehensive review of the international, national and local literature was conducted to investigate approaches used to deliver affordable housing in relation to land, finance and tenure options. The literature review assisted with the decision to undertake a qualitative approach to

this study and included books, published journal articles, conference papers, government ministerial speeches, reports, articles, human settlement policy documentation and internet articles published by reputable practitioners in the field of affordable housing.

4.3.2 Data collection and research procedure

The interview questions were straightforward and unambiguous and every effort was made to remain impartial during the process. The questions were forwarded to participants before the actual interview to afford them an opportunity to prepare and thereby improve the quality of the responses.

The interview schedule comprised of 12 questions in total – four questions on each of the three themes. All the participants responded to all the questions, which provided a wide data set for analysis. The interviews were all conducted face to face and were meticulously recorded to ensure the highest level of accuracy. The following questions were posed to the participants.

The following questions relate to land:

Land:

- 1) Based on your experience, what positive and negative long-term effects did historical land policies, prior to 1994, have on affordable housing delivery?
- 2) What interventions should be made to address the consequences of historical land-use policies?
- 3) How can government-owned land contribute to equitable land redistribution?
- 4) What effect will integration have on existing property values?

The following questions relate to finance:

Finance:

- 5) How do the current government housing funding streams relate to effective affordable housing delivery?
- 6) What more can be done by government to improve the current funding streams?
- 7) How can financial institutions facilitate affordable housing delivery?

- 8) What collaborations can be entered into between government and financial institutions to improve affordable housing delivery in the local context?

The following questions relate to tenure:

Tenure:

- 9) How do government housing programmes address the tenurial needs of prospective affordable housing beneficiaries?
- 10) What more can be done with the formal tenure options to facilitate better land redistribution?
- 11) How effective is the restrictive title condition with regard to the resale of BNG houses?
- 12) What additional tenure options can be used to facilitate affordable housing delivery?

In the interest of confidentiality, no individual's name is mentioned in the report, but specific projects were cited where possible to demonstrate and support a specific point of view.

4.3.3 Data compilation, analysis and presentation

The documented information and evidence regarding specific projects and incidents have been referenced and cited. The interviews were recorded with the permission of the participants and hand-written field notes were kept in support of the digital voice recordings. All individual digital recordings were summarised and filed with the permission of the participants. The semi-structured interviews were conducted along the three themes and the interviews were all conducted in the same order. The questions were posed in the order of land, finance and tenure.

The process below provides a description of how the researcher arrived at the final compilation and presentation of the information gathered.

Theme 1: Land

At times the question required a position of support or opposition. In these instances the answers were separated and grouped along the two positions to create a coherent reporting structure. Where specific projects were mentioned by the participants to demonstrate their point of view, further information was gathered by the researcher after the interviewing session. The

additional information was added in the form of maps for a geographical location, town planning layouts, architectural plans and photographs. The majority of the photographs were taken by the researcher during field inspections. The approach to formulating these answers still kept the anonymity of the participants intact.

Theme 2: Finance

The responses were once again grouped if they gravitated towards a certain rationale. The Human Settlement Policy has many funding programmes, but often the same programmes were highlighted by different participants during the independent interviews.

In these cases the comments relating to a specific programme were combined. The housing programmes that attracted the most comments were BNG, FLISP, IRDP, INSITU and rental. Existing projects were often cited to demonstrate a point.

Responses to questions relating to financial institutions were grouped along with the provisions of end-user (bonds) and development finance, as well as a section pertaining to general comments.

Theme 3: Tenure

The rental tenure option was a common discussion point along with the rental development finance streams and was highlighted because it has received noteworthy government attention in recent times.

The BNG product that translates into freehold title has a pre-emptive condition in place for the first seven years of ownership. This condition prevents the first-time owner from selling it within the first seven years of ownership. The effectiveness or ineffectiveness of this condition was tested and the results are reflected along the two opinions. It emerged that government officials had insights into future interventions and these comments therefore were separated and reported as such.

4.3.4 Integrity of the research

The highest level of integrity of this research was maintained through the use of semi-structured interviews and the most accurate presentation of information. The projects that were cited by the participants are within the jurisdiction of the City of Cape Town.

4.4 LIMITATIONS OF THE RESEARCH

The research was limited to affordable housing within the metropolitan area of the City of Cape Town. It was theme specific and not case study driven, but numerous projects in the City were cited as focus areas across the research themes to demonstrate or substantiate a viewpoint. In the case of international experiences, the responses were captured to enhance the contribution to the research themes.

4.5 CHAPTER SUMMARY

This chapter provides insight into the methodology used to conduct this research paper and, more specifically, for the collection and accurate presentation of the data. It provides an explanation of the specific research approach adopted, and substantiating reasons for the approach. It connects the research with the problem statement, legislative overview, literature review, research objectives, research methodology, significance of the study and ethical considerations. It endeavours to link to the data analysis and results chapter.

CHAPTER 5: DATA ANALYSIS AND RESULTS

5.1 INTRODUCTION

This chapter reflects the data collected from the semi-structured interviews. The structure of this chapter reflects the three main research themes, being land, finance and tenure options in the affordable housing space, with special emphasis on the jurisdiction of the City of Cape Town.

The participants were all active housing practitioners, either in the public or private sector. The research target community consisted of five senior government human settlement officials and five affordable housing practitioners, representing financial institutions and experienced housing practitioners.

Each research theme contained four questions and a summary of the responses were correlated and summarised per theme, with each question being dealt with independently. The results of the different themes are summarised below and, where possible, additional information is included to better demonstrate those points made by the participants during the interviewing process, especially where reference was made to specific projects. The additional information consists of layout plans, digital photography and architectural plans, and was added with the permission of the participants.

5.2 THEME 1: LAND

5.2.1 Question 1

Based on your experience, what positive and negative long-term effects did historical land policies, prior to 1994, have on affordable housing delivery?

The following responses emanated from Question 1 and were split into positive and negative effects:

Positive effects were:

- Cape Town has become a sought-after city due to previous racial exclusion of marginalised communities (an unintended consequence);

- the City has become a hub for in-migration, resulting in the forced expansion of the urban edge;
- the expansion of the urban edge will result in development opportunities and regional economic growth;
- it created a definable property market in previously advantaged areas, giving rise to excessive property values and the exclusion of the marginalised; and
- it created development patterns that benefited a select few who gained from inflated property prices due to specialised demands.

Negative effects were:

- the Group Areas Act was the single biggest contributor to racial segregation in Cape Town and led to the destruction of social structures and family networks;
- people were removed from social amenities;
- the destruction of integrated social, cultural and racial communities;
- inequality and misguided social interaction between cultural groups;
- the adverse impact on the quality of life of the majority of the citizens;
- the marginalisation of the majority to barren land without sustainable infrastructure;
- limited or no access to sustainable economic opportunities in previously marginalised communities;
- the creation of a manipulated property market resulting in its fragmentation, with the majority being adversely affected by mass dispossession under controversial laws;
- the unfair dispossession of land and property, resulting in the impoverishment of previous economically viable families and communities;
- people moved from land owners to lessees of council rental stock with limited to no opportunity to invest in the first-world property economy; and
- additional travelling costs and time to reach places of work and amenities, which resulted in a negative impact on family life:
 - children were left unsupervised after school,
 - little opportunity for parents to interact with children, and
 - less disposable income as a result of additional travelling cost.

5.2.2 Question 2

What interventions should be made to address the consequences of historical land-use policies?

The following responses originated from Question 2:

- integration should be driven by public and private sector interventions;
- government created the platform for integration but is up against subtle unsaid opposition;
- the abolishment of “apartheid” legislation has been the single biggest intervention; however:
 - excessive market-driven property prices retard integration of well-established suburbs, and
 - the above integration is an organic process and requires more government intervention to accelerate the process;
- the 2008 property market implosion resulted in limited stock and slowed down the organic integration process;
- government must initiate viable sustainable integrated developments;
- government-owned land like Culemborg in the central business district (CBD) presents a perfect opportunity for a well-located integrated development;
- from a land-use management perspective, government can reduce the parking requirements associated with affordable housing sectional title development in good locations like Salt River, Woodstock, etc.;
- refocus on the creation of economic opportunities in less affluent areas;
- incentivise developers by reducing or waiving development contribution levies for affordable housing development in well-located areas;
- the introduction of inclusionary housing policy where a percentage of every new development must cater for the affordable income group; this is challenging from a developer’s point of view but make sense from a social point of view;
- others feel land restitution and reform policy in South Africa post-1994 is too conservative;
- large-scale land reform and restitution surpassing the notion of willing seller and willing buyer should be implemented;

- the amendment of legislation to enable lawful expropriation as a last resort to allow land restitution;
- resolve all outstanding land claims with land compensation (like for like) as opposed to below market value financial compensation;
- a review, followed by the amendment of all legislation and policy that have a negative impact on the possibility of integration, land reform and land restitution:
 - National Environmental Management Act (NEMA) is world class in protecting the environment, but results in unintended negative consequences for integration due to the nature of the prescribed public participation process;
- the identification of predetermined inclusionary zones for integrated development;
- the use of mixed income development policy as used in places like Canada;
- develop policy that would bring about affordable housing development and insistence on integration at development land use (town planning) application level;
- the city should create rental stock in well-located suburbs and privatise the management responsibility or transfer it to an NGO/NPO;
- redesign and improve the notion of co-operatives and the People's Housing Programme (PHP);
- the creation of the full spectrum of land uses on the outskirts of towns, thereby creating new integrated nodes by incentivising developers for industrial and commercial development initiatives; and
- these are the most recent government interventions:
 - Department of Transport and Public Works (DT&PW) had a cabinet submission signed off in 2012/2013 which allows for the disposal of land below market value in cases where a social benefit can be measured,
 - agreement on the land disposal criteria, which the Department of Human Settlements (DoHS) and DT&PW intend to develop;
 - an affordable housing model must be designed based on government land, which allows government to earn some income from its land while still addressing the social need.

The Provincial Government has made the use of government owned land for affordable housing development a goal and is currently working towards developing pilot projects to demonstrate this model.

5.2.3 Question 3

How can government-owned land contribute to equitable land redistribution?

The following responses were received in terms of Question 3:

- the most strategic government-owned land parcels in the Western Cape are situated within the jurisdiction of the City of Cape Town and should be used for this purpose;
- the redevelopment criteria should specify the target market and beneficiaries to facilitate forced integration;
- government should make these land parcels available for development at reduced prices and/or zero value and bank the social benefits;
- the reduction in land prices could result in better-quality top structures in the affordable housing market;
- government should be prepared to contribute over and above the land value to assist the lower range of the R3 501 to R20 000 per month income bracket;
- a combination of geographically disconnected sites can be packaged and released to enable the cross-subsidisation of affordable housing in the absence of large land parcels;
- greenfield integrated residential developments must address the skewed historical land acquisition patterns;
- infill housing development in strategic locations for land claimants negatively affected by the Group Areas Act, e.g. Fernwood Estate and Claremont Bowling Club, must be implemented;
- public land administration and land redistribution should be controlled by national government;
- a conscious effort must be made by the City of Cape Town to bring communities together through the use of government land to bridge the racial and social divide created by “apartheid” planning;
- government does not always own suitably located land but possibly could enter into land swaps to facilitate fair redistribution and integration;
- the best use of government land must be determined by the locality of the specific land parcel; and
- government land could be used to create economic opportunities for previously marginalised communities.

The City of Cape Town has declared restructuring zones to access additional national funding for social housing initiatives.

5.2.4 Question 4

What effect will integration have on existing property values?

The first three responses are based on the participants' experiences. The actual projects are referenced to demonstrate their point of view.

This response is based on the personal experience of the respondent in Dublin, Ireland from 2001 to 2004. Years before, Ireland had embarked on a process of forced integration of various income groups:

- the principle applied to the financial services centre in the Dublin Dockland area;
- government prescribed that 20% of all development should be dedicated to affordable housing, a lower income group;
- the external aesthetic appearance of the units was the same, resulting in no negative impact on property values;
- different socio-economic groups were integrated and it became acceptable because it was the norm;
- the projects proved that the social impact of integration consists of many facets and was visible at sports clubs, social clubs, educational facilities, etc.;

The income disparity in Dublin is not as vast as it is in Cape Town, and it is common knowledge that South African cities have among the biggest Gini coefficient²⁶ disparities in the world.

This next response is based on the respondent's experience while living in Kraaifontein, Cape Town during the late 1990s:

- Kraaifontein was predominantly a white, Afrikaans, middle-income suburb prior to 1994;
- an informal settlement, Wallacedene, developed overnight (land invasion) across the road and immediately had a negative impact on property values;

²⁶ A measure of statistical presentation with the aim to reflect the income distribution in a country.

- the property values then stabilised and improved as soon as the informal settlement was formalised by township establishment and the construction of BNG top structures, which ultimately resulted in a recovery in the property market in the area.

The following response is based on Stellendale Village, situated on the Stellenbosch Arterial Kuilsriver road, a partnership between provincial government and a private developer. The intention was to integrate socio-economic groups by discounting some of the unit prices for affordable housing beneficiaries:

- negotiations started during 2007 and the project is situated on a combination of government- and privately-owned land;
- the agreement stipulated that the 140 affordable units out of the intended 1 400 units be developed and sold at a discounted rate to affordable housing beneficiaries;
- the 140 units had to be spread across the entire development in exchange for the government's land contribution to the project;
- all the units had the same outward appearance, with differences in internal finishes;
- the integration resulted in no obvious negative social consequences or property values;
- the biggest downside of the project was that prospective beneficiaries struggled to obtain end-user finance from financial institutions.

Figure 5.1 shows the close proximity principle in a plane view as well as the floor layout plan of the two different finishes within the same development.

Figure 5.1 Stellendale Village: Front view and floor layout plan



Source: Department of Human Settlements (2011)

Figure 5.2 Stellendale Village: a general view



Source: Bellanchi Photography (2007)

From the above examples one can conclude that the negative impact therefore is due to perception, but little scientific evidence exists to support this point of view.

The following responses also emerged in this regard:

- in cases where the more expensive housing instruments are utilised (e.g. Social Housing), integration can lead to an increase in property values, as these properties have attractive aesthetics that will contribute to gentrification in some instances; and
- without government intervention, forced integration becomes impossible, as property markets deflect the previously disadvantage to the outskirts of major towns and established suburbs.

The next set of responses focused on integration:

- international studies done in Canada and the USA have shown integration had no significant negative impact;
- national government has taken a strong stance and does not see the perceived negative impact on property values as a valid objection to integration, and is of the opinion that property markets would initially respond negatively but ultimately will recover;
- a positive effect on lower income properties can be expected when integrating BNG with FLISP and FLISP with market-driven properties;
- lower income housing units eventually will be affected by higher rates and tax cost and could lead to increased living expenses for those families;
- Cape Town should be driven by a good mix of social responsibility and economics, and ideology should take preference over conventional economics;
- Integration should form part of the City's responsibility to provide services and to contribute to dignified communities in this manner.

Integration should not only be seen as mixing different race groups, but essentially will integrate income groups. The City of Cape Town should be bold and draft integration into the Spatial Development Framework (SDF) to facilitate social integration and social grading; this would compel developers to become automatic implementing partners.

5.3 THEME 2: FINANCE

This section consists of four questions related to finance (questions 5 to 8). It deals with government housing programmes in the affordable housing category for the income band R0 to R15 000 per month.

5.3.1 Question 5

How do the current government housing funding streams relate to effective affordable housing delivery?

Government has numerous funding streams to accommodate the broad affordable income band. The participants focused on certain of the funding streams and their responses have been grouped per funding stream.

The first set of responses focused predominantly on the Breaking New Ground (BNG) product:

- the BNG free house is a unique product in the world; no other country offers a house at zero cost to the beneficiary;
- it is seen as the entry level product within the broader formal affordable housing income band;
- the overall quality of the product has significantly improved since its inception in the mid-1990s, and the demand and pressure on government are becoming greater;
- the delivery versus demand experiences negative growth due to budgetary constraints and the inability of the City to spend the total housing budget year-on-year; and
- the City should move towards the delivery of serviced stands only in the BNG category, and financial institutions should finance top structures where possible.

Beneficiaries who currently qualify for a free BNG house have an income ranging from R0 to R3 500 per household per month. This low monthly income has an impact on affordability levels in terms of the National Credit Act (NCA) and it is unclear whether the service stand will evolve to a bondable top structure over time if only a serviced stand is delivered by government.

The Finance-linked Individual Subsidy Programme (FLISP) came into being in 2005 and received the following responses:

- there has always been a lack of housing stock for those earning between R3 501 and R7 500 per month (initial FLISP);
- developers did not understand how the FLISP programme could assist potential beneficiaries in obtaining end-user finance from financial institutions;
- FLISP was adjusted in 2012 to service those earning between R3 501 and R15 000 per month with a capex of R300 000 per bondable opportunity;
- the current FLISP provides a potential beneficiary who earns R4 000 per month access to the full BNG subsidy, but he/she will still require assistance from the employer to access additional finance from a financial institution;

“Our Pride”, a FLISP project in the City of Cape Town, is situated in Blue Downs, with the Provincial Department of Human Settlements as the developer and project sponsor. Despite the aforementioned arrangement it is still difficult to deliver the FLISP product within the required stipulations to service the lower range of the FLISP income bracket of R3 501 to R15 000. The objective of FLISP is to encourage private developers to create stock.

The following apply to the “Our Pride” project in Blue Downs:

- “Our Pride” consists of approximately 1 000 units in total and comprises 700 enhanced BNG and 300 FLISP units at a selling price of R161 000 to the income category between R3 501 and R7 500 per month;
- the unit is sold at R161 000 minus the FLISP subsidy, which depends on the income of the beneficiary as per the sliding scale applicable to FLISP, and the balance should be financed by a financial institution;
- slow sales were experienced due to the stringent credit criteria in terms of the NCA;
- the enhanced BNG unit was made possible by the Integrated Residential Development Programme (IRDP) funding and was written off against the full subsidy at zero cost to the beneficiaries;
- this project worked at a stretch because government contributed the land, IRDP, Urban Settlement Development Grant (USDG) funds and made FLISP available to end users;
- the land consideration was paid back to the department on the transfer of each FLISP unit; and
- the enhanced BNG unit has no land consideration and therefore is substantially cross-subsidised by government funding.

“Our Pride” was well thought through and the focus was to assist those in the lower part of the affordable housing income band. On transfer of each unit, the IRDP portion of the funds (that paid for the installation of engineering services) is transferred back to the Provincial Department. This bridging facility substantially reduced the cost of development finance and was designed to ultimately benefit the end user.

The Integrated Residential Development Programme (IRDP) and other infrastructural funding streams like the Urban Settlement Development Grant (USDG) received noteworthy responses from the participants. Both funding streams are relatively new and have not been tested substantially.

The comments received in relation to the abovementioned programmes were as follows:

- the IRDP programme, where government provide developers with bridging finance to install services, is a very effective method to assist private developers;
- the USDG is an efficient way to upgrade the level of engineering services pertaining to BNG units in metropolitans like the CoCT;
- the USDG will make it possible for lower income earners to generate better collateral from their houses and thereby contribute to the possibility of accessing finance from financial institution for home improvements, etc.;
- the combination of IRDP, USDG and FLISP in a private development has not been tested enough and these developments only exist with government as developer; and
- the combined use and effectiveness of these funding streams must be tested by private developers.

The emphasis of affordable housing delivery has shifted from quantity to quality and the creation of dignified communities. South Africa has a comprehensive list of housing programmes that were designed for local circumstances, but implementation is lacking and affordability remains a major stumbling block.

5.3.2 Question 6

What more can be done by government to improve the current funding streams?

The responses to Question 6 were twofold and focused on the improvement/amendment of existing funding streams and the introduction of new ones based on international experience and norms.

The following related to the current FLISP:

- the FLISP capital contribution from government towards the acquisition of a housing opportunity must be increased;
- the capped price of R300 000 per opportunity per beneficiary must be increased to R550 000; and
- property values in the Western Cape and specifically the City of Cape Town are generally higher than in other provinces and it is impossible to deliver a house in this market for under R300 000 in the metro.

Rental housing was high on the list of most of the participants. The rental option creates a good opportunity for racial and socio-economic integration. The comments received were as follows:

- the rental housing subsidies for developers must be increased to contribute to the realisation of more rental stock in this market segment;
- a monthly rental rebate must be introduced to assist the lower income group that rents from private landlords; and
- the Community Residential Unit (CRU) and Social Housing Unit (SHU) beneficiary income brackets overlap and the difference in rental for a person earning R1 500 is substantially different from a CRU to a SHU. This could result in beneficiary conflict if projects are located within the same geographical area.

A heads-of-agreement²⁷ will be entered into between the CoCT (managing agent of CRU) and the Social Housing Institutions (SHI), Social Housing managing agent, to prevent this from becoming an area of conflict.

The USDG funding flows directly from the National Department of Human Settlements to the City of Cape Town, which makes it difficult for the Provincial Department of Human Settlements

²⁷ Heads of agreement in this case will be an agreement to facilitate the working relationship between the entities

to initiate BNG projects with a higher level of engineering services. Participants were of the opinion that the funding streams should be managed from a central point. Other suggestions were:

- the negative factors such as subtle opposition to national human settlements policy must be addressed;
- large-scale implementation of the current programmes such as IRDP and USDG to test effectiveness is critical;
- the manner in which government finance is made available to developers and end users must be reviewed and streamlined;
- the private sector must be educated on the availability of government funding streams and grants;
- the risk model used by financial institutions to calculate end-user finance must be reviewed and brought in line with the criteria of higher income groups;
- individual subsidy programmes are not known to prospective beneficiaries and sessions to create awareness are critical;
- there is a need for a broader awareness study guide for politicians on all housing programmes;
- the City ought to take responsibility for servicing sites, while top structure development must be left to beneficiary; and
- the notion of urban sprawl must be considered and managed as part of this process, and the live, work and play principle for large-scale greenfield developments must be applied.

In theory the solutions and policies are in place, but effective implementation is lacking. The current rigorous affordability measures in terms of the NCA have contributed to the lack of affordable housing delivery, and government intervention is critical.

5.3.3 Question 7

How can financial institutions facilitate affordable housing delivery?

Responses received were split between development and end-user finance.

The development finance responses were as follows:

- government must regularly make land available to private developers and financial institutions must provide development funding at preferential interest rates;
- pro-development measures must be put in place by the Financial Sector Charter (FSC) to stimulate affordable housing development, this was previously the single biggest factor to private affordable housing delivery:
 - it leads to more aggressive lending strategies to meet the targets set in terms of the FSC; and
 - commercial property finance was made available at favourable conditions such as higher loan to cost ratios;
- bridging finance must be more readily available for developers at preferential interest rates if development funding is not the appropriate funding model.

The declining residential market since 2008 has had a negative impact on the view on affordable housing development and some financial institutions completely withdrew from this market.

The comments related to end-user finance were as follows:

- end-user finance must be provided at preferential interest rates to increase affordability levels, or must be capped at reasonable rates;
- more aggressive specialised end-user finance, like Absa's MyHome product (110% finance over a 30-year term), for first time and younger buyers;
- the NCA heavily affects affordability levels in this income band and the stigma attached to the affordable housing purchaser must be abolished;
- government must provide bond guarantees on end-user finance to mitigate or reduce the extent of default risk associated with this market;
- the introduction of cross subsidisation models, where higher income earners contribute to the lower income earners;
- financial institutions must have more flexible payment options before proceeding with the repossession of defaulters, and an administrative route via government must be followed before families are left destitute and homeless;
- end-user products for corporate and government employees must be more prevalent at lower interest rates due to job security; and

- the default risks associated with affordable purchasers is unwarranted and research has shown that there is no significant difference in the default rate of the various income categories.

According to the respondent, in cases of default, financial institutions are able to recover market value for those properties and the rate of loss is not higher in this income category than in any other income band.

The general comments with regards to question 7 were:

- financial institutions are profit-generating institutions and cannot assume the role and responsibility of government;
- relationships between government and financial institutions must be cemented and the roles, responsibilities and collaborations must be defined clearly;
- new favourable terms and conditions must be agreed on between government and the Banking Council (BC); and
- financial institutions must retain affordable housing stock and circulate it within a specific market segment for lower income earners.

The practicality of this concept is not clear, but it is a noble idea nonetheless.

5.3.4 Question 8

What collaborations can be entered into between government and financial institutions to improve affordable housing delivery in the local context?

The following responses were received to Question 8:

- a universal definition for affordable housing must be agreed on between all major role players, like government, financial institutions and private developers;
- the parties must enter into Land Availability Agreements (LAA) and Development Agreements (DA) to address the shortage in specific housing segments;
- public private partnerships (PPP) must be formed to facilitate affordable housing delivery with mixed use components;
- financial institutions must design financial products with a clear understanding of government housing programmes:

- FLISP is an example of a housing programme that reduces the loan to value and therefore the financial risks for financial institutions.
- the favourable loan to value must be passed on to the purchaser and must reflect in the reduced interest rate of the end-user finance;
- the gratuitous higher risk associated with the affordable housing client affects affordability, and the unwarranted risk profile must be brought in line with other income groups;
- the FSC had a positive impact on affordable housing delivery and ensured the availability of stock and should be reintroduced;
- the developer's preference is to combine FLISP units with BNG units as opposed to FLISP with market-driven units; the latter option should become more prevalent to ensure integration; and
- in terms of affordable housing and the Mortgage Disclosure Act (Act No. 63 of 2000), banks must adhere to the requirements and provide the information in the correct format with enough detail to the Office of Disclosure so that clear reporting is possible and areas for intervention in terms of mortgage assessments can be clearly identified and action taken from government's side.

The participant indicated that a central point for affordable housing interactions for banks is in the process of being established with the National Housing Finance Corporation (NHFC), which will improve turnaround time, eliminate undue risk and grow financial opportunities.

5.4 THEME 3: TENURE

This section relates to various tenure options applicable to affordable housing. The current government focus is predominantly on one plot one house, which translates into freehold title. The aim of this set of questions was to obtain the participants' opinions on the applicable tenure options, and how they can be used to optimise affordable housing delivery against the backdrop of the housing programmes. Not all potential housing beneficiaries have the same need but they generally are presented with the same option; a one-size-fits-all approach.

5.4.1 Question 9

How do government housing programmes address the tenurial needs of prospective affordable housing beneficiaries?

The following responses were received to Question 9:

The tenurial needs are not addressed adequately and general consensus is that more rental stock is required in the affordable housing market. The government funding available to deliver rental stock is threefold and a cumbersome process is in place to access this funding. The funding consists of the following:

- DORA allocation, which is administered by the CoCT; this funding stream traditionally was available only to social housing institutions;
- the restructuring capital grant, which is administered by the Social Housing Regulating Authority (SHRA) and predominantly applies to approved and declared restructuring zones within metropolitan areas; and
- private sector funding, which is available from financial institutions to address the shortfall between the development cost and government grants if any is available and is accessed by private developers.

Restrictions such as tenant profile and mix based on monthly income are applicable when government grants are utilised to develop rental stock:

- the beneficiary income band is limited to people earning between R1 500 and R7 500 per month in terms of social housing beneficiaries when the DORA grant is accessed;
- the rental product as a result of the restructuring capital grant addresses the broader FLISP income band, but can only be used in declared restructuring zones or other special declared areas as agreed to by the local authority; and
- the stock must remain rental in perpetuity and can be transferred between owners and institutions as a rental facility.

Private developers find the funding conditions too burdensome and prefer not to use the funding.

Other comments received were as follows:

- national funding is limited and any additional rental housing grants must be subtracted from existing grant facilities;

- it is difficult to link the tenorial needs of beneficiaries to the government funding programmes in the affordable housing environment;
- the income band R3 501 to R15 000 is assisted by the FLISP and is designed to fund freehold or sectional title ownership, but the government financial contribution is not in sync with market prerequisites;
- the income band R3 501 to R15 000 should have a mechanism that can assist a rental option in the form of a monthly rebate;
- in the United Kingdom (UK), the rent-to-buy option is popular and the fractional ownership is dependent on the affordability levels of individuals and can accommodate multiple owners per property;
- the rent-to-buy option is not used enough in Cape Town and the need exists for more stock in this market;
- freehold ownership is overemphasised and freehold creates additional responsibility, which has a severe impact on the cost of living, e.g. rates, water, property maintenance, etc.;
- transfer is often delayed during the implementation of BNG projects and very seldom do beneficiaries respond negatively as a result of delays;
- security of tenure is not necessarily perceived in the traditional Western context in this market segment; and
- security of tenure should not be confused with freehold ownership.

The participants felt that a breakdown of rental demand is needed in the City to guide budgeting. However, it is accepted that it is difficult because incomes fluctuate and, unless a database can consistently be maintained, the data will become outdated within a six-month period.

5.4.2 Question 10

What more can be done with the formal tenure options to facilitate better land redistribution?

This was perceived to be a difficult question due to the profound historical segregation and current property disparities. According to the researcher, government owns limited land to facilitate the appropriate level of land redistribution within the CoCT. The available vacant government land in the metro, like Wingfield, Culemborg, District Six, etc., must become a

national priority for redistribution and the backlog in transfers for government projects must be reduced.

Other comments received were as follows:

- the Department of Human Settlements and Department of Rural Development and Land Affairs must collaborate to address land distribution at community level;
- communal tenure must be more widespread and awareness as well as educational sessions must be facilitated to promote the communal form of tenure;
- the incremental form of tenure must be used to provide beneficiaries an opportunity to grow into the responsibility of property ownership;
- it is critical that land redistribution should be allowed to start at the lowest form of tenure, which is informal occupation of land;
- informal settlements must be upgraded as far as possible where people are settled and evictions must be minimised;
- prior to full title formalisation, beneficiaries must be provided with some proof of security of tenure, even if it is informal and not via the conventional deeds registry, as this will encourage people to improve and protect their property from other potential occupants;
- access to land must be less stringent and more flexible;
- Hout Bay Harbour is a typical example of where people are prepared to build and improve their dwellings on condition of security of tenure;
- freehold ownership works well, but other informal options should not be discarded in the informal environment;
- government must embark on the creation of a rental database to create plausible solutions based on the actual need;
- government should be in a position to stipulate the tenure mix and tenure option for each development;
- parameters must be aligned with the need, to be confirmed by market research, and must not be too inflexible so as to make development unachievable; and
- LAAs must be drafted with greater contractual flexibility to accommodate the ever changing economic environment and other uncontrollable factors.

The government representatives indicated that the UK model will be pursued more vigorously in cases where government funding is utilised to finance developments. This implies that beneficiaries who are unable to acquire a property outright would be able to purchase fractional

ownership based on affordability levels. The current policy only allows for one subsidy per cadastral entity, and the allocation of multiple subsidies for multi-storey development is not possible in the current South African context. However, the implementation and management of these schemes might prove to be difficult.

5.4.3 Question 11

How effective is the restrictive title condition with regard to the resale of BNG houses?

Some participants felt it was effective, while others were of the opinion that it was ineffective.

The following comments were in opposition to the pre-emptive right and of the opinion that it was ineffective:

- because the BNG properties are perceived to be part of the informal sector;
- the pre-emptive right has contributed to informal housing trade, often with no paper trail, which leads to the exploitation of beneficiaries;
- the issuing of title deeds with regard to BNG units is often delayed and units have changed hands before formal tenure becomes effective;
- even when formal ownership has become effective, more often than not properties are transferred on a cash basis outside the formal tenure system;
- the pre-emptive right is ineffective as people are nomadic and forced to move as a result of job opportunities; and
- the pre-emptive right has a negative impact on wealth creation because the asset cannot be used as collateral with the pre-emptive right in place over the first eight years of ownership.

The pre-emptive right is in favour of the department and application can be made to waive this right. Concession is dependent on the quality of the motivation.

The following responses were received in support of the pre-emptive right and the effectiveness thereof:

- it is effective and protects government's investment and prohibits undue loss of an asset, which ultimately will exacerbate homelessness;

- the asset increases in value over the eight-year period and the restriction indirectly contributes to wealth creation;
- taxpayers' money is used for the benefit of individuals and families, and must be protected and regulated, as it can be exploited by speculators;
- home loan applications for BNG properties are processed after the eight-year period and these properties experience capital growth over this period; and lastly
- it is effective as most beneficiaries will be housed for at least eight years.

Some developers allocate completed units to beneficiaries as per the housing waiting list, but the collection of ownership information to effect transfer is deliberately delayed because beneficiaries swap houses within the confines of the same project to achieve better proximity to family and social structures. Developers accommodate the swaps to achieve better social cohesion.

5.4.4 Question 12

What additional tenure options can be used to facilitate affordable housing delivery?

The following responses were received to Question 12:

- the UK model of fractional ownership must be redefined to suit local conditions in order to encourage part or multiple ownership of one property and collaborations, as well as earlier property investments by younger and lower income earners;
- the Holland model has options on leases, where government contributes to the monthly rental payments of individuals in the form of rebates; this will create a rental market and developers will be encouraged to develop rental stock;
- there should be more emphasis on high-density sectional title developments to reduce urban sprawl and to optimise existing infrastructure;
- property ownership models should be designed to encourage extended family ownership models;
- communal tenure should be considered in appropriate locations where large tracts of land are made available; and

- on development or redevelopment, government could stipulate the mix of units and the tenure applicable to each unit, or mixed tenure within the same development, e.g. freehold and rental.

The participant was of the opinion that people should be granted access to land with lower levels of tenure and a guarantee that they will not be removed. This will eliminate the pressure from government and people will be able to incrementally effect improvements to informal structures. The role of government will become that of a facilitator as oppose to provider.

5.5 CONCLUSION

The sustainability of affordable housing delivery in its current format should be investigated. Housing provision and the sustainability thereof are two different things.

CHAPTER 6: CONCLUSIONS AND RECOMMENDATIONS

6.1 INTRODUCTION

This chapter will provide an overview of the research problem and objectives of the research. A summary of the findings based on the legislative overview, literature review and the results of the semi-structured interviews will be presented against the backdrop of affordable housing in relation to land, finance and tenure options. Conclusions are drawn and recommendations are made based on the research results, and areas for further research are identified.

6.2 OVERVIEW OF THE RESEARCH PROBLEM AND OBJECTIVES

6.2.1 The problem statement

Access to housing and/or shelter is a basic human right, and the South African government has put guidelines in place to provide a platform for affordable housing delivery. This basic human right is secured by the South African Constitution and is supported by further acts and government policies in an attempt to rectify the urban spatial development footprint of apartheid.

Land, finance and tenure options are very important components of the affordable housing delivery model and, if used incorrectly, can result in the perpetuation of the “apartheid’ delivery model. The purpose of this research is to investigate affordable housing delivery in relation to land, finance and tenure options within the City of Cape Town.

6.2.2 The research objectives

The research objective for this study was to:

- Investigate the best use of land, finance and tenure options with respect to affordable housing delivery to achieve a well-balanced, sustainable, integrated city.

The core objective was supported by secondary objectives, such as to:

- Provide a national legislative overview of legislation and government policy that had an impact on housing development in South Africa pre- and post-1994;
- Discuss international, national and local housing delivery and link it to land, finance and tenure options in order to learn lessons for the local context.

6.3 CONCLUSIONS DRAWN FROM THE RESEARCH

The research objective and sub-objectives were achieved by a comprehensive representation of the relevant South African legislation and policy on affordable housing delivery in relation to land, finance and tenure options pre- and post-1994. The literature review assisted this process and focused on international, national and local approaches to affordable housing delivery. A semi-structured interview was used to obtain a thorough understanding from a housing practitioner's point of view of the research themes.

The next section of this chapter will focus on the three research themes and will summarise the results of the research based on the national legislative and policy overview, literature review and responses from the semi-structured interviews.

6.3.1 With reference to the affordable housing theme in relation to land

The four questions related to land are listed below and summarised based on the findings of the research.

1. Based on your experience, what positive and negative long-term effects did historical land policies, prior to 1994, have on affordable housing delivery?

The participants provided both negative and positive comments in this regard.

Negative effects: Pre-1994, development resulted in the segregation and destruction of family structures and social networks. The majority were marginalised to barren land without proper social and economic infrastructure, thereby impoverishing viable communities. The removal translated into an insurmountable demoralising impact on family and social structures.

Positive effects: An unintended consequence is that Cape Town has become a sought-after city and is experiencing excessive in-migration. This will result in the expansion of the urban edge and/or densification and will bring about development opportunities that will stimulate regional economic growth.

2. What interventions should be made to address the consequences of historical land-use policies?

According to the research, both government and the private sector should take responsibility to ensure integration. More sustainable human settlements must be initiated on government, land and onerous parking ratios and municipal bulk infrastructure contributions and the like should be reduced or removed to enable affordable housing and inclusionary housing development in desired nodes.

The participants felt that government land reform policies are too conservative and that large-scale land reform and restitution are required. Large-scale economic opportunities also should be initiated in marginalised communities on the periphery.

3. How can government-owned land contribute to equitable land redistribution?

The respondents were of the opinion that there were sufficient large tracts of strategic government-owned land located within the CoCT to make a significant impact if they were developed for redistribution. In addition, a combination of smaller land parcels from different geographic locations could be packaged in a well-thought-through cross-subsidisation model. The needs of historic land claimants also must be addressed by infill development in well-established suburbs. Land acquisition and swops must be considered where appropriate government land is not available.

4. What effect will integration have on existing property values?

The following responses were based on three scenarios. The first was based on an international scenario in the dockland area of Ireland, Dublin and concluded that integration had no impact on property values. The second was based on a local scenario at Kraaifontein, where an informal

settlement developed overnight in Wallacedene opposite Kraaifontein. Property values in Kraaifontein declined initially but recovered as soon as the informal settlement was formalised. The third was based on Stellendale Village, Kuilsriver, where the intention was to integrate different income groups in the same private development by discounting units to accommodate the affordable housing market. This resulted in no negative impact on the overall property values.

The next section will deal with finance in relation to affordable housing delivery.

6.3.2 With reference to the affordable housing theme in relation to finance

This section consists of four questions and each question is dealt with separately below.

5. How do the current government housing funding streams relate to effective affordable housing delivery?

The respondents opted to focus on the BNG, FLISP, IRDP and USDG funding streams.

They concluded that the BNG programme should shift towards a serviced site so that the housing backlog for people earning below R3 500 per month could be eradicated sooner.

The FLISP programme is designed to provide a deposit towards a bonded opportunity for those earning between R3 501 and R15 000 per month, but the general consensus was that the current sliding scale does not deal sufficiently with the lower parts of the income band.

The IRDP and USDG are seen as effective products to assist private developers and will contribute to substantial reduction in development cost, but these savings must be transferred to the beneficiaries.

6. What more can be done by government to improve the current funding streams?

The participants agreed that the capital cost of the FLISP unit must be increased from R300 000 to R550 000 per unit, and that the rental housing programme must be redesigned to be more

accessible to private developers, with a monthly rental rebate for tenants in this market. In addition, all government funding streams must be managed from a central point.

7. How can financial institutions facilitate affordable housing delivery?

The research response identified the reintroduction of the FSC targets for financial institutions, which should result in more aggressive lending at preferential interest rates under favourable conditions. The general consensus was that affordable housing end-user finance with reduced interest rates or lower capped rates must be introduced, with longer flexible repayment periods for first-time and younger buyers.

8. What collaborations can be entered into between government and financial institutions to improve affordable housing delivery in the local context?

The respondents alluded to the formalisation of a standard definition for affordable housing, as well as more development partnerships between the parties, as well as the development of financial sector products in conjunction with government housing programmes to address end-user requirements.

The next section is a summary of the findings in relation to tenure.

6.3.3 With reference to the affordable housing theme in relation to tenure

This is the last focus area of the research and consists of four questions.

9. How do government housing programmes address the tenorial needs of prospective affordable housing beneficiaries?

The overwhelming opinion was that the tenorial needs are not addressed adequately and that the housing programmes overemphasise freehold title, which can result in premature responsibility in terms of maintenance, rates and taxes, etc. The funding programmes available

for rental stock are perceived to be too cumbersome for developers to access in order to generate the desired momentum.

10. What more can be done with the formal tenure options to facilitate better land redistribution?

Participants were of the opinion that collaborations should be entered into between the Department of Human Settlements and Department of Rural Development and Land Affairs to facilitate communal tenure options. Some suggested incremental ownership for informal settlements, and the creation and maintenance of a rental database was seen as essential.

11. How effective is the restrictive title condition with regard to the resale of BNG houses?

Some participants felt that the restrictive title condition was effective and others were of the opinion it was ineffective. A number of the participants felt it had contributed to an informal property market that led to the exploitation of beneficiaries. Others were of the opinion that it had a negative impact on the free movement of people and prevented the property from being used as collateral to stimulate personal economic growth.

Another school of thought was that this title condition was effective and should be retained because it protects government's investment, and that the removal of the restriction could exacerbate the housing problem, as more people might consider selling their houses prematurely, whilst the eight-year period eventually would translate into substantial capital growth.

12. What additional tenure options can be used to facilitate affordable housing delivery?

The introduction of a fractional ownership model in partnership with government was suggested to enable earlier entry into the property market, as well as the possibility of using multiple subsidies per cadastral entity. Further suggestions were the introduction of a monthly rental rebate to encourage development of rental stock, and high-density development to maximise existing infrastructure in well-located areas.

6.4 CONCLUSION

The first chapter outlined the objective and secondary objectives of the study, which were to investigate the best use of land, finance and tenure options within the City of Cape Town to ensure the future of a sustainable, integrated city. It contextualised the research, touched on the research methodology and delineated and set the framework for this mini-thesis.

A legislative overview is provided and deals with the substantial set of South African acts and policies that have had an impact on housing development pre- and post-1994, and that will continue to influence development post-1994. It provided rules and guidelines for implementation. It has become apparent that administrators should monitor and measure affordable housing delivery against the broader housing policy. The current measure of meagre quantities is not a true reflection of success or failure. The principle of housing has evolved from a shelter to sustainable integrated communities with the relevant supporting social infrastructure and economic opportunities.

The literature review addressed the three research themes, namely land, finance and tenure options on an international, national and local level. It confirmed that market-driven housing is oversupplied, while the affordable housing need is not addressed adequately in South Africa, and most certainly not in the City of Cape Town. In spite of this enormous affordable housing need, large tracts of strategic government-owned land in the city remain underdeveloped, with no firm commitment to rectify the state of affairs.

The integration of well-located and established suburbs remains a challenge. The City of Cape Town must proactively engage affected communities if progress is to be made in this regard. All stakeholders, such as the residents of affected neighbourhoods, potential beneficiaries, built environment specialists and housing practitioners and administrators, must seek implementation solutions.

Government funding programmes have progressed since 1994, but large-scale implementation is lacking. The delivery rate must improve and financial institutions must contribute to the delivery process. Government intervention therefore is required to ensure the cooperation of financial institutions, and delivery must take place across the affordable housing income band.

The South African tenure system is one of the best in the world and is underpinned by first-world economic principles. However, it fails to address the tenorial needs of the majority of the population, who are forced to operate outside of the formal tenure system. A measure of

flexibility must be introduced into the tenure system to address the South African context, whilst mitigating factors must be put in place to sustain the sound economic principles of a well-defined tenurial system. Furthermore, it appears as if the focus in the foreseeable future will remain the BNG freehold option, with limited stock in the rental and bonded housing environments. The focus will have to shift to a more balanced approach to include rental and bonded stock, as well as serviced sites. Additional forms of tenure options, like incremental ownership, must be introduced by national government and a monthly individual rental rebate is important to encourage the development of rental stock.

The motivation for this research methodology is provided in chapter 4 with a link to the research problem and objectives. It further links the pertinent South African acts and policies, as well as the international, national and local literature review of Chapters 2 and 3 respectively. The data collection process and procedure are explained, and the 12 fieldwork questions are listed as posed to the participants along the three themes, with a link to the data analysis and results chapters.

The penultimate chapter reflects the data collected during the semi-structured interviews. The three themes were each dealt with independently and summarised per theme and, where possible, additional information was included with the permission of the participants to better demonstrate their point of view.

The affordable housing environment will benefit immensely from the recommendations below.

6.5 RECOMMENDATIONS

The following recommendations are made in line with the three themes:

Land:

1. The National Department of Human Settlements must place a formal obligation on local authorities (City of Cape Town) to encourage and create integrated developments to rectify historically undesirable development patterns as a chapter of the Integrated Development Plan (IDP) against measurable objectives set on an annual basis.
2. The Human Settlements Department together with Property Management Directorate at the City of Cape Town must identify and prioritise strategic government-owned land parcels for integrated human settlement development for greenfield development on a large scale, infill development on a smaller scale and brownfield development for rental stock. This can be achieved through serious consultation of the numerous government-owned land registers that have been compiled since 1994.
3. In the absence of appropriate government-owned land parcels, the City of Cape Town must avail a substantial annual land acquisition budget to acquire land and buildings for human settlement development on the open market.

Finance:

4. Private developers must be incentivised by the City of Cape Town by discounting development contribution levies and reduced parking ratios. The city must contribute bulk infrastructure cost on a large scale and provide integrated residential development programme grants to private development to facilitate affordable housing delivery.
5. Financial institutions must be monitored by national government in terms of their contributions to affordable housing delivery with regard to end-user and development finance. Appropriate penalties must be introduced for non-compliance.
6. Regular strategic engagements with financial institutions and metropolitan municipalities (City of Cape Town) must be introduced by the National Department of Human Settlements to discuss and improve *de facto* collaboration for affordable housing delivery.

Tenure:

7. The Housing Subsidy Programmes Directorate at the National Department of Human Settlements must review the current focus on freehold title, and other forms of tenure must become more prevalent, such as incremental tenure options to facilitate slower progression into full title.
8. The City of Cape Town must pursue large-scale rental stock development in well-located suburbs to enable easier integration. This will provide immediate access to well-established social infrastructure and economic opportunities.
9. The National Deeds Registry in the National Department of Land Affairs and Rural Development must consider the introduction of informal tenure solutions without compromising the formal tenure system to accommodate the majority of South African citizens. This initiative will enable beneficiaries to protect the land they occupy informally from further invasion and over-densification.

6.6 AREAS FOR FUTURE RESEARCH

This mini-thesis would be supported by the following areas of future research:

- 1) A study to determine the total land extent required to facilitate the optimum integration pattern for the City of Cape Town;
- 2) The identification and design of measurable criteria to track the contribution of the financial sector to affordable housing development;
- 3) The creation of national criteria to facilitate the right amount of land redistribution in South Africa to avoid potential unrest due to the lack of land reform.

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APPENDIX A**LIST OF FIELDWORK QUESTIONS**

The following questions relate to land:

Land:

- 1) Based on your experience, what positive and negative long-term effects did historical land policies, prior to 1994, have on affordable housing delivery?
- 2) What interventions should be made to address the consequences of historical land-use policies?
- 3) How can government-owned land contribute to equitable land redistribution?
- 4) What effect will integration have on existing property values?

The following questions relate to finance:

Finance:

- 5) How do the current government housing funding streams relate to effective affordable housing delivery?
- 6) What more can be done by government to improve the current funding streams?
- 7) How can financial institutions facilitate affordable housing delivery?
- 8) What collaborations can be entered into between government and financial institutions to improve affordable housing delivery in the local context?

The following questions relate to tenure:

Tenure:

- 9) How do government housing programmes address the tenorial needs of prospective affordable housing beneficiaries?
- 10) What more can be done with the formal tenure options to facilitate better land redistribution?
- 11) How effective is the restrictive title condition with regard to the resale of BNG houses?
- 12) What additional tenure options can be used to facilitate affordable housing delivery?

In the interest of confidentiality, no individual's name is mentioned in the report, but specific projects were cited where possible to demonstrate and support a specific point of view.