

INSTITUTIONAL ENVIRONMENT: CURRENT HOUSING DELIVERY

Institutional Arrangements of Current Housing Delivery: National, Provincial and Local Government

South Africa has a backlog of over 2 million houses despite government already delivering more than 3 million fully subsidized housing units over the past 20 years. The challenge to deliver is the result of various factors, including infrastructure constraints, delays in township establishment processes, and limited availability of affordable and well-located land. According to the *Financial and Fiscal Commission: Report on the Public Hearings on Housing Finance (2012:16)*, a particular concern for public policy is that the supply-side state-driven approach to fully-subsidised housing provision is also causing significant distortions in access to housing. There are also dysfunctions in the rental market where about 50% of tenants live in what constitute slum conditions, highlighting a huge need for affordable rental housing. The quality of housing construction has also been an ongoing concern.

Despite these challenges, there are also positive developments by the three spheres of government towards a more integrated or inclusionary approach to delivery and innovative tenure options. National, Provincial and Local government have worked together to produce on-going responses to the issue of housing, and in doing so have initiated a movement from housing to sustainable human settlements. For the purpose of this report a comprehensive analysis of the existing housing tools and the associated funding mechanisms the City has at its disposal to address challenges of urbanisation and sustainability has been carried out. This section therefore illustrates current housing delivery methods and funding mechanisms utilised by National, provincial and local government in the context of Johannesburg, it then goes onto identify the issues or gaps resulting from these mechanisms / methods and highlights the implications this has for the SHSUP.

The three spheres of government seek to work in an integrated, holistic manner supporting one another. The National government provides a housing budget to Provincial Government which then determines which human settlement programmes to fund for operations and capital costs. National government similarly studies the development application and awards the Urban Settlement Development Grant (USDG) formerly the Municipal Infrastructure Grant (MIG) programme, to the associated Municipality, in this case the City of Johannesburg. In terms of social infrastructure and services, the three spheres work together to invest, facilitate and provide social programmes and development in areas in need.

This section considers the prevailing status quo in relation to roles and responsibilities of the respective spheres of Governments. Given on-going processes relating to Accreditation and Assignment, the City can expect a number of these to be transferred to it as the process unfolds.

Table 12 attempts to capture the key functions, roles and responsibilities of National, Provincial and Local government in the creation of Sustainable Human Settlements.

Table 12: Human Settlements key functions, roles and responsibilities of three spheres of Government

	National Government	Provincial Government	Local Government
Functions, Roles and Responsibilities	<ul style="list-style-type: none"> Housing decisions are made within the Department of Human Settlements through the Minister of Human Settlements (Tokyo Sexwale). The housing budget is determined and provided by National Department of Treasury. Establish and facilitate a sustainable national housing development process after consultation with every MEC and national organization representing municipalities Formulating National policy, norms and standards – including the National Housing Code and its amendments over time Assist provinces to develop the administrative capacity regarding housing development Promote effective communication Manage/ assist/ provide/ allocate/ facilitate finance / funding / subsidies for housing developments Evaluate / monitor / assess housing goals and objectives / performance / delivery / quality The Director-General must establish and maintain a national housing data bank – a national housing information system 	<ul style="list-style-type: none"> Includes the Provincial Human Settlements Departments, in this case: Department of Local Government and Housing for Gauteng. Promote and facilitate the provision of adequate housing policy in its province within the framework of national housing policy Formulate and facilitate Provincial housing policy and strategies Co-ordinate housing development in the province Support municipalities in the exercise of their powers and the performance of their duties in respect of housing development Strengthen the capacity of municipalities Administering National Housing Programmes GAP: No mention of a provincial SHS strategy or framework is required through the housing code. 	<ul style="list-style-type: none"> Includes: JOSHCO, City Department of Human Settlements, JDA, Land Use Management City developed a Housing Sector Plan as part of Integrated Development Plan which amongst others commits to ascertainable delivery of SHS. Achieved level 1&2 accreditation – advance the path of implementation of the USDG Preparation of housing strategies and plans Land identification Project identification, planning and budgeting Land use planning and development control Township establishment Township development Management of housing construction Waiting list administration Sales administration and conveyancing Building inspection and handovers Administering National Housing Programmes
	<ul style="list-style-type: none"> The three spheres of government work together to plan and implement subsidised housing Bus, rail and roads involve the three spheres of government. The three spheres can provide land for development. 		

Source: Cohen, 2012: The Institutional Dimension of Sustainable Human Settlements

Formal Housing Delivery Methods and Funding Mechanisms

Table 13 captures the existing formal housing delivery methods and associated funding mechanisms utilised by National, Provincial and Local government:

Table 13: Provides a summary of the various delivery methods and funding mechanisms that are currently available:

No.	Formal Housing Delivery Method	Funding Mechanism	Tenure Options	Type of Response / Solution	Subsidy
Subsidised Income Group (R0 – R3500 – per household per month)					
1	“RDP” Housing Delivery - National	<p>Subsidy provided by National government for the construction of housing units (top structure). The subsidy amount is dependent on the amount and quality of housing units to be built. The beneficiaries for each housing project are selected according to the National housing waiting list.</p> <p>Certain RDP projects may qualify for the Urban Settlement Development Grant (USDG) – developed as an instrument to address linkage between public housing and economic growth to simultaneously contribute to Human Settlements. It achieves this through:</p> <ul style="list-style-type: none"> • land acquisition, • bulk infrastructure provision; • informal settlement upgrades; • reticulation of services for integrated housing developments; • project packaging, and • better alignment of priority programmes in funding sources given to national, provincial and local government (subsidy is given directly to municipalities) 	Full ownership	New house on owned stand	<ul style="list-style-type: none"> • Project linked
2	Gauteng Backyard Rental Programme	The Affordable Rental Accommodation Grant is given to qualifying landlords to repair and rebuild backyard accommodation	Rental		<ul style="list-style-type: none"> • Individual Subsidy
3	Upgrading of Informal Settlements (UISP) - National	<p>Municipalities will assume role of developer and will identify informal settlements to be upgraded and apply to the Provincial Housing Department for funding. Subsidies given to individuals.</p> <p>These projects may also qualify for the Urban Settlement Development Grant (USDG).</p>	Full ownership	Informal and backyard solution	<ul style="list-style-type: none"> • Individual Subsidy • Project linked

No.	Formal Housing Delivery Method	Funding Mechanism	Tenure Options	Type of Response / Solution	Subsidy
	settlement by providing secure tenure and access to emergency and basic services				
4	People's Housing Process – National If individuals want to build homes themselves, this programme supports them to access various kinds of subsidies	A support organization must be established that then approaches the Provincial / Regional office to make a project application on behalf of applicants. Access is then provided to subsidies as well as other support measures.	Full ownership	New house on owned stand	<ul style="list-style-type: none"> • Consolidation • Project-linked • Institutional and • Rural subsidies
5	Community Residential Units (CRU) – National Development or refurbishment of public housing stock including hostels	CRU programme provides a subsidy for the total capital costs of project preparation and development of public property and a once-off maintenance grant after 5 years	Rental / sectional title / full ownership	Brownfields upgrading / Regeneration	<ul style="list-style-type: none"> • Consolidation • Project-linked
6	Enhanced Extended Discount Benefit Scheme – National This scheme promotes home ownership among tenants of publicly-owned rental housing (municipal and provincial)	Facilitated by Consolidation subsidy – transfer of long-term state funded housing. Purchasers can receive a discount on the selling price of the property.	Rent-to-buy		<ul style="list-style-type: none"> • Individual Subsidy
7	Integrated Residential Development Programme (IRDP) – National The IRDP enables the development of well-located, socially diverse projects that provide a mix of income groups and land uses.	Urban Settlement Development Grant (USDG) – developed as an instrument to address linkage between public housing and economic growth to simultaneously contribute to Human Settlements.	Rental / sectional title / full ownership	Greenfields / Brownfields upgrading / regeneration	<ul style="list-style-type: none"> • Project-linked
Gap Income Group R3,501 – R10,000 – per household per month)					
8	Social Housing Institutions (SHIs) – National Managed and implemented by institution which owns stock and is a legally constituted body. Social Housing is used locally to describe a very broad range of	Social Housing Restructuring Capital grant complemented by Institutional subsidies are available to qualifying housing institutions/Section 21 Companies. The subsidy is paid to approved institutions to provide subsidised housing on deed of sale, rental or rent-to-buy options, on condition that the beneficiaries may not be compelled to pay the full purchase price and to take transfer within the first four	Rental / sectional title / full ownership	Greenfields / Brownfields upgrading / regeneration	<ul style="list-style-type: none"> • Institutional

No.	Formal Housing Delivery Method	Funding Mechanism	Tenure Options	Type of Response / Solution	Subsidy
	<p>housing delivery and management mechanisms including housing stock which:</p> <ul style="list-style-type: none"> • is rented by tenants from a private company in which they have some form of interest; • is under the collective ownership of tenants; • is delivered and managed by an independent, non-profit, privately owned company with some sort of social mission such as delivery of lower-than-market rentals to the poor; • is delivered and managed by a local authority; and • may be rented for an initial period and then purchased by tenants on a rent-to-buy basis under sectional title, etc 	<p>years of receiving the subsidy. Institutions must also invest capital from their own resources in the project.</p> <p>Furthermore, rental social housing is funded by the Social Housing Regulatory Authority (SHRA), Province and THE CITY.</p>			
9	<p>Financed Linked Individual Subsidy Programme (FLISP) - National</p> <p>in order for those within the gap market to acquire existing properties or to buy a serviced site</p>	<p>The Financed Linked Individual Subsidy Programme (FLISP) applies to people who earn R 3 501 and R 7 000 per month. These people may apply for a subsidy, which is determined by an increment band.</p>	Full ownership		<ul style="list-style-type: none"> • Individual
10	<p>Gap: Inclusionary Housing</p> <p>Inclusionary housing is a crucial rung on the housing ladder; it provides a stepping stone into the formal private market for those earning under R10 000 / month. No official programme / framework has been initiated by the state.</p>	<p>Inclusionary housing projects include both affordable housing and accommodation for middle income households. This is usually done by regulating projects done by private developers to provide a percentage of affordable units benefiting households earning below R10 000 per month.</p>			
Private Market R10,000 + (per household per month)					
11	<p>Developer Implementation, Market Driven; private Sector.</p>	<p>Bonded; Privately funded</p> <p>Usually provided for people earning between R7,500 and</p>	<p>Rental / sectional title /</p>	<p>Greenfields / Brownfields upgrading /</p>	<ul style="list-style-type: none"> • Private • Bank Loan

No.	Formal Housing Delivery Method	Funding Mechanism	Tenure Options	Type of Response / Solution	Subsidy
	The private sector is a major provider of rental housing stock, and plays a key role in urban regeneration. The formal private sector rental market operates primarily in the inner city and suburbs, producing mainly high-density accommodation.	R40,000 per month.	full ownership	regeneration	

Gaps / Issues Identified within the Current Housing Delivery Framework

a) National Housing Subsidy System – “RDP type housing”

The National Department of Human Settlements provides a subsidy (R140,000 per unit) for projects that propose housing units of a minimum of 40m² each to families who earn a combined income of R0 - R3,500 per month. Beneficiaries must be on the City's waiting list and meet the requirements prescribed in the National Housing Code.

According to the Department of Human Settlements, since 1994 over 3 million housing units have been delivered. This is a huge achievement in its own right, however many challenges and issues have become apparent that question the social responsibility, sustainability and long term viability of the process and product concerning “RDP type” settlements. The *Financial and Fiscal Commission: Report on the Public Hearings on Housing Finance* (2012:16) highlights issues arising from delivery as “being unsustainable, failing to leverage private finance and end-user contributions, and lacking focus in resolving administrative problems around land-release, tenure security and the subsidy waiting lists”. In addition to these issues the housing backlog continues to grow at a rapid rate which indicates a huge deficiency between growing demand and supply. The following is a summary list of the key issues identified with “RDP type housing”;

- **Quality** – A major issue concerning “RDP-type housing” is the lack of quality construction, as highlighted repeatedly by National Minister Tokyo Sexwale (Nov 2009, Apr 2010). One of the reasons for low quality is the fact that low Cost Housing is exempted from compliance with South African National Standards (SANS).
- **Environmental Planning and Green Building** – Since November 2011, the SANS have been updated to address environmental sustainability. In terms of the updated NBR, thermal insulation must be included in the design of all new buildings. This, in combination with other energy-saving requirements relating to the design and construction of buildings, will make it possible to save up to 78% of a building's energy consumption – for space heating, cooling and hot water services. However the minimum requirements as well as much needed innovative technologies for being environmentally responsible have not been integrated into the provision of subsidised houses. Projects within the City-Region area that have taken some initiative in this regard include: Cosmo city (where 700 RDP units were fitted with solar powered geysers) and Thorntree Housing Development (where solar powered geysers were installed and green technologies were used in terms of buildings materials, food gardens and the reuse of grey water). This illustrates that it is not impossible within the current subsidy structure. It is a matter of making the requirements legislation and for those involved in housing delivery to be aware of its importance.
- **Spatial and land use issues** – Spatially, the housing subsidy market is generally characterized by a “one-size-fits-all” approach, consisting of a monotonous layout of one unit per demarcated stand. In Johannesburg, the majority of these housing projects are low density and located on the urban periphery adjacent to informal settlements and disadvantaged areas. This further entrenches the

Apartheid landscape and results in urban sprawl, which is unsustainable in terms of bulk infrastructure provision, access to economic opportunities and social services to name but a few.

- **Incremental growth** – a lack of design attention is given to how the housing unit could be extended over time. Incremental housing and home improvements are crucial responses to rapid growth and the demand for rental accommodation; the option for unit extensions allows for income generation as property owners are able to provide affordable rental accommodation for those who cannot afford to buy a house. Some innovation has been explored and implemented in this regard, such as K206 project in Alexandra, which is further discussed in later chapters of the report (see Chapter 5; Case Studies). However the large majority of housing projects fail to respond to the need for incremental growth.
- **Household types** – The current housing subsidy scheme does not offer a wide variety of household typologies that are needed in order to respond to different lifestyles, needs and affordability. A large proportion of the subsidy-eligible population has affordability to invest in housing, but not enough to buy a house. (Rust, 2011) Johannesburg can also be seen as a transitory stop, where people wish to live for a certain amount of time before relocating back “home”. The diversity of migration patterns, lifestyles and needs in the city requires a diversity of household / accommodation types.
- **Tenure Security** – According to the *Financial and Fiscal Commission: Report on the Public Hearings on Housing Finance* (2012:15), almost 50% of housing beneficiaries have not yet received official title deeds. This prevents the participation of these households in the formal property market where property owners have the option of selling their home in order to move up the housing ladder. Furthermore, this limits “choice, mobility and the development of a secondary market in low-cost houses” (2012:15). The result is a “holdup”: households are unable to move out of low-income homes to middle-income homes, and lower-income households are displaced to backyard shacks and informal settlements. Rust (2011: 10-11) states that making the resale market work creates a flow that fill in the “gaps in the housing ladder” and empowers low income households to begin to meet their own housing needs.
- **Distortion in Market** – it is suggested (Rust, 2011) that the current housing subsidy system distorts prices in the gap market, which continues to grow because home ownership is unaffordable for households whose income is too high for state subsidies and too low to attract loans from the private sector.

b) National Housing Subsidy System – Integrated Residential Development Programme (IRDP)

As mentioned previously, the project-linked Integrated Residential Development Programme (IRDP) enables the development of well-located, socially diverse projects that provide a mix of income groups and land uses. Under this delivery model, subsidized housing (subsidized by the state) and bonded housing (with commercial mortgage bonds) are integrated to create mixed income settlements. This is termed cross-subsidisation; where the surplus from one unit or project is invested into another unit or

project. Cross-subsidisation improves the feasibility of mixed income projects for the state and developers where in essence bonded units subsidise non-bonded units.

The issue arises, however, when the bonded units are intended for low-income groups. This results in a situation where the poor end up subsidizing the very poor. The effectiveness in achieving integrated, sustainable, mixed income, dignified settlements as well as the viability of these projects therefore becomes dependent on getting the right mix of subsidized to non-subsidized bonded housing units. According to the *Financial and Fiscal Commission: Report on the Public Hearings on Housing Finance (2012:17)*, these projects are likely to be more effective when the percentage of bonded housing units is at a minimum of 60% of the total settlement. This indicates that mixed income settlements will only be effective up to a certain point; as the low-income market represents approximately 60% of the total housing demand in the country. The result is that the commercially bonded market is more than likely to become saturated before the full demand for low income / subsidised housing can be met (*ibid.*).

Despite these challenges, the vision, principles and objectives underlying the IRDP are aligned with those of sustainability and sustainable development as outlined in previous chapters (Section 3). A successful illustration of this is Pennyville, close to Soweto. Pennyville is a mixed income, well-integrated, medium density development that was developed using a percentage of IRDP subsidies. The SHSUP can therefore find merit in this programme as a delivery method and as a funding mechanism. The proposed accommodation schedule in the following sections of this report should utilize the already existing housing programmes, such as the IRDP and their associated funding mechanisms, such as the USDG in order to achieve Sustainable Human Settlements.

c) National Housing Subsidy System – Social Housing Programme / Affordable Housing

The affordable housing segment is a big gap in terms of delivery; a household earning about R10,000 per month could afford the cheapest, roughly 80m² new-built house on the market costing about R250,000. Those earning below R10,000 are not able to purchase a house and are therefore reliant on the rental market. However, delivery in this segment is far below the estimated demand. The provision of rental housing through the Social Housing Policy has become an important delivery vehicle in terms of affordability, especially in Johannesburg through a series of upgrading /refurbishment of existing buildings and several greenfields projects. These projects play a vital role for the Gap market, providing affordable units to those from the lower end of the Gap market i.e. those that earn closer to R3,500 per month to the higher end of the market. However, there are many obstacles hindering the progress of social housing, these include:

- **Demand out-weighing supply:** in terms of affordability, the amount of people currently living in backyard rooms / shacks indicates that an estimated 260,000-320,000 households are periodically paying nominal rent. Given that this demand cannot be absorbed within the formal sector the informal market currently provides options in the form of shacks, backyard rooms and inner city

rooms. The challenges relating to hygiene, services and overcrowding of these accommodation options are well documented.

- **Land:** limited availability of well located, suitable land for affordable residential development.
- **Inner City Redevelopments:** Many inner city buildings In Johannesburg have been 'hijacked' by slum lords that have illegally occupied and maintained buildings. Slum lords then illegally rent out rooms / flats in these buildings most of which are unhygienic, overcrowded and contravene the health and safety standards as well as other standards and laws. The reclaiming of these buildings to the rightful owner or to the State is a laborious task. This prevents the redevelopment / regeneration of many inner city buildings from taking place which could well provide affordable, well-located, rental accommodation.
- **Displacement of the Lower end of the Gap Market:** as previously stated the Gap market includes those that earn between R3,500 and R10,000. In many social housing projects those at the top end of the Gap market (i.e. earning closer to R10,000) occupy the majority of the units provided due to the amount of rent and/or rates required as well as the reliability of those beneficiaries to pay rent. This is evident in projects such as Brickfields, Newtown and Carr Gardens, Fordsburg.
- Rising inflation and associated building costs inhibits the ability of both government and private sector to deliver housing for those falling within the Gap market.
- **The challenge of keeping the affordable market affordable:** To ensure that well located housing remains affordable to low income earners in the long term, it is important that the price of these houses are protected from open market forces over a period long enough to enable beneficiaries to move up the housing ladder.
- A lack of end user beneficiary contribution in any form to the subsidy amount.
- **Maintenance and overall urban quality:** Buildings and housing environments not maintained and overcrowding of units is not monitored.

Fortunately, the majority of Social Housing Institutions (SHI's) in Johannesburg have aimed to create mixed income, well integrated environments. The focus in the past decade has been on the redevelopment and rejuvenation of "hijacked", underutilized, dilapidated buildings in the inner city and surrounds into effective and dignified accommodation. Many of these successful initiatives have been used as case studies and elaborated on in the following chapters. Many lessons can be learnt from these developments in terms of urban design, property management, institutional arrangements and social upliftment.

d) National Housing Subsidy System: Upgrading of Informal Settlement Programme (UISP)

The UISP highlights the importance of assisting households living in informal settlements *in situ* and clearly states that relocation should be the last resort. The City of Johannesburg has also developed a policy to formalize the majority of its informal settlements. New typologies, mixing ownership and rental tenure, have been piloted in areas such as Alexandra through the **Alexandra Renewal Project**

which includes the upgrading existing housing environments, creating additional affordable housing opportunities, reducing levels of unemployment, promoting a healthy and clean environment, reducing levels of crime, providing urban services at an affordable level and through the construction of roads and bridges.

In Johannesburg, the upgrading / formalization of informal settlements remains key to housing delivery and could help to reduce the current backlogs in demand. However, in general South African informal settlements remain unchanged for decades. The following are possible reasons and challenges for this:

- The lack of economic activities and employment in these settlements has resulted in an increased dependency on state subsidies for the in situ upgrading of informal dwellings.
- Due to the huge housing backlog and ever-increasing housing waiting list the subsidy process is extremely laborious and experiences many delays
- A much needed, National set of building standards / regulations and design guidelines have not been developed for informal settlements, making it difficult for in situ projects to achieve effective and efficient results.
- The highly complex, informal socio-economic systems embedded within informal systems make it extremely difficult for development agencies and organisations to formalize. A top down, development approach is generally applied to these areas in order to upgrade them which has resulted in the displacement, misunderstanding and sometimes destruction of these systems.

It should be noted that through its informal settlement upgrading strategy, the City is already undertaking a critical intervention; securing the tenure of households in informal settlements before formal transfer of land ownership takes place. This step can also be used to mobilise finance, as micro lenders and pension-backed housing lenders will both feel the risk of unsecured lending is considerably alleviated by the city's recognition of the borrower's tenure security (Rust, 2012).

Fostering the sustainable city must also focus on how to transform the existing vast repositories of housing in marginalised areas and include these in the urban mainstream. That is, much of what comes out of this project should focus on what is needed by way of urban interventions to make existing dormitory housing areas worthwhile, sustainable components of the overall urban system. In combination with what new well-directed housing interventions are possible and necessary.

e) National Housing Subsidy / Private Housing Delivery: Affordable Housing Market

The affordable housing market is aimed at households earning between R3,500 and R15,000 a month. Affordable housing is supplied through the mixed income model of the IRDP and through Social housing programmes, beyond that the private sector has been encouraged to make up a large proportion of the segment. However, the demand in this market far exceeds the supply as delivery in this market has not yet achieved the scale required. Significantly, the private sector has not responded to this market at the scale anticipated.

A household earning about R10,000 per month could afford the cheapest, roughly 80m² new-built house on the market costing about R250,000. This has become a further challenge for households earning below R10,000 / month to enter the buying market. As a result affordable rental is in high demand by those earning between R3,500 and R10,000 a month. Rental can no longer be seen as part of a linear progression towards the ultimate goal of ownership. While inner city conversions, especially in Johannesburg, offer a higher quality, more affordable rental opportunity for inner city dwellers, demand far exceeds supply. The creation of informal and backyard dwellings to accommodate those in dire need of affordable rental close to and around the city can be owed partly to the lack of formal affordable housing that responds to the vast diversity of need within the R3,500 – R10,000 bracket. As mentioned before these informal settlements have inadequate services and standards, and therefore pose a huge threat to the sustainability as well as equality of the City.

In general, a range of strategies has been put forward in South Africa and internationally to improve the supply of affordable rental accommodation (*ibid.*) A number of these considered / proposed by the City of Johannesburg include:

1. Tax incentives or tax relief on rental incomes
2. Urban investment zones defined area to construct or improve dwellings
3. Availability of micro-finance – there is a growing micro-finance sector in South Africa, although it has not been used to scale to support the construction of rental accommodation
4. Relaxing and revising building and planning controls which hinder rental development, e.g. allowing more than one dwelling on a plot, allowing alternative building materials, and more flexible standards and allowing mixed-use zoning so that backyard or additional spaces can be used for either rental or home-businesses. The City has not tested this method thus far and should diverge into it further.

These initiatives need to be unpacked and explored more intensively in order to result in the mass delivery of affordable rental accommodation. Furthermore, new innovative proposals need to be put forward in terms of housing finance (as discussed in the following section), private investment, state programmes and inclusionary housing.

f) National Housing Subsidy / Private Housing Delivery: Inclusionary Housing

The basic premise of Inclusionary Housing in South Africa is to leverage lower end, more affordable housing products within middle and higher income private developments. The envisaged outcomes of Inclusionary Housing would be a more balanced socio-economic profile of the City and an increased supply of affordable housing. However, with the lack of a National or Local inclusionary housing strategy or framework, the vast majority of private housing developers and agencies, in Johannesburg, have avoided the inclusion of affordable units within their developments, notwithstanding the City's Interim Inclusionary Housing Policy. Inclusionary housing is a crucial aspect to sustainable development and will remain a core attribute of the SHSUP. The City needs to work with developers towards a common vision and framework for inclusionary housing.

g) Private Housing Delivery: Formal Rental Market

The formal private rental housing sector accounts for about one-fifth of all households in South Africa. The different types of rental accommodation cater for different types of rental demand. The majority of this rental caters for households earning between R7,000 and R40,000 per month. Many of these developments in Johannesburg have not yet achieved a respectable level of sustainability or include affordable housing for the lower to middle income citizens. These include large suburbs of low density housing from central areas of the City to the North such as; Fourways, Bryanston, Greenside and Emmarentia to name a few. The SHS Indices were developed by the City's Directorate of Development Planning and Facilitation in response to this issue. It hopes to evaluate the sustainability of existing settlements and ensure the sustainability of proposed developments. The indices have experienced administration challenges in its own right but seek to assist as a tool in the creation of sustainable human settlements. This involves the creation of mixed income, mixed use, integrated developments in appropriate or strategic locations.

Private Housing Delivery: Formal Bonded Market

This includes housing that is independent of direct State sponsorship / subsidies and is affordable for households with monthly incomes between in excess of R15,000. In the past decade, Johannesburg has experienced a great increase in the amount of low-density estates and multi-unit housing developments on well-located land. This inefficient use of land results in urban sprawl and communities that are gated / socially exclusive and car oriented. Again, the SHS Indices, as mentioned previously, seek to overcome these unsustainable spatial characteristics and should therefore be seriously considered as a tool in the implementation of the SHSUP.

Informal / Unregulated Housing Delivery Methods and Funding Mechanisms

Table 14 captures the existing informal housing delivery methods and associated funding mechanisms. Many of these methods are defined as illegal forms of housing delivery, however an analysis of them is crucial, as they offer processes and mechanisms that may be regulated and utilized to overcome the challenge of formal housing delivery.

Table 14: Summary of Informal Delivery Methods and Funding Mechanisms

Source: Development Planning Department: CoJ

No.	Informal / Unregulated Delivery Method	Informal / Unregulated Funding Mechanism	Tenure Options
1	Informal settlement / shack	Short term cash basis / Services in lieu of monetary rental	Rental / Ownership
2	Backyard / Granny flat	Short term cash basis / Services in lieu of monetary rental / Medium term rental basis	Rental
3	Invaded Hostels	Short term cash basis	Rental
4	Subletting of rooms / informal subdivisions	Short term cash basis	Rental
5	Invaded / Hijacked Buildings	Short term cash basis	Rental

4.2.1.1 An Approach to Informal Delivery Methods

a) Informal Settlements

It is acknowledged by the SHSUP that informal settlements house more than 180,000 people in Johannesburg alone. The approach taken in response to these settlements is to understand the nature of them and where appropriate to upgrade them in situ. The focus on these areas in terms of accommodation should explore mechanisms such as:

- the provision of serviced stands;
- units that allow incremental expansion;
- subdivision of stands and the transfer of title deeds;
- the provision of building materials to assist in the Expanded People's Housing Process (ePHP); and
- the facilitation / administration of and alignment with bulk infrastructure, public open spaces, community facilities, social services and local economic development.

b) Informal Backyard Rental

There is an estimated 320,000 informal backyard rental units in Johannesburg. These rentals offer affordable accommodation to the poorest of the poor and an income to associated landlords. According to the *Strategic literature assessment for informal rental research project* report (Watson, 2009), informal rental has become "the second-most successful functioning sub-market" without government assistance and support, and often in the face of attempts to control or "eradicate". The SHSUP therefore acknowledges that Informal rental is an important part of the housing market and a form of local economic development in poor areas in Johannesburg.

Backyard dwellings in poorer areas function on the basis of highly complex and often sensitive social and economic relationships between owners and tenants. To this end the approach to backyard dwellings is to unpack the dynamics and nature associated with these systems in order to stimulate and facilitate an effective and dignified rental environment involving adequate institutional arrangements and support.

It should be noted that interventions suggested by research and precedents studies involved:

- safety interventions to prevent fires by way of concrete walls on erf boundaries;
- upgrading engineering infrastructure and increasing community facilities and services in these areas;
- promoting availability of micro finance to upgrade rental units;
- making available standard lease agreements and legal mechanisms to deal with disputes;
- opening up new rental opportunities in well located areas; and
- no minimum standards which would lead to increased rates.

c) Invaded Buildings / Hostels

A hijacked building is usually an abandoned or poorly managed one which has been illegally seized from its owner. In 2010, a month long City Press report found that as many as 400 buildings in the City have been systematically stolen from their owners and taken over by so-called “committees” (Bradlow, 2010). Through intimidation and even force, rentals are diverted into the hijacker's pocket. Landlords say that it is largely up to private property owners to rehabilitate the inner city and that they need support from government to solve this crisis.

Inner city buildings are more than often located in close proximity to strong economic stimulus, activities and therefore opportunities, as well as public transport, retail and public facilities. This makes them valuable components in terms of sustainable and affordable housing delivery. The SHSUP seeks to facilitate or initiate an environment that firstly, acknowledges these buildings and secondly, aids in the process to regain, refurbish and manage them through the process that JOSHCO has pursued.

Analysis of Finance for Housing: Financial Sustainability of Formal and Informal Delivery Methods

As discussed earlier in the report, the current housing subsidy structure has seen many challenges in terms of housing delivery processes and products. Further challenges include the financial mechanisms associated with housing delivery programmes. It has become evident that the SHSUP will need to include sustainable financing arrangements that do not depend solely on the existence of a national housing subsidy programme. National, provincial and local governments have come to accept that it is not possible for the state to finance the housing needs of the majority of the population entirely on its own. South Africa's housing subsidy scheme promises 60% of the national population eligibility to receive a subsidised house. Extensive research suggests that this is not a sustainable proposition into the future. The financing approach will have to change. This section aims to provide an overview of the variety of mechanisms and role players that exist in terms of housing finance. It then goes on to explain the challenges associated with these mechanisms and finally, suggests a way forward for the effective and efficient financing of Sustainable Human Settlements.

Current Formal Funding Sources:

- **City of Johannesburg Internal Funding:** These are the operating and capital funds allocated within the Council on an annual basis.
- **National and Provincial Government funds:** These are the National and Provincial funds available through the National Housing Programmes, particularly the Housing Subsidy Scheme. However cuts in budget allocations by National Government may result in delays in accessing this funding. The City has no control over how these funds are allocated. Accreditation is one option which will allow the City to take control of the decision making relating to these funds.
- **Parastatal and NGO funds:** There are a number of Parastatal and NGO's that are providing funding. Such funding includes seed capital for establishing a Housing Institution, bridging finance for projects and end user finance. These funds are available on certain terms and conditions.
- **Private sector funds / investments:** Private sector funding provides bridging or development loans and long and short term loans. End user finance is available to the full range of individuals employed in the formal sector. No appropriate loan finance is available for low income unemployed or informally employed individuals.
- **Donor funds:** Donor funding comprises grants provided by an international or national donor. Most donors will have their own criteria and objectives in allocating these funds.

a) State Housing Finance

Current Subsidy Structure

The housing budget is provided by National Government to Province, where the decision on housing development programmes is made. However, with recent accreditation, the City of Johannesburg's Human Settlements Department may now receive a budget directly from National. The Council can also support projects from its own revenues. In addition, Social Housing is funded by the Social Housing Regulatory Authority (SHRA), Province and The City. The council designates restructuring zones in order to obtain capital grants from the SHRA.

Challenges and issues with the current subsidy structure

The current housing subsidy presents a "one-size-fits-all" approach where all households earning less than R3500 per month can apply for a government-subsidised house. This market segment makes up 60% of the South African Population. Within this 60% of the population, however, there is enormous diversity both in terms of housing need and affordability. Households are in different family life stages – this creates a breadth of demand that the current subsidy policy does not acknowledge. In some cases, households may be getting too much housing benefit from the State whereas in others households may be getting too little.

At the same time, a diversity of supply exists and should be supported so that the breadth of this capacity can be mobilised for the benefit of the City's capacity to meet its goals. Housing providers may be large, institutional developers or landlords; or they may be small, household operations. Johannesburg has an estimated 260,000- 320,000 backyard rental units and approximately 160,000 units in informal settlements. This scale of delivery is unmatched by the public sector.

Another familiar challenge with the housing subsidy scheme is the time associated with obtaining a housing subsidy. The application process is laborious and many developments experience delays.

A gap in the logic of the subsidy approach is that many low income households do, in fact, have capacity to finance all, or a part of their housing themselves. This is dissected further in the following sections of this chapter, in terms of private financial institutions, micro financing and where the state can assist households to qualify for private financing.

Recent Changes in the Subsidy

Given the longer-term time horizon considered by SHSUP it is essential to take into account the current discussions on the National housing subsidy. A significant housing subsidy policy change was announced by President Zuma in his State of the Nation Address in early February 2012, which is expected to have a profound impact. The specific change relates to the ***Finance Linked Individual Subsidy Programme (FLISP)***, the eligibility for which has been raised to a R15,000 monthly household income from a R7000 monthly household income. According to reports from the National Department of Human Settlements (the formal policy has not yet been released at the time of SHSUP report compilation):

- The subsidy is only available to first time homeowners.
- The product price may not exceed R300,000.
- The subsidy will only be awarded to a person who has successfully applied for mortgage finance.
- All applications must be handed in at the financial institution of choice.
- The NHFC was appointed as the National Implementing Agent and will now conclude protocols with the nine provincial housing departments and participating financial institutions.
- Individuals who have successfully applied for mortgage loans to purchase an existing property will be assisted in due course.

The nature and extent of this new State intervention will have a profound effect on the housing subsidy environment, the segmenting of the housing market and the activities of the wider housing sector. The intervention could lead to a dramatic rise in housing delivery in the sub R300,000 market. However, this will be contingent on the competence and effectiveness of new administrative systems to facilitate these processes and developments.

b) Private Sector Housing Finance

It is acknowledged that the private sector has an important role to play in meeting the outcomes of the SHSUP. Post-1994, the lower end of the income housing market and supply has been highly dependent and contingent on State resources for housing finance. To this end the SHSUP investigates mechanisms or conceptual shifts that encourage and promote private sector involvement in housing finance.

Current Private Housing Finance Systems

Private sector financing is substantial, both on the supply side in the form of construction financing, equity investments, guarantees, and so on, and on the end user side in the form of mortgage loans, pension backed loans and housing micro loans. The following is a list of all the financing mechanisms that should be considered part and parcel of the SHSUP:

- Lenders operating in the affordable market – in part as a consequence of the Financial Sector Charter, including: ABSA Bank, Nedbank, Standard Bank, First National Bank.
- The Trust for Urban Housing Finance (which has a major focus in Johannesburg's inner city. TUHF specialises in lending money to reasonably priced housing-projects in areas of urban decline.
- Microfinancing Institutions – small loans that can be used as housing finance.

Private Banks

The countries' largest private Banks have begun to provide housing finance to households in the low income market. This is partly due to the Financial Sector Charter is a transformation charter in terms of the Broad-based Black Economic Empowerment (BBBEE) Act 53 of 2003. As part of the Financial Sector Charter ("FSC") process, the financial sector has committed to providing R42 billion of housing finance to the low income market (households with a monthly income of R1,500 - R7,500), by the end of 2008. Since the publication of the FSC in 2003, three of the country's four largest retail banks have begun actively marketing mortgage products aimed at the FSC target market. While this is a positive development, it is important to assess to what extent these products meaningfully enhance access to housing finance in the low income market. Access is different from usage. Many more people may have access to a product than those who choose to use it (Rust, 2012).

A recent paper commissioned by the FinMark Trust considers the state of access irrespective of the housing shortage, providing an indication of the nature and magnitude of borrower-related access barriers to current mortgage products in the FSC space. The research uses data on target market characteristics together with lender assessment criteria. The analysis shows that banks are currently lending to 5% of the FSC target market. It also shows that 75% of the households in the target market are unable to access the product either because they are too poor (20% of the target market) or because they fail to qualify (due to their age, credit quality or capacity to service mortgage finance). About 20% of the target market has access to bank-provided mortgage products but has not yet obtained the product: many of these appear not to want a mortgage while for others it is likely that housing affordability is the issue (Rust, 2012).

Micro-Finance

Housing microfinance is a financial service that allows poor and lower-income clients to finance their habitat needs. Sometimes referred to as a home improvement loan, housing microfinance may be used by the borrower to:

- Buy land (depending on the cost of the stand);
- Build a home incrementally, starting with a basic core and gradually improving over time;
- Add onto an existing unit, building additional rooms for residential purposes, for storage, sale or production related to home enterprises; or to rent to supplement income or host family members;
- Improve fittings and fixtures, install a ceiling, geyser, new tiles, improve security through for instance, the installation of security bars and doors or building external walls;
- Repair and maintain existing structures, such as walls, roofs and other areas; and
- Finance the acquisition of municipal services such as water, sanitation, and electricity; or compensate for the lack of municipal services through purchase of tanks for water harvesting, pre-fabricated ventilated pit latrines, solar panels and composting toilets. (This latter point is more common in rural areas in South Africa, and in other countries.)

In South Africa, loan sizes vary from R800 to R10,000, with some loans extending as high as R50,000. Because Housing Micro Finance (HMF) is generally not linked to a completed housing product because of the incremental nature of construction, loan sizes and terms are adapted to households' individual circumstances and building processes. In certain cases, HMF products include additional financial and non-financial service elements. For instance, some lenders have implemented savings schemes that establish the creditworthiness of a borrower prior to extension of a housing micro loan. From a non-financial perspective, services such as housing-related information, design and building advice and technical assistance for homebuilders are sometimes offered by HMF lenders. These aspects of micro-financing allow for many benefits to low-income communities and offer a good example of the structure in which housing finance should be directed.

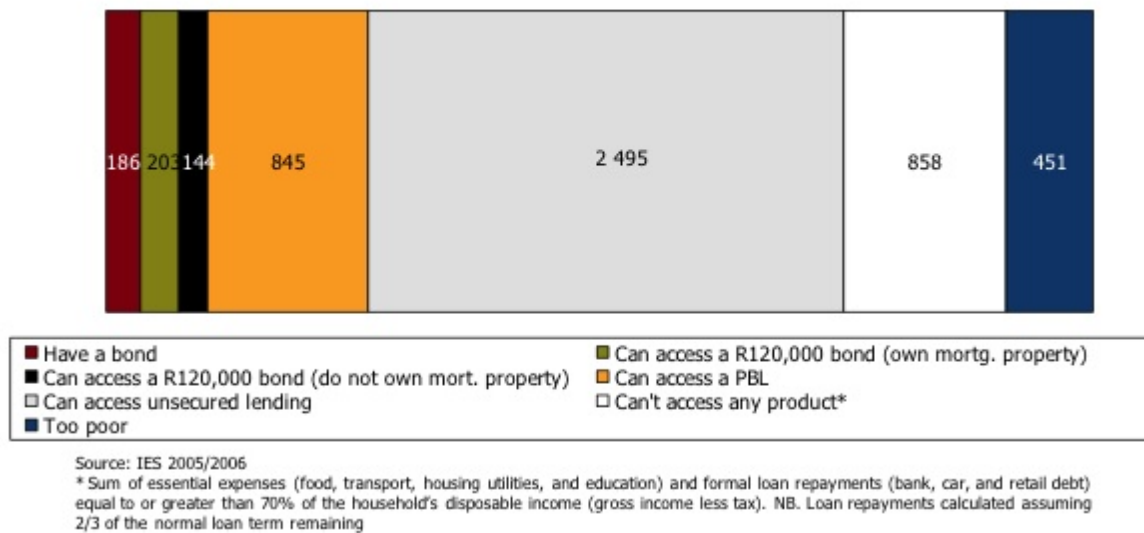
As mentioned earlier in the report; the State cannot finance the housing needs of the majority of the population entirely on its own. The participation of credit providers and households themselves is key to addressing housing needs in a more holistic fashion. The unavailability of end-user finance, especially for low-income households (due to a complicated set of constraints including the lack of appropriate retail lending capacity as well as the reluctance of formal financial institutions to lend in certain areas and to certain income groups) impedes the ability of many households to access adequate housing, even though they may be able to afford it.

Contrary to popular belief (and policy), households earning above R500 per month are in principle able to afford some level of housing finance. From R1,500 per month, a household can afford as much as R7,626 in the form of a housing micro loan. Repayable over three years, this can serve as a roll-over loan which the household can use to improve their home (or backyard accommodation) incrementally, step by step. Of course, affordability cannot be determined by income alone. There are some households who are still too poor to take on credit. However, there are many other households

who had housing affordability – not for a loan to buy a full house, but certainly for a loan to undertake home improvements (Rust, 2012).

The access strand, below, illustrates the proportion of the population with loan accessibility across the FSC target market in 2007:

Figure 15: The Housing Finance Spectrum in the FSC Target Market (thousands households)



According to Melzer (2009), from a population of about 5.1 million households, 451,000 (8.7%) are too poor to afford credit and a further 858,000 (16.5%) cannot access the product because their existing financial obligations are already equal to or greater than 70% of the household's disposable income. This leaves the remainder, 74.8% of the FSC target market population who can afford some form of housing finance.

Housing microfinance is an important element of finance and funding in the property market, as it facilitates improved habitability, income generation (associated with the provision of rental accommodation and home businesses), tradeability and mortgageability, and the idea of property as an asset, at the household level. Microfinance may be particularly significant for the city of Johannesburg, where backyard rental accommodation has become a significant factor in human settlements. That is, housing microfinance provides for households to actively participate in their own housing processes.

Private Trusts: Trust for Urban Housing Finance (TUHF) and the Gauteng Partnership Fund (GPF)

TUHF provides loans to buy or improve residential property in South Africa's inner city areas. The trust specialises in lending money to reasonably priced housing-projects in areas of urban decline. Preference is given to small and medium-sized apartment buildings that are safe and clean and will offer good returns. TUHF's strategy is to concentrate on small areas, creating buoyant residential

property markets in the inner cities (<http://www.tuhf.co.za>). Their services include: mortgage loans, bridging finance, the Intuthuko equity fund, construction loans and deferred sales arrangements. The Intuthuko equity fund was set up together with the Gauteng Partnership Fund (GPF) to help previously disadvantaged South Africans in selected occupations and income groups enter the residential rental market. The fund is aimed at caretakers, property managers, and artisans in the construction industry, police, fire men and women, and nurses who live or work in the inner city. The fund helps the investor by contributing to the deposit or equity requirements necessary for a loan approval, acting as a silent partner.

TUHF finances projects that:

- Are economically sustainable to generate sufficient income to repay the loans and make a profit;
- Will upgrade buildings in the selected inner city area, giving preference to residential property projects;
- Will stimulate the economic empowerment of individuals and communities; and
- Will promote a positive social impact on inner city communities.

Projects are financed from R100,000 to R30-million that are provided to meet the requirements of applicants up to a 15-year-term, with interest and raising fees charged at market-related rates. The trust is funded by asset managers and investment corporations.

This is an extremely useful model for the SHSUP to explore or replicate as it has seen many merits, and is accessible to a broader range of income groups especially aimed at those in the lower end of the income spectrum. In addition, the trust aims to help new investors enter the inner city residential property market, boosting new business and supporting emerging entrepreneurs. For these reasons, the fund – as a silent business partner – is more accommodating than the average business partner, requiring less return. TUHF has experienced many success stories in terms of regenerating Johannesburg's CBD, growing entrepreneurial potential from the ground up, responding to the demand for affordable rental and providing improved jobs to those that have applied for housing finance.

The **Gauteng Partnership Fund** is similar in that it provides finance for affordable housing development projects. Their vision states: "To be the pre-eminent partner in the mobilisation and optimisation of alternative funding; and a leading catalyst in the development of affordable housing in Gauteng" (<http://www.gpf.org.za/AboutUs>).

The GPF services include:

- Facilitating dynamic collaboration with the eco-system of public and private sector partners;
- Securing new and innovative funding streams;
- Gearing private sector finance to ensure better bankability of projects;

- Ensuring accountability, monitoring and efficiency in the long-term management of projects, thereby ensuring that housing financiers enter the affordable housing market on a sustainable basis – in support of sustainable human settlements and quality household life.

Their involvement in the delivery and finance of sustainable human settlements include has resulted in the success of many key projects in Johannesburg, Pennyville Housing Development being one of them.

Other such fund includes the International Housing Solutions' Workforce Housing Fund (which has financed the building of 25,000 units across South Africa), the Housing Investment Fund South Africa from Old Mutual; and Future growth Asset Management (that has partnered with Nurcha) to name but a few (Rust, 2012).

Conclusive Summary: Financial Arrangements to Consider for the SHSUP

There is certainly space for innovation with respect to housing finance policy. To implement the SHSUP effectively the boundaries of current policy will need to be tested and will require a champion to support a new financing approach that draws in the participation of the state, private and household sectors.

Positive and negative consequences have been generated by the strong presence of the State in managing the housing subsidy programme and the delivery of low cost houses. The need for private sector involvement in housing delivery and finance and the role of the corporate financial sector in funding housing for the poor needs to be assessed. A key question that the SHSUP approach must ask is therefore, what levers does the state have, other than subsidisation, to encourage, incentivise or require the private sector to invest in the affordable housing effort? How can State financing then be used to gear further private sector financing to meet the City's SHS goals?

The key innovative financial lending models, trusts and funds mentioned above (TUHF, GPF, Future growth) are sound and credible illustrations of what can be achieved when the State and private financial institutions collaborate. For example, the GPFs role is to bridge the gap between government and the private sector on affordable housing projects. An exploration of how these financial models and trusts can be integrated and utilized by the SHSUP will be included in the proposed financial mechanisms and implementation strategy in the following chapters.

Other financial sources and methods to be explored and adapted include:

- A significant proportion of the subsidy-eligible population has affordability to invest in their housing – just not enough to purchase a whole house. A critical role for the State, then, is to ensure that the market offers a diversity of housing products that match the affordability of the population. As

well as a strong facilitation of micro-financing to those that can afford it but are currently experiencing blockages and challenges in accessing micro loans. The SHSUP must consider the finance affordability of the population in detail. Households earning as little as R1,000 per month can access a micro loan. Households earning as little as R2,000 per month can access a credit card from a major South African bank. In these cases, if the City facilitates housing investment it is possible that its residents will make this choice rather than increasing their consumption spending. This allows for household level facilitation, so that households can actively participate in their own housing processes.

- It is apparent that an innovative way forward is needed in terms of the National Housing Subsidy Scheme. Changes need to occur in order for an effective scale of sustainable settlements to be developed. The following points attempt to capture some possible ways forward in terms of state finance:
 - As it has been recognized that it is not possible for the state to finance the housing needs of the majority of the population entirely on its own; the affordability of the State and the affordability of the household should meet through an arrangement of appropriately structured financial products to deliver adequate housing (Rust, 2012).
 - Scale of delivery of backyard rentals is unmatched by the public sector. The state needs to financially or administratively support these efforts.
 - Redevelopment and regeneration in strategic locations attracts the private sector to invest in these areas. This requires the state's investment in terms of infrastructure and social amenities. The SHSUP should certainly engage in interventions and approaches that consolidate and make existing settlements sustainable. This could provide another response to backyard rental, which has become an important avenue of housing supply. Backyard dwellings will be destined to informality if the infrastructure provision to settlements is not enhanced to meet the growing population. Infrastructure should thus be used to guide development and to capture/create land value in informal settlements. The framing of backyard rental as part of the 'each-on-settle-one' campaign is one opportunity in this regard, and will draw support also from national level.
 - Another critical intervention to make the market work would be to remove or otherwise address the resale restriction currently applying to subsidised housing. The SHSUP must acknowledge that housing delivery occurs not only through the construction of new units, but also through subdivisions, home improvements and extensions, and critically, the resale market. In the Western Cape, a system has been agreed whereby the provincial government adjudicates each request for a sale of a subsidized house. Without the pre-emptive clause, the capacity and interest of mortgage lenders to offer finance against subsidised housing would be encouraged, and this could facilitate considerable investment into subsidised housing areas. Making the resale market work creates a flow that can fill in the gaps in the housing ladder and empower even low income households to begin to meet their own housing needs within the scope of their affordability.

- Lastly, controls are required to ensure that the funding for subsidised housing is obtained timeously.

Housing Institutions, Capacity and Operations

The preparedness and capacity to act at scale is an imperative precondition to the delivery of sustainable settlements and communities. City Departments, professional teams, SMEs/construction companies and Social Housing Institutions are all called upon to make important contributions. This section provides an overview of the current practices and challenges in Johannesburg regarding organizational arrangements in housing institutions, their roles and responsibilities, and the programme goals, strategies, activities and results to improve the conditions of the poor. In conclusion an assessment of the administrative capacity of the state at the local level to address the challenges of urbanization, an ever-increasing housing demand and the provision of SHS is carried out.

Current Housing Capacity and Operations

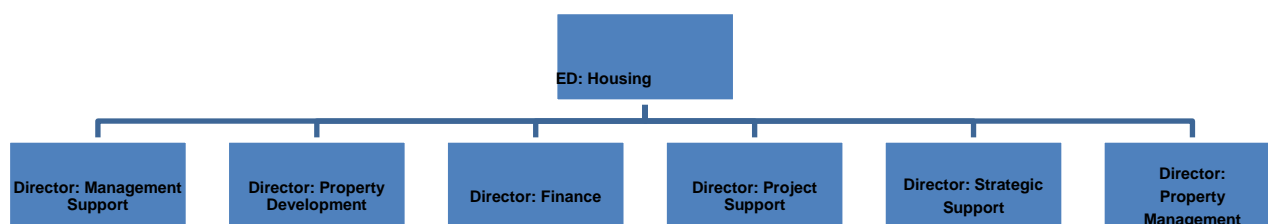
The major role-players in the provision of low cost and affordable housing in Johannesburg include:

- City of Johannesburg: Department of Human Settlements
- City of Johannesburg: Johannesburg Social Housing Company (JOSHCO) – Municipal Owned Entity (MOE)
- City of Johannesburg: Johannesburg Development Agency (JDA) – Municipal Owned Entity (MOE)
- City of Johannesburg: Johannesburg Property Company (JPC) – Municipal Owned Entity (MOE)
- Johannesburg Housing Company (JHC)
- Madulamoho Housing Association (MHA)

City of Johannesburg: Department of Human Settlements

The role of the council in respect of housing focuses on; the administration of council owned housing stock (administered through Department of Human Settlements and JPC) and social / affordable housing (administered through JDA and JOSHCO). The role of the Human Settlements Department within the restructured Council of the City of Johannesburg is changing to focus more on housing delivery and therefore housing is recognised as a core function of the Council.

After the City of Johannesburg received Level 2 accreditation status, the City Department of Housing revised its organogram to respond to the requirements of accreditation. The City continues to work towards assignment of Level 3 accreditation status. The revised high level structure consists of the following sections and positions:



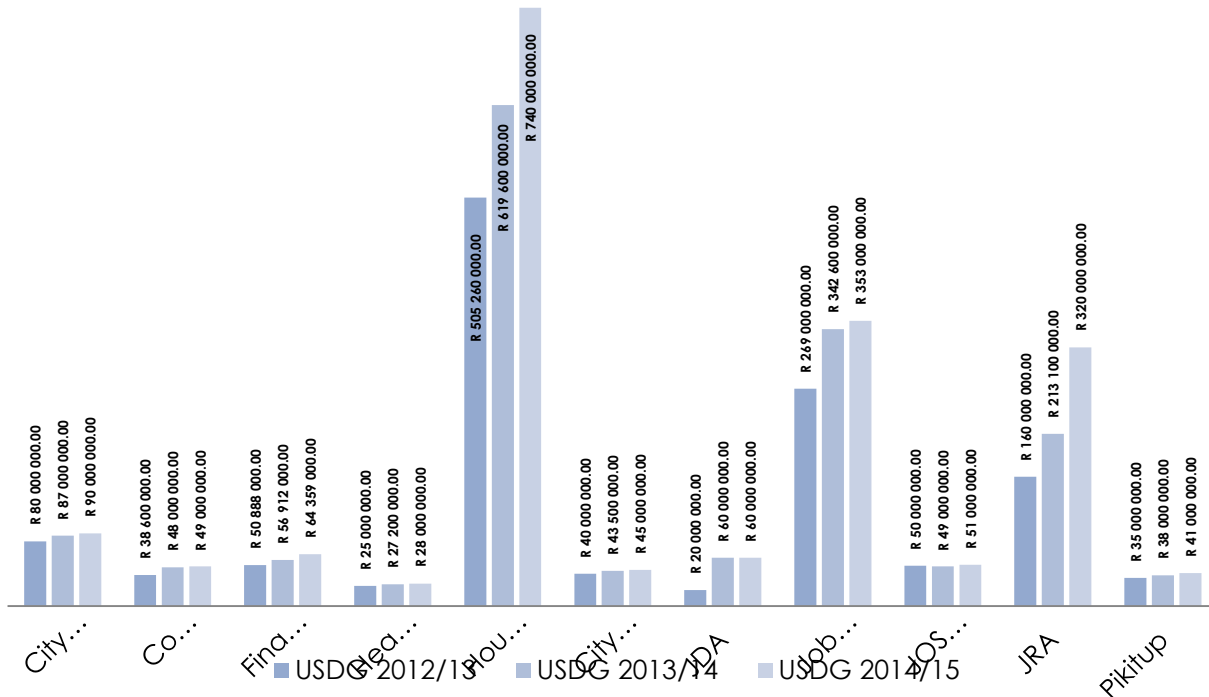
The five year housing delivery agenda for the City and progress is reflected in the **Table 15** below:

Table 15: 5 year Housing Delivery Targets for the City of Johannesburg’s Department of Human Settlements

5 YEAR PROGRAMME	SUB-PROGRAMMES	5 YEAR TARGET
Formalise informal settlements	<ul style="list-style-type: none"> • In Situ upgrade programme • Informal settlement relocation Programme • Programme linked • Settlements Not Linked • Informal settlements Management programme 	108 settlements
Affordable rental accommodation	<ul style="list-style-type: none"> • Inner City Housing • Social and Communal rental • Community residential units • Backyard Accommodation 	20 000
Housing opportunities for the 1996/97 housing waiting list	1996/97 waiting list	30 000
Hostel upgrading programme	Hostels Upgrading	2000
Promote security of tenure	<ul style="list-style-type: none"> • Stock transfer to households • Sectional Title Programme 	50 000
Provide mixed income housing opportunities	Mixed Income Housing	30 000
Promote good management and maintenance of City housing stock and associated infrastructure	City housing stock programme	80% Rental collection rate achieved

In terms of the USDG, the greatest amount of money spent yearly by the City is on housing as illustrated in **Figure 16** below.

Figure 16: COJ USDG Year on Year Capital Allocation by Division 2012-2015



City of Johannesburg’s Housing Institutions and MOE’s

Table 16 below summarises the roles and responsibilities of the three spheres of government with regards to Social Housing.

Table 16: Social Housing Roles and Responsibilities

STAKEHOLDER	ROLES AND RESPONSIBILITIES
National Government *currently managed in part by the Social Housing Regulatory Authority (SHRA)	<ul style="list-style-type: none"> • Providing overall leadership for the sector. • Creating an enabling environment for social housing, through the development of policy and enactment of legislation. • Ensuring attention to its constitutional responsibilities. • Providing a regulatory and legislative framework within which actors in the sector must operate. • Addressing issues that affect the growth and development of the sector. • Funding the social housing programmes

<p>Government (through the Provincial Steering Committee)</p>	<ul style="list-style-type: none"> • Administering the standard/fixed restructuring component of the capital grant • Approving the designation of restructuring zones submitted by provinces and local authorities • Approving social housing projects, programmes and business plans submitted by provinces • Establishing institutional capacity to support social housing initiatives • Together with the local authorities identifying restructuring zones and submitting to the national department for approval • Allocating funds to the provincial social housing programme • Receiving project applications from delivery agents and deciding on the extent of top-ups • Submitting projects and proposed top-ups to SHRA for approval and acquisitioning restructuring capital grants • Ensuring compliance with national and provincial social housing norms and standards • Mediating in case of conflicts between a social housing institution (SHI) and local government and resolving such conflicts, if required • On an annual basis developing a social housing programme and associated business plan and submitting to national government for approval and funding • Administering the disbursement of project capital grant funding approved by the National Department of Human Settlements (NDHS) for social housing projects, and monitoring progress in terms of the grant allocation process
<p>Local Government</p>	<ul style="list-style-type: none"> • Initiating the identification of restructuring zones and linking to the IDP process • Calling for social housing projects in designated restructuring zones • Facilitating social housing delivery in its area of jurisdiction • Applying the Provincial Steering Committee for the approval of restructuring zones • Committing in its IDP to specific measures (e.g. to support the development of <i>in-situ</i> associated social facilities) in order to ensure an enabling environment of the social housing sector • Entering into performance agreements with Social Housing Institutions (SHIs) • Providing preferential access to land and buildings for social housing development in approved restructuring zones • Providing preferential access for SHIs to acquire local authority rental stock • Providing access to municipal infrastructure and services for social housing projects in approved restructuring zones and, where appropriate, providing local fiscal benefits (e.g. through rebates on municipal rates and service charges) • Assisting SHIs in their establishment stages through <i>inter alia</i> logistical and resource (financial, human and technical) support • Providing grant funding to incipient SHIs in establishment stages and assisting with sourcing additional funding to support the activities of the SHI (including possible local government equity participation) • Providing access to bridge finance for SHIs

Source: Cohen R: The Institutional Dimension of Sustainable Human Settlements

In addition to the City's Department of Human Settlements, the City has set up a social housing institution, a property company and a development agency. **Table 17** includes the roles and functions of each of the City's housing related institutions and MOE's:

Table 17: JOSHCO, JDA and JPC roles and Responsibilities

Development Agency	Function	Institutional Structures	Examples of Projects
<p>Johannesburg Social Housing Company JOSHCO</p>	<p>JOSHCO's sole purpose is to provide affordable and quality rental housing to those households earning between R1500 – R7500 per month. It is funded through provincial subsidies, national and municipal grant funding as well as loan funding.</p> <p>JOSHCO performs two principal functions. Firstly, it acts as a developer; by appointing contractors and professionals to build suitable housing. Before construction takes place, JOSHCO ensures that suitable land is obtained and that the necessary finances are secured, either through grant funding or low interest bearing loans. JOSHCO also refurbishes existing properties such as hostels and buildings within the Inner City.</p> <p>Secondly, JOSHCO manages newly constructed rental housing stock as well as existing housing properties acquired from the City of Johannesburg. Management of properties means that JOSHCO selects, allocates and trains suitable tenants for occupation, ensures collection of rentals, conducts regular property maintenance and ensures that customers receive a good and reliable service.</p>	<p>JOSHCO is run by a governing body and a managing body. The nature and composition of the governing body are determined by the legal form adopted. This body makes policy decisions for the social housing institution while the managing body carries the decisions out. The management body is responsible for day-to-day affairs within the social housing institutions policy and budgetary framework.</p>	<ul style="list-style-type: none"> • City Deep • Antea Village • Orlando Hostels • Eldorado park • Bellavista Estate • Citrine Court • Claremont • Kliptown Square Flats • Roodepoort Inner City • Bothabela • Pennyville • La Rosebel • Rashers • BG Alexander • Casa Mia • Chelsea
<p>Johannesburg Development Agency (JDA)</p>	<p>The objectives of the JDA are: To promote economic growth through the development and promotion of efficient business environments in defined geographic areas. To regenerate decaying areas of the city so as to enhance their ability to contribute to the economic development of the city and the quality of life of its residents. To promote economic empowerment through the structuring and procurement of JDA developments To promote productive partnerships and cooperation between all relevant stakeholders on area-based initiatives. To develop best practice and organisational expertise in respect of area-based development management.</p>		<ul style="list-style-type: none"> • Baralink • Braamfontein • Constitution Hill • Drill Hall • Faraday Project • Fashion District • Greater Ellis Park precinct • Hillbrow Health Precinct • Jeppestown • Jewel City Upgrade • Johannesburg Medical Quarter • Kliptown • Nasrec precinct • Newtown • Randburg • Yeoville: Rockey/Raleigh High Street
<p>Johannesburg Property Company</p>	<p>The Joburg Property Company (JPC) is a dynamic, visionary company mandated to manage and develop the City of Johannesburg's property portfolio, valued at R8.6 billion. As a promoter of innovative solutions to the development challenges of contemporary Johannesburg, JPC utilises council-owned land assets to leverage</p>	<p>Mission: Manage the property assets of the City, maximising the social, economic and financial value of the City's property portfolio, and enhancing the efficiency of its use; Provide Asset Management, Property Management, and Property Development services to the City, and interact with the</p>	

	private sector investment in public infrastructure.	general public; and To support the achievement of the City's strategic priorities, including economic and social development, and the service delivery objectives of the City.	
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External Housing Institutions in Johannesburg

Apart from the above housing related institutions of the City, the following three external housing institutions also play an active role in the provision of affordable housing in the City:

Table 18: External Housing Institutions

Development Agency	Function	Institutional Structures	Examples of Projects
Afhco Group	<p>The Afhco Group, founded in 1996, is a leading investor, developer, and manager of affordable housing and commercial property in the Johannesburg inner-city.</p> <p>Afhco is the leader in driving the creation of improvement districts within the inner-city, addressing both social and schooling issues as well as lobbying Council to assist with public space upgrades.</p>	<p>Vision: Building Inner City Communities</p> <p>Mission: Afhco's key strategy in growing its portfolio value has been the upliftment of precincts and communities around its buildings, in order to make previous no-go areas into sought-after residential nodes. A spin off of this strategy has been a general rehabilitation of the Johannesburg inner-city with both Council and growing competition playing a key role.</p>	<p>With over 60 revamped and upgraded buildings spread across the Inner-City of Johannesburg, some of these include: Textile House Greatermans Ilanga House Sambro House Emd Street Cavendish Nukerk</p>
Madulamoho	<p>Madulamoho is a registered non-profit (Section 21) social housing institution that was established in 2004 to provide transitional and communal housing to Johannesburg's inner city community and operates seven low cost housing projects throughout Johannesburg's inner city and with over 950 rental units.</p>	<p>Vision Madulamoho's vision is to be "the heartbeat of affordable housing"</p> <p>Mission The key goal of the organisation is to provide clean, safe and affordable housing that fosters social development and promotes sustainable communities. Using an economic cost recovery model with affordability as the starting point, Madulamoho pioneered a model that meets the housing needs of the very poor. Madulamoho began to examine the need for housing with affordability as the starting point. The organisation the inner city poor with transitional and communal housing models due to affordability, in which people could rent a bed space and access shared ablution and kitchen facilities.</p>	<p>Completed projects include: The New Europa; The Resdoc House; The BG Alexander; Cornelius House; New Regent; and Allenby.</p>
Johannesburg Housing Company (JHC)	<p>JHC operates as a private sector, non-profit, social housing institution. Having started from scratch, it has grown to become a leader in the social housing sector, recognised in South Africa and internationally for its innovative, practical and sustainable housing solutions.</p> <p>Along this developmental path, the company has taken on slum clean-ups, building upgrades, conversions and refurbishments, as well as new developments. It has established best practice benchmarks in design,</p>	<p>Mission: The JHC is committed to urban regeneration through the provision of quality, value for money accommodation and service for all who choose to live in JHC projects and neighbourhoods, in a manner that is both sustainable and promotes growth.</p> <p>Johannesburg Housing Company an association incorporated not-for-profit in terms of Section 21 of the Companies Act with any surpluses re-invested.</p>	

Development Agency	Function	Institutional Structures	Examples of Projects
	construction, and building management in the social housing sector, and has set new standards for customer service.	Its core business is providing affordable rental stock within the social housing sector and efficient property management of this stock	

Gaps and challenges of City of Johannesburg’s Housing Administration Structures

The following represents a summary of the gaps and challenges identified in the City’s Housing Administration Structures:

- **Time delays:** Different development processes are to be pursued through the City’s structures in order to speed-up approval of applications/delivery.
- **Land:** The CoJ Housing Department has no control over land as JPC administers and controls all council-owned land, which causes delays in acquiring land for housing projects. Competition for land by different departments and MOE’s as well as market pressure from the private sector means that housing projects do not always obtain land that is well or strategically located i.e. land that is close to existing infrastructure, social amenities and economic facilities.
- Lack of control over **land invasions** resulting in informal settlements and ‘hijacked buildings’ in the inner city.
- A detailed **strategy for backyard shacks** needs to be developed by the City’s Department of Human Settlements. Without this, the council continues to administer and deliver “RDP type” houses that are not conducive to incremental growth in terms of extensions or alterations. This also further entrenches the backyard issue as informal structures continue to attach themselves to subsidised housing.
- The Council does not have the **human resources** to immediately address all of the housing need in Johannesburg. An exploration of how the private sector can be involved in the delivery of low cost housing needs to be carried out.
- **Cost and financial constraints:** All key stakeholders involved in low-cost housing delivery face major financial constraints in meeting their respective responsibilities. This has been the key factor contributing to the practice of decision-making driven by considering initial-cost as being most important whilst ignoring the long-term costs and life-cycle savings of alternative housing solutions. There is clearly a need for alternative financing mechanisms which provide more flexibility in terms of choices to stakeholders in housing delivery and housing beneficiaries. It is also acknowledged that a need exists to make stakeholders aware of the implications of not applying true life cycle cost approaches in decision-making in housing projects.

