



The Rental Housing Market and Government Rental Housing Programme

A TOOLKIT FOR SOCIAL HOUSING



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LIST OF ABBREVIATIONS

BNG	Breaking New Ground
CBO	Community-based Organisation
CCG	Consolidated Capital Grant
CRU	Community Residential Units
ECR	Economic Cost Recovery
EDBS	Extended Discount Benefit Scheme
EEDBS	Enhanced Extended Discount Benefit Scheme
FLISP	Finance Linked Individual Subsidy Programme
HDA	Housing Development Agency
IDP	Integrated Development Plan
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
NASHO	National Association of Social Housing Organisations
NDoHS	National Department of Human Settlements
NGO	Non-Governmental Organisation
NHBRC	National Home Builders Registration Council
NHFC	National Housing Finance Corporation
NRHTT	Rental Housing Task Team
ODA	Other Development Agents
PFMA	Public Finance Management Act
PSC	Provincial Steering Committee
PRZ	Provisional Restructuring Zones
RZ	Restructuring Zone
SALGA	The South African Local Government Association
SH	Social Housing
SHF	Social Housing Foundation
SHI	Social Housing Institution
SHRA	Social Housing Regulatory Authority
SLA	Service Level Agreement
ToR	Terms of reference
TUHF	Trust for Urban Housing Finance
UDZ	Urban Development Zone

DEFINITIONS OF TERMS

Here are some definitions of terms that occur often in the text of this Toolkit. It is useful to know them so that you are clear about what they mean, how they differ, and how they interlink.

Term	Explanation
Activity	A thing that is done to contribute to the carrying out of a phase or process towards project and programme outcomes.
Phase	One whole series of activities that co-ordinated together achieve an important milestone towards the overall project objectives and outputs.
Process	The series of activity steps that require following in a particular order in order to achieve the suboutputs and full output of a project or programme.
Project	This is the organising and directing of activities and resources in a co-operative way to achieve a practical and agreed output, generally in a specific locality. In the CRU programme it involves projects that provide or upgrade rental housing in specific locations, usually a single site within a particular municipality.
Programme	This is a set of projects that are completed within the framework of the same set of rules and directed at similar objectives and outputs. The delivery of CRU programmes is co-ordinated mainly at a provincial level, but involves engagement with projects across one or more municipalities within the province.
Detailed document	A document that gives greater detail on particular elements mentioned in this Toolkit. These are intended to help you understand areas that are of more significance in greater depth.
Template	The designed template that you can use or adapt to provide documents and forms in carrying out your work.
Core activities	These are activities that have an immediate and direct impact on the delivery of the project and programme outputs: for example, construction; detailed planning.
Support activities	<p>These are clusters of activities that are necessary to ensure that aspects of a programme and /or project are carried out effectively. In CRU there are a number of such clusters, but the three most significant are:</p> <ul style="list-style-type: none"> • Community consultation and engagement. • Contracting and contract management. • Financing and financial management.
Restructuring Zones	These are the geographical urban areas that are agreed between national province and municipalities that determine where the restructuring grant can be used to financial social housing.
Restructuring Grant	This is the grant that is provided for some of the capital financing of social housing. It is top sliced at a national level and is allocated via the national department to projects that meet the social housing criteria. It is usually, but not necessarily, linked to allocation of a institutional subsidy via the provincial department's subsidy allocation.

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Diagram 3:	SHRA implementation approach

1. INTRODUCTION

Rental housing comes in many forms in both the formal and informal sectors. Some people live their whole lives in rental housing either by choice or because there are no other options. For others, rental accommodation is an alternative they use for a particular period in their lives for a range of different reasons.

It is an important housing tenure option. The government has recognised this and is supporting the development of rental opportunities that can extend the housing choices available to low- and medium-income households. This Toolkit is intended to assist with creating an understanding of the rental housing market, with a particular emphasis on the government funded rental housing programmes.

1.1 Purpose of this Toolkit

The key focus of this Toolkit is on the form and context of the rental housing market and the need for government-funded rental housing, the government programmes that facilitate the provision of affordable rental housing and the policy, programme and legislative framework and roles and responsibilities of key stakeholders.

The purpose of this Toolkit is to enable parties who are interested in participating in government funded rental housing to:

- Provide an overall picture of rental housing and its context in South Africa.
- Understand the reasons for government intervention in the rental market.
- Build an understanding of how government rental programmes are structured.
- Explain the respective roles and responsibilities of the different stakeholders in these programmes.

1.2 Target audience of this Toolkit

The Toolkit is specifically targeted at anyone who is interested in participating in the government-funded rental housing programme, especially SHIs, ODAs and officials from municipalities and provinces who have direct responsibility for all or part the of the rental housing programmes in their areas.

More generally it is also useful for other key stakeholders wanting to better understand the rental sector within this.

SECTION A:

**THE FORM AND CONTEXT OF RENTAL
HOUSING IN SOUTH AFRICA**

SECTION B:

**GOVERNMENT PROGRAMMES
FACILITATING RENTAL HOUSING PROVISION**

SECTION C:

**THE LEGISLATION, POLICY AND THE ROLES
AND RESPONSIBILITIES OF KEY STAKEHOLDERS**

1.4 How to use the Toolkit

This document has been drafted as an electronic document. It therefore starts with an introductory home page that sets out a brief overview of the contents and clicks down to a range of more detailed documents.

The Toolkit is structured whereby under each section a broad overview of the topic is provided. More detail is provided in

drop down boxes, as well as links to a range of documents that have been produced overtime by various SH stakeholders as well as other relevant organisations.

- **Words shown in orange** link to another part of the document so as to provide more information.
- **Words shown in blue** link directly to the source document, also for the purpose of providing more information.

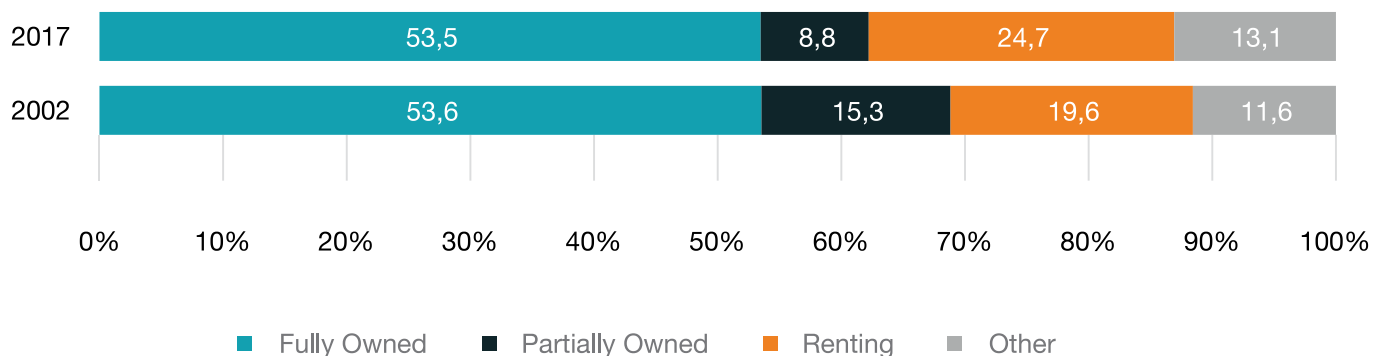
SECTION A

THE FORM AND CONTEXT OF RENTAL HOUSING IN SOUTH AFRICA



This section gives an overview of the present state of rental housing in South Africa. It considers the context of rental for low and medium-income households in the country.

Figure 1: Percentage distribution of dwelling ownership status for households living in formal dwellings, 2002 and 2017



Source: General Household Survey 2017

Since 1994, the main focus of the government's low-income housing programme in South Africa has been on the provision of a capital housing subsidy to the poorest of the poor to provide households with ownership of a serviced plot and a starter home.

Over three million of these BNG houses (including RDP houses) have been provided to date through the housing programme.

Despite this quantitative success, the units have been often poorly located in relation to socio-economic infrastructure. This has resulted in beneficiaries experiencing high living costs that are often exacerbated by poor housing quality; and so subsidy beneficiaries often face great financial

challenges once they are home-owners. Consequently, municipalities and municipal entities must cover ongoing service costs, thereby placing the sustainability of the programme at risk. Furthermore, the locations of these developments have also done little to assist the economic and racial integration of our urban areas.

Since 2004, government policy, as expressed in the document titled *Breaking New Ground*, has placed greater emphasis on housing as an aspect of Integrated Human Settlement and extending the tenure options available to very low, low- and medium-income households, particularly in better-located parts of the urban environment. This has resulted in the development of government programmes to support the development and strengthening of the rental sector.

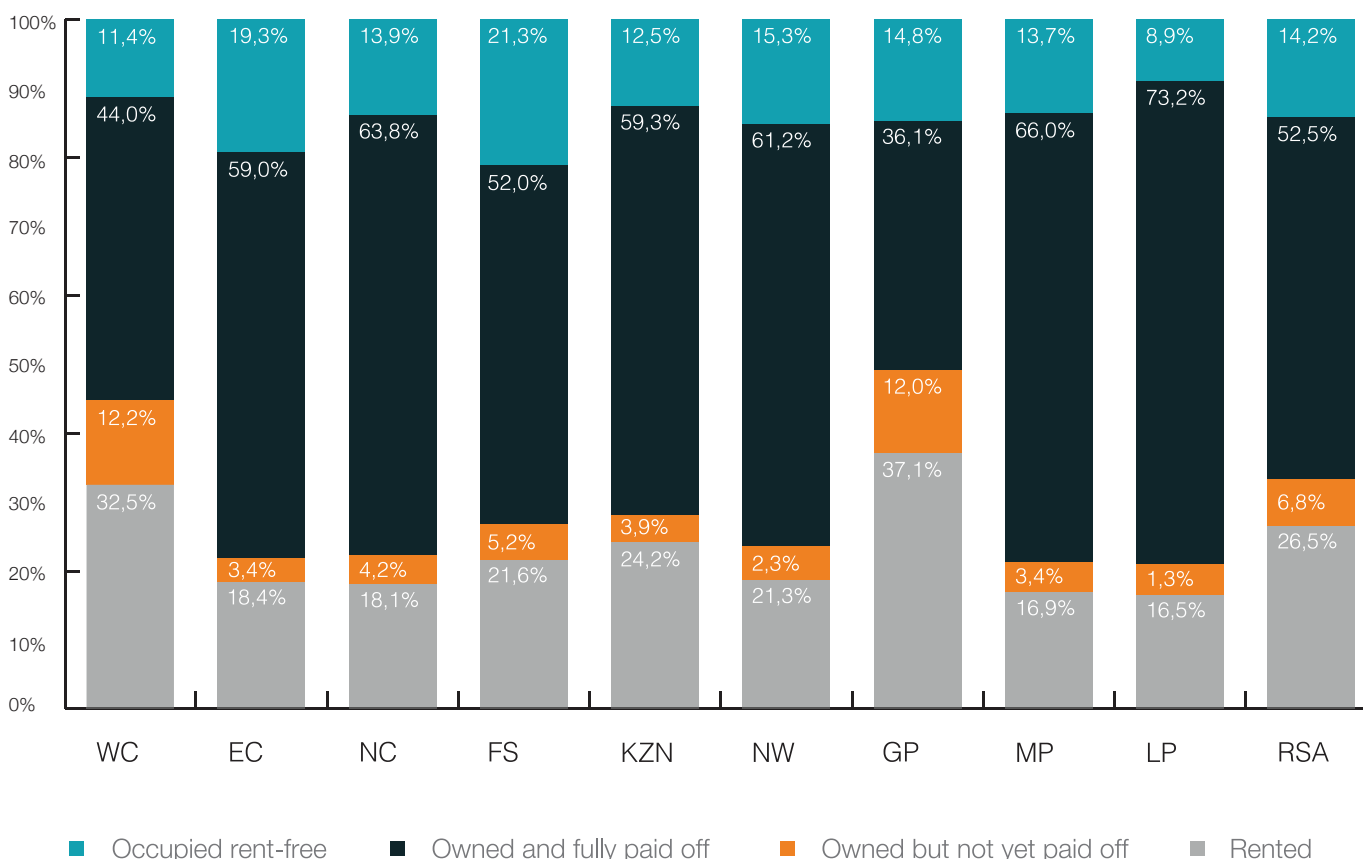
2. Shape, Size And Potential Of The Rental Sector In South Africa

2.1 Scale of rental housing

The National Household Survey 2018 shows that the

percentage of households that rented accommodation increased by approximately five percentage points (from 19,6% in 2002 to 24,7% in 2017). The same survey shows that renting was most common in informal dwellings (41,2%), other dwellings (30,2%) and formal dwellings (25,3%).

Figure 2: Percentage of dwelling units by tenure status and province, 2018



Source: General Household Survey 2018

It also shows that households that lived in rented dwellings were most common in Gauteng (37,1%) and Western Cape (32,5%) and least common in Limpopo (16,5%), Mpumalanga (16,9%) and Northern Cape (18,1%). Households using rental accommodation are highest in metro areas.

One could conclude that given the growth rate of the rental market, together with the size of the informal rental market, that demand for SH is needed and showing growth year on year.

However, this data only reflects the numbers of people that are actually renting and does not give an indication of actual demand for rental housing, based on an assessment of household tenure preference and the willingness and ability to pay.

Figures for rentals will also always be distorted in an

environment where poor households have the option of receiving a subsidised house. However, they may well have to rent for a number of years before they are allocated a housing subsidy, and then depending on where they are allocated a house, the household may choose to continue to rent where they are living.

Low- and moderate-income households may also choose to access their housing subsidy in their rural home towns rather than in the city, and as such require rental accommodation until they retire or choose to move back home.

Given the link between employment opportunities and demand for rental accommodation, it is unsurprising that the proportion of households renting is higher in the largest five metros. Greater Johannesburg in particular is an important rental centre. Correspondingly, there are exceptionally high levels of demand reported in the inner cities of Johannesburg, Cape Town, Pretoria, Durban, East

London and Port Elizabeth.

2.2 Profile of rental housing market

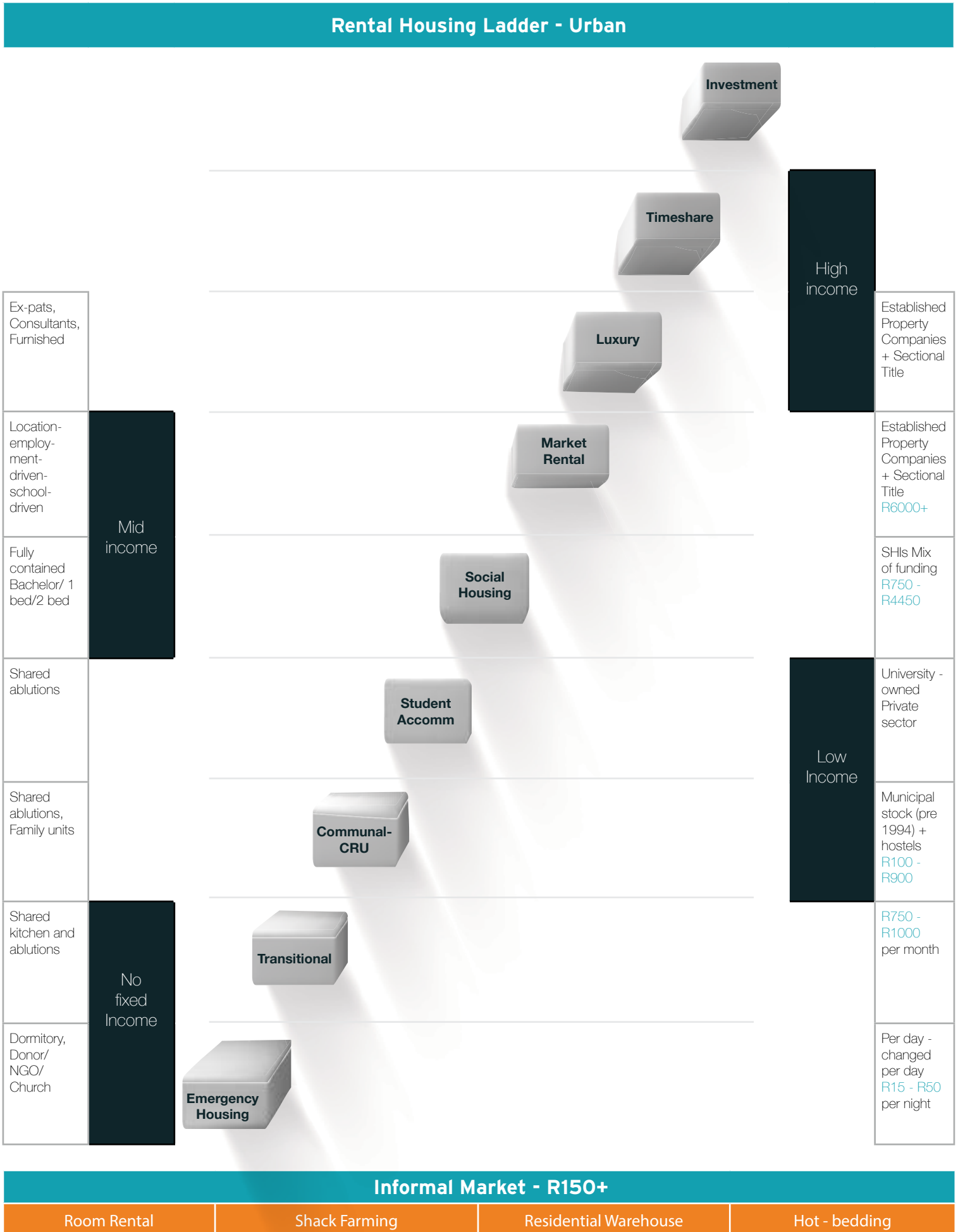
2.2.1 Supply profile

The rental product offering is defined by a product's locality, typology and related rental range. The figure below indicates that the rental products provided by the private sector in the main exclude households earning below R18 000.00 per month. The formal product offering at the lower end of the ladder is provided by government-funded rental housing

instruments, thus addressing the failure of the private rental market to cater for low- to middle-income households. These government subsidised rental housing programmes (Institutional Subsidy (IS), Community Residential Unit (CRU) and Social Housing (SH)) provide rental opportunities for households with incomes of between R800 to R15 000, giving these lower to middle end income households access to the formal rental housing market. The informal rental sector is also a significant contributor to the affordable rental housing sector.



Diagram 1: Rental housing continuum



Source: Own design

Informal Rental

The informal rental market consists mainly of informal dwellings – shacks in informal settlements and backyards. In well-located urban areas rentals are as high as R1 000 and above per unit per month. Presently there is no formal government investment in this sub-market. However, Municipalities must bear unintended costs in relation to the provision of basic services.

Emergency housing and Transitional Housing

Emergency rental housing consists mainly of rooms or dormitory type accommodation. Historically, the institutional subsidy was used to provide such housing and it was mainly developed and managed by CBOs, NGOs and to a lesser degree SHIs. Emergency rental accommodation provided by SHIs is priced at approximately R15 per bed per night; the other providers do not charge rentals and generally raise social grants to cover management costs. Communal Rooms

Communal Rooms

The government has in the past funded transitional and communal rooms via the Institutional Subsidy programme. These typologies are also provided by the private sector at rentals on the higher end of the middle income and rental range. This type of rental housing is located mainly in the Johannesburg CBD and consists of a 12m² room with communal ablution and kitchen facilities. The target market comprises individuals that have homes in the peri-urban and rural areas but stay and work in the city.

Public Owned Rental

Publicly-owned rental housing stock consists of public rental housing stock built before 1994 (in the 1960s and 1970s) that includes housing for low-income households and government employees. This rental stock incurs unintended operating subsidies and is funded primarily by Municipalities and Provinces.

CRU

The CRU Programme was established to regularise public housing stock, including hostels, which is performing poorly and unsustainable. It was also intended to create new public housing stock and catered for low-income market households earning between R800 and R3 500 per month. Despite the capital grant allocation made to approximately 30 000 units, a recent evaluation study indicates that the programme has not achieved its intended outcome.

Social Housing

Social Housing stock is developed, owned and managed by SHIs or ODAs. It consists of medium to high-density rental

stock, with unit types ranging from bachelor to 3-bedroom units and varying from 30m² to 50m² in well-located urban areas. The stock is built using a government grant designed specifically for SH.

2.2.2 Profile of renters

The data indicates that in line with the population as a whole, the vast majority of renter households are black. Single-person households comprise a significant share of the rental market. The age profile suggests a relatively young market and might reflect the preferences of mobile workers who seek accommodation near their workplaces. It might also point to the lack of suitable affordable family accommodation in urban centres.

2.2.3 Government funded Rental housing supply

At present there are no reliable figures indicating the supply of rental accommodation in the country. However, various studies and available statistics do provide insight into the situation. It is not clear how much of the municipal public rental housing stock that was developed in the late 1960s to the 80s remains available as rental stock. Provincially-owned public rental stock amount to approximately 5200 units. In addition, the National Department of Human Settlements (NDoHS) reports the delivery of just over 34 000 institutional subsidy units between 1996 and 2005. However, many of these were rent-to-buy units. It is also unclear how much of this stock has been transferred to the beneficiaries as envisaged in the Institutional Subsidy policy.

The State of the Sector Report 2017 reported that 11 684 units were delivered using the RCG at the end of the 2017/18 MTSF period. An additional 15 316 more units had to be built to achieve the MTSF target of 27 000 units by 2019. The target set for the next period is 37 000 units.

There are currently very limited formal rental opportunities in major urban areas for households unable to pay more than R2 400 per month (for those earning up to R8 000 per month). Even with the social housing sector targeting this sector of the market, supply is not meeting the demand. Households that cannot afford to pay rentals of more than R1 500 per month (i.e. people earning below R6 000) have virtually no formal rental housing choices besides overcrowded units or the existing public rental stock or the existing share of the 36 000 social housing units in the country. This generally makes it very hard for new entrants to access affordable housing.

The table on the next page shows the important gap filled by the social housing programme relative to market rentals. The SH grant provides a 53.5% discount to the private rental market and this allows poorer people to access affordable rental housing products in well-located areas that they would otherwise not have been able to afford.

Table 1: Average monthly rent – SHIs portfolio vs market

	2013	2014	2015	2016	2017
Average monthly SHI rental*	2170.33	2664.56	2991.89	3201.89	3425.89
Average national rental**	5371.37	5778.99	5926.33	6263.05	6388.26
SH rents discounts to avg market rents	-60%	-54%	-50%	-51.5%	-53.5%

*Average of 23 SHIs across the country as per SHRA Quarterly Report data

Source: State of the Social Housing Sector 2016 Report

The reintroduction of public rental housing is an opportunity to provide well-located affordable housing for low-income households and in a limited way should help to fill the gap in the rental housing market. However, more work should be done towards encouraging small-scale formal and informal

landlords to provide adequate housing, so that the supply of rental units can increase significantly. The current estimates of available housing units indicate that the supply is not meeting the high demand in terms of annual household growth, nor does it support the affordability thresholds of the various sub-markets.

INFO BOX



GAP rental and low- and moderate-income households

The GAP market refers to households in a particular income group that are not able to easily access formal housing either because of lack of access to finance or inadequate supply at the price required.

Presently the banks would define the Gap ownership market in South African major urban areas applies to households with incomes ranging from R3 500 to R22 000. This is also recognized by the Government's policy through the Finance Linked Individual Subsidy Programme (FLISP), which is targeted at households with incomes from R3 500 to R22 000.

The households with incomes ranging from R7 500 to R22 000 are major targets for the for-profit Gap Rental sector. The Government's Social Housing Programme is targeted at low- and moderate-income households in primary and secondary markets:

Primary: Household incomes R1 500 – R5 500 (low)

Secondary: Household incomes R5 501 – R15 000 (moderate)

2.3 Demand for Rental Accommodation

Demand for rental accommodation is not only a function of income, but also of the availability of infrastructure, easy access to places of work and an array of other factors such as affordability, willingness to pay rental, job security or security of a regular income etc.

It is acknowledged that there is a significant shortage of rental accommodation that is affordable to low-income households in South Africa. According to research conducted for the SHF, the demand for affordable rental housing was 1,8 million units in 2001; and it was projected to increase at a rate of 5% per annum until 2011. Additionally, research over the past 5 years has shown that the affordable rental market for households, with incomes ranging from R6000 –

R22 000, is the fastest growing sector in the South African residential market. The anecdotal evidence suggests there is a significant unmet demand for accommodation in key urban centres. Both private rental landlords and social housing institutions report exceptionally low vacancy rates, with private landlords describing the market as insatiable.

According to the latest Tenant Profile Network (TPN) Rental Monitor report (Q1 2018), the national average rental is R6 553.61. This indicates that there is market failure for people earning below R18 000 per month (on the basis that people use 30% of their income for housing). Supply to this market (R18000 and below) is reliant on rental housing interventions by government to stimulate the supply of affordable formal rental housing.

The State of the Sector Report 2016 reported that demand in the metropolitan and Secondary Towns amounted to approximately 235 000 and 80 000 respectively. The State of the Sector Report 2017 reported that 11 684 units were delivered using the RCG at the end of 2017/18 MTSF period. An additional 15 316 more units had to be built to achieve the MTSF target of 27 000 units by 2019. This target will have to be significantly increased to address the demand projections.

2.4 Constraints on Investment in the Sector

Despite the high demand, market participants (including landlords, financiers and property managers) have noted constraints on investment in the sector. These include poorly-aligned regulations and legal institutions that together create lengthy and expensive processes related to evictions, inefficient, insufficient and expensive municipal service delivery, and delays in gaining access to properties. On the positive side, social housing policy now exists to enable the development of the low-income rental sector. Over the past 8 years, the Gap rental housing sector has been the fastest growing residential sector in our major urban areas. This is substantially because of the very limited supply of affordable ownership units for moderate-income earners who have little own equity and finding it increasingly difficult to obtain loans in an environment in which housing lending institutions have become more risk adverse.

It is clear that however government chooses to respond, the demand for rental accommodation will grow. It is also increasingly recognised that the rental sector can make a huge contribution to urban integration, restructuring of apartheid planning in urban areas, and poverty alleviation. However, the formal rental instruments that are currently available do not meet the needs of the majority of the urban population.

2.5 Implications for Housing Policy

In a detailed analysis of the rental housing sector of South Africa that was commissioned by Nurcha, Gardner concludes that it is no longer sufficient to see rental as a stepping stone towards the ultimate goal of home ownership. It is also not appropriate to simply view landlords as the exploiters and tenants as the exploited; there are many different kinds of landlords and tenants, who make a range of choices regarding their roles in the rental housing process. The role that the rental market plays in the broader housing sector requires that the approach to rental housing be more nuanced, and more responsive to the environment.

3. Conceptual Framework for Understanding Rental

3.1 What is Rental Housing?

Rental Housing generally refers to consensual occupation of accommodation on the basis of a rental lease (either written or verbal) in exchange for regular rental payments. However, there are a range of tenure options that are loosely grouped under the concept of “rental” that almost cross the spectrum to ownership. As such, the South African rental market needs to be examined from different perspectives.

3.2 Sub-sectors of the Rental Market

In gathering census data, Stats SA distinguishes between the formal and informal rental sectors.

From an economic perspective, the rental sector is classified as falling under the public sector (government-owned or managed) or the private sector. The private sector is then further classified as private non-profit or private for-profit. Affordability, delivery options, tenure, geographic typology and other factors also come in to play in helping to understand the sector. The table below summarises the different sub-sectors in the rental housing sector in South Africa.

Table 2: Rental housing sub-sectors

Rental sub-sector	Form of accommodation	Tenure	Primary household income category	Subsidy/ grants	Geographic typology	Landlord typology
Private sector for profit						
Informal backyard	Shacks Backyard rooms Warehouses / abandoned buildings	Informal	R0 – R5 500	None	Informal settlements usually on urban periphery Townships Inner city New subsidised housing areas	Individual land- lords Small private land- lords
Shared accommodation	Shared accommodation in formal and informal accommodation	Informal - formal	R801 – R5500	None	Informal settlements usually on urban periphery Townships Inner city New subsidised housing areas Public housing	Individual land- lords Small private land- lords
Self-contained in formal structures	Medium rise (2-4 storey walk-ups); Single or double storey semi-detached houses, row houses / 'town-houses' / garden cottages	Formal	R1501 – R15, 000	None	Inner – near city, suburbs, Townships	Individual land- lords Small Private land- lords Larger private land- lords
Private not for profit - subsidised						
Social Housing	Medium (2-4 storey walk up) to high rise (above 5 storeys usually with lift)	Formal	R1500 – R15000	Consolidated capital Grant Institutional subsidy Restructuring Grant Urban Development Zone (UDZ) tax rebate	In well located parts of urban areas where there are Restruc-turing Zones approved	Social housing institutions Private for- profit ODA land- lords
Transitional housing	Various forms but emphasis on accommodation with shared kitchen and bathroom facilities.	Formal	R0 – R3500	Transitional Housing Subsidy	In different areas e.g. inner city for shelters for homeless in townships for people being relocated	Municipalities Welfare Organisations Not-for-profit SHls
Public - subsidised						
Existing stock	From free-standing houses through medium-density flats and some high-density stock and hostels	Formal though often poorly managed	R400 – R3500 although there are many households with higher income since they have lived in units for many years	Have had various historical subsidies. Usually continues with default operational subsidy on rentals because of under-charging or non-payment	Mainly in old township areas but some in better-located areas close to centre of towns	Municipalities Municipal entities Occasional not-for-profit SHls
CRU	Medium density walk-ups and some converted buildings; includes units with shared facilities e.g. bathroom and or/ kitchen	Formal	R800 – R3500	CRU Capital Subsidy	On municipal and provincial land preferably in areas close to socio-economic opportunities in urban areas	Municipalities SHls Private Management agents

EXAMPLE BOX

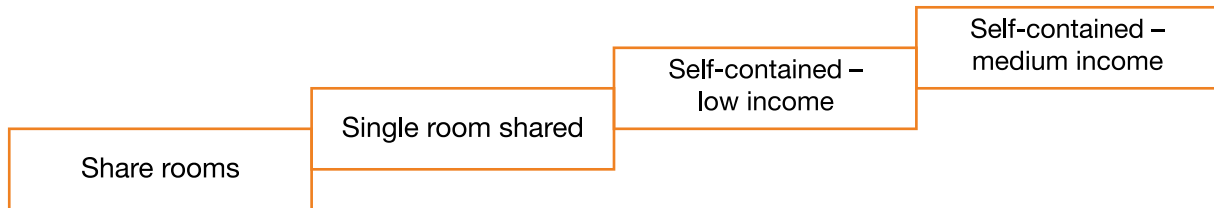


The low-income rental ladder

Based on demand-side affordability, Madulammoho Housing Association (MHA) has developed a stepped approach to providing people with alternative options at different rentals.

This “ladder” (or stepped approach) provides a range of choices to suit both household income and affordability but also household choice. It has the further advantage that where the full range is available, households can move through the options as their income changes if that is their choice. If incomes decline, households can choose to move down the ladder. With this approach, whatever the household income situation may be, at the very least safe and secure accommodation options will be available.

It is a very effective and flexible mechanism for rental housing provision, whether structured in one agency or jointly across different agencies within a particular geographical area.



It also clearly sets out the variety of rental options for lower-income households:

- Night shelter – occupant rents bed on night-by-night basis.
- Transitional housing – occupant rents bed or room on short-term lease (up to two years).
- Communal housing – tenant rents room linked to communal kitchen and bathroom facilities on indefinite contract.

3.3 Benefits of Renting

It is important to properly understand the benefits of rental housing not only for the tenant, but also in the context of government policies and programmes regarding the provision of housing and giving spatial form to residential patterns in urban areas.

Contrary to ownership, which requires formal procedures linked to title deeds and mortgage bonds, rental options require much simpler arrangements which rely at most on a lease agreement, and at least on an established relationship between the parties.

Formal rental housing (in contrast to BNG housing) has a different emphasis and targets a smaller segment of the population within a specific income group. It provides flexibility and mobility for households and is generally better located and linked to a range of urban services and opportunities.

Rental properties in urban areas generally provide opportunities for higher density developments, which means better use of urban land as well as reduced transport costs and emissions because of its location. Services consumed are generally paid for and are therefore provided on a more sustainable basis than in BNG settlements.

Formal rental housing requires higher level of skills for building, including greater involvement by architects,

engineers and skilled builders. This means that building quality and standards are high, and as such the lifespan expectancy is at least double that of BNG housing. Rental housing also creates ongoing employment opportunities in organisations managing and maintaining the stock.

Rental is also receiving more attention because there is an increasing awareness that in order to create more sustainable human settlements, it is necessary to reduce urban sprawl, and in so doing limit energy costs through better location of housing development and more compact city forms. For society, this means increased social integration and an opportunity for redistributing wealth.

For low- and moderate-income residents, proximity and integration underlie improved access to urban opportunities. Being well located means access to employment, transport, urban opportunities and basic services. For these households, location is often more important than housing quality, as it directly impacts on their livelihood strategy (reduced transport costs, urban services, social networks and urban opportunities).

In sum, formal rental housing, although initially more expensive, provides all kinds of benefits for poor households, for government, and society in general.

The government has responded to challenges in this sector through specific programmes. These are dealt with in the next section.

SECTION B

**GOVERNMENT PROGRAMMES
FACILITATING THE PROVISION OF
SUBSIDISED RENTAL HOUSING**



1. Overview

Each of the government's rental market intervention programmes are targeted at either low (R800 to R3 500) or moderate (R3 501 – R15 000) income households. Presently there is a national review of human settlement policies. This is likely to have an effect on all three programmes

but particularly the CRU and Institutional Subsidy instruments, so its future policy form is unclear. As it becomes clear, additional folders will be added to the Toolkit. In the meanwhile, this introduction will give a brief overview of each of these rental instruments, while the rest of the Toolkits particularly concentrate on the Social Housing and to a lesser extent on the CRU programmes.

INFO BOX



Informal rental and government subsidy

A number of policy studies by national and provincial government have considered government incentives for stimulating the informal rental market. A few municipalities and provinces have attempted to implement pilot projects.

Presently the policy consensus that the difficulty in controlling such subsidy and its targeting is that there is no evidence that such subsidy either increases supply nor quality. The major government focus is on increasing the bulk and internal infrastructure provision on new projects and in upgrading some townships to make it easier for private landlords to make available informal rental options.

There is also increased evidence that some small-scale landlords are now developing 'semi-formal' 2 and 3 storey buildings in backyards for informal rental.

Government policy intent is to extend rental housing opportunities, particularly where the market is presently not providing sufficient stock at affordable rentals. It has three programmes through which it is facilitating this development:

- Community residential units
- Institutional Subsidy.
- Social Housing

A brief summary of the present policy framework of each of these programmes follows.

2. Community Residential Units and Public Rental Housing

2.1 Introduction

The **CRU programme** was established in 2008 and an implementation model was developed after testing a pilot programme in the Free State in 2009.

The programme was developed to establish the mechanisms to provide at scale and affordable formal rental housing stock to households on monthly incomes of R 800 – R 3 500.

It was set up to cover a range of different types of project including:

- Hostel upgrades.
- Refurbishments of old buildings.
- Greenfield and infill developments.
- Refurbishments of existing municipal stock.

It is financed through a capital grant to cover the total capital costs as well as a proposed long-term planned maintenance grant. The intent was that the rentals would then be limited to Economic Cost Recovery, to cover the management costs only. Given the large subsidy, the ownership of the property was to remain with government, although different management options are proposed.

The capital financing was to come from the province which was to follow a rigorous assessment process around the capital and long-term operational viability. Provinces are the implementing agents for CRU projects, except in instances where they delegate this responsibility to a municipality. An assessment completed for the NDoHS in 2016 showed considerable shortcomings in the programme including:

- High capital costs per unit.
- Very high existing stock refurbishment costs providing no new housing opportunities.
- Units considerably larger than Social Housing specifications resulting in over subsidising of individual households.
- Rentals set much lower than Economic Cost Recovery.
- Large amounts of additional, untargeted municipal subsidies flowing to projects to cover operational management costs.
- Poor management of tenancies and physical structures
- Lack of control of income levels of those tenants
- Poor programme controls on expenditure against the norms and standards.
- Very limited monitoring of post-construction management within agreed norms and standards.

This review has resulted in a temporary suspension of the CRU Programme.

INFO BOX



The CRU programme is presently under review as part of the National Policy Review. In 2017 the Minister of Human Settlements placed a moratorium of the use of the CRU instrument.

2.2 Programme Intent

The CRU Programme was established to regularise poorly performing and unsustainable public housing stock that included hostels. It was also intended to create new public housing stock catered for the low-income market of households earning between R800 and R3 500 per month

2.3 Beneficiary Targeting

The subsidy is targeted at beneficiaries with household incomes between R800 – R3 500. Importantly, it is targeted at households in the following situations:

- Existing residents in housing stock – both qualifiers and non-qualifiers.

- Displaced persons from informal settlements, upgrades, emergency housing, evictions, etc.
- New applicants on waiting lists (both families and individuals) earning R3,500 per month or less.
- Indigents and aged people able to pay a certain amount towards rental and services.

2.4 Spatial Targeting

There is no policy that spatially targets the use of the CRU programme. However, given the very large capital subsidy spent per unit delivery, allocation of the grant should be guided by the market value of the completed units.

EXAMPLE BOX



Maximising value of Government Investment

At an early stage in the programme, one municipality proposed establishing a CRU project on an old hostel site; one where a hostel had been burnt down. The site was on the edges of the old township. The estimated cost per unit at the time was R 240 000 per unit. The estimated vacant market value after completion was R60 000 per unit. However, the municipality had a number of other much better-located sites close to town centres and transport networks where the market value of completed units would have been much higher and of social advantage to the tenants much greater.

2.5 Policy Framework

There is a broad national policy framework for the programme that is supported by strong norms and standards for the physical developments. These are in turn linked to a capital financing framework that is tailored to the nature of development:

- Hostel upgrade.
- Existing building refurbishment.
- New builds on greenfield, brownfields and infill sites.
- Refurbishment of existing government stock.

The cost parameters are done in part on a per square metre basis and in part on an overall development basis, depending upon different elements in the planning, preparation and construction and includes separate calculations of some or all of the following elements:

- Project feasibility.
- Occupant Consultation.
- Occupant relocation.
- Detailed Planning.
- Demolition.
- Construction by construction phase.

2.6 Financial Model

CRU is a capital grant drawn from the Provincial Human Settlement's budget which should cover the total cost of the development, including community consultation, tenant preparation and take-on.

There is a strict framework within which the costs are assessed based on the different elements. The principle is that if all reasonable capital costs are covered by the grant, then there is no capital repayment which would otherwise be calculated into the rental.

The relevant management costs must be recovered through the payment of rentals by the tenants. This requires the setting and collecting of Economic Cost Recovery Rentals (ECR Rentals). If this is not done, then the project would not be financially viable or sustainable without the benefit of receiving an additional operational subsidy. However, such an additional operational subsidy is not part of the programme design; although it often occurs as a hidden and, in many instances, an untargeted subsidy.

INFO BOX



What is included in the CRU ECR Rentals?

This involves calculating all the input costs in the long- term management of the projects. Importantly, this should include:

Administration

- Financial services.
- Rent Collection and Arrears Management
- Legal Fees.
- Office accommodation.
- Office logistics.
- Back office staff.
- Tenant take-on costs.
- Bad debt and vacancy cost.

Management Costs

- Rates, refuse, and water sewerage.
- Communal electricity.
- Maintenance.
 - Reactive.
 - Long-term provision planned maintenance.
- Security.
- Cleaning.
- Gardening.
- Tenant Engagement.

The SHRA KPI for SHIs managing SH stock is an average of R1 350 per unit per month; however it must be linked to likely annual increases in input costs. In 2016, NASHO calculated that average unit costs of a well-run SHI were between R950 and R1 100.

While the costs for a CRU might be slightly less, as municipalities might exempt rates and some other charges, it is difficult to achieve a lower ECR than R800 for municipal stock. Is this affordable to the targeted population? If not, how much is the additional subsidy required and where will it come?

2.7 Physical Form

It involves the following forms of rental housing provision:

- Self-contained flats.
- Rooms with Communal facilities.

In the following projects:

- Hostel upgrade.
- Refurbishment of old buildings.
- Greenfield and infill developments.

- Refurbishment of existing municipal stock.

The physical norms and standards for development are well developed. They include a variety of forms and sizes of units, as described earlier, which are closely linked to the calculation of the capital grant.

The greater challenge is the use and adherence to the norms and standards in the allocation of subsidy via the province and in the monitoring of the construction of projects.

Table 3: Roles of key stakeholders

STAKEHOLDER	ROLES AND RESPONSIBILITIES
National Government NDoHS	Development of policy Oversight of provincial application of programme including budget allocation and spend
SHRA	Presently has no defined responsibility MinMec proposal that SHRA undertakes regulation of the CRU programme, however studies are underway to test if this is feasible and how can it be done
Provinces	Budget allocation for portion of SH and any full IS projects Project approval and budget allocation Developer Managing payment of grant financing on basis of contract with developer Monitoring of development on basis of contract and norms and standards Monitoring of take on and long-term management of stock and tenancies on basis of agreed norms and standards
Municipality	Spatial planning and IDP responsibilities for agreeing and locating IS projects In some provinces, municipalities are given the responsibilities as implementing agents (see above under Province) Ownership of the project Managing of the stock and tenancies Provision of additional operational subsidy
Management Agents (SHIs and ODAs)	According to policy can undertake the management of the stock and tenancies under contract with government but this seldom happens
Private for-Profit Companies	Primary and sub-contractors for the construction

2.8 Ownership & Management of Stock

The policy requires that the land remains in the ownership of a sphere of government. Usually this is with the municipality. The policy allows for the following management arrangements:

- Accredited SHI.
- Other Private Management Agent.
- Municipality.

In reality, because of the problems with the sustainability of projects and the lack of a clearly demarcated and externalised operational subsidy, most new CRU projects are under the management of municipalities.

Private companies, whether for profit or non-profit, would be reluctant to take on the huge risk of the shortfall between rental revenue and actual management costs. More so with the political limitation on the right to evict even when tenants can afford but choose not to pay.

2.9 Long term Control & Monitoring of CRU Projects

Presently this responsibility sits with Provinces or, where so designated, with municipalities. In most instances they might have the capacity to manage the capital spend but do not have in place the resources and mechanisms to monitor and regulate this against agreed operational management norms and standards. Without this, there is no way of ensuring that the government investment is used to achieve the programmes objectives in the longer term.

2.10 Existing Public Rental Housing

Public housing usually refers to housing that is owned by a municipality or provincial government and used for providing rental accommodation for low-income households as well as for essential services public sector staff.

Since 1994, the government has been developing policies specifically to transfer as much of this stock as possible to the occupying tenants. The Enhanced Extended Discount Benefit Scheme (EEDBS) was introduced in 2001 to encourage the transfer of residential stock owned by municipalities and provinces to existing tenants based on a subsidy entitlement. It also facilitated the phasing out of government subsidies to tenants who continued renting such stock through the introduction of ECR or market rentals.

There are presently still many flats and housing units owned by provincial governments and municipalities that are used to provide rental housing for people on low incomes. However, there are a number of problems with this public rental stock including:

- Poor management of stock.
- Highly subsidised rentals.
- High levels of non-payment of rentals.
- Lack of control over the targeting of use of rental stock.
- Deteriorating condition of stock because of poor maintenance.
- Financial drain on spheres of government by this stock.

During the past five years there has been a policy shift towards encouraging government to remain involved in the development and management of rental stock for low-income households.

3. Institutional Subsidy Programme

3.1 Background

The **Institutional Subsidy Programme** was introduced in 1996 at the same time that the first RDP ownership subsidy was introduced. At the time the government's focus was predominantly on ownership and rental was not considered an integrated part of the government's housing policy. The IS mimicked the form of the ownership subsidies but advanced a form of institutional ownership through non-profit companies. It was used to primarily finance rental housing but also piloted a number of rent-to-buy and deferred ownership projects.

The programme emphasised the capital viability of products with little attention to the long-term sustainable management of the stock. Over time, its use evolved to cover a range of different options including:

- Self-contained Social Housing.
- Rent to Buy.
- Communal Units for the itinerant.
- Hostel upgrades.
- Special Needs Housing.

In 2006, with the introduction of the Social Housing Policy, the Institutional Subsidy (provincial allocation) was linked with the Restructuring Capital Grant (RCG) as a dual way of financing Social Housing Projects, although both instruments are still administered separately.

In 2018 the two grants were combined into the Consolidated Capital Grant (CCG) to provide the capital financing for social housing through the SHRA. The Institutional Subsidy automatically follows approval of RCG for a project and it is administered by the SHRA.

Approximately 90 000 units were funded through the programme and some 30 000 units are currently being managed by existing SHIs.

3.2 Beneficiary Targeting

The subsidy is targeted at projects with institutional forms of ownership where beneficiaries are households of incomes R800 – R3 500. In most instances this is for rental, mainly for special needs and in some cases for a form of transitional housing. Attempts to use it for rent- to-buy and 'deferred sales' have mostly failed, so it is now seldom used for this purpose. It is now predominantly used to provide the top-up subsidy to make social housing rental viable for the low-income households.

3.3 Spatial Targeting

There is no policy that spatially targets the use of the IS. As long as it is used on the basis of the institutional control it can take place in urban, peri-urban or rural areas.

3.4 Policy Framework

The policy framework for the IS contained in the Housing Code is very general and open to different interpretations. It presently concentrates on capital viability without defined standards or structured mechanisms to assess the long-term viability either at planning and allocation stages or over the life of the project. Some Provinces have used the IS as a financing instrument within their other programme policy e.g. KZN Special Needs Policy.

3.5 Financial Model

The Institutional Subsidy is a capital grant drawn from the Provincial Human Settlements budget which presently totals R116 867 (2019). In some provinces it is higher given the eligibility for technical variations such as Geotech conditions and Southern Cape Condensation (in coastal areas). Generally, the quantum is reviewed annually by the National Department together in line with reviews of the BNG policy. However, the qualifying income band has remained the same since inception.

Where the grant is linked to approved Social Housing projects, it is controlled and administered by the SHRA. For other projects the responsibility still rests with the Province or municipality depending upon the policy and procedures in a particular Province.

In some Provinces it is applied in Special Needs projects, as a per room allocation, rather than for a self-contained unit.

3.6 Physical Form

There are no specific norms and standards linked to this programme, rather it is guided by the general standards set in the Housing Code. However, within the rental tenure aspect of the programme, the form has taken medium density walk-ups with self-contained flats and or rooms with communal facilities. Historically, when used for rent-to-buy or deferred ownership, the physical form was usually stand alone, maisonettes or cluster houses, making for easier individual ownership.

When used in SH projects approved by the SHRA, it is subject to the more stringent norms and standards (presently under review) that concentrate on medium and higher density developments and permit only self-contained units to a minimum of 30m².

The use of this subsidy for hostel upgrades is now superseded by the policy and allocations within the CRU programme (see below).

Table 4: Roles of key stakeholders

STAKEHOLDER	RESPONSIBILITIES
National Government NDoHS	<ul style="list-style-type: none"> • Development of policy • Oversight of provincial application of programme including budget allocation and spend
SHRA	<ul style="list-style-type: none"> • Responsible for the allocation and management of disbursement for approved SH Projects • Long term regulating terms and condition of management of Social housing projects in terms of SH regulations • Proposed role in broader regulation of all IS projects new and existing under consideration.
PROVINCE	<ul style="list-style-type: none"> • Provincial policy priorities for use of IS • Budget allocation to the IS programme • Project approval and monitoring of non- SH IS projects capital and long - term management • Support for municipalities using IS • Housing consumer education • Rental Housing Tribunal – addressing conflicts between landlords and tenants
MUNICIPALITY	<ul style="list-style-type: none"> • Spatial planning and IDP responsibilities for agreeing and locating IS projects • In some provinces, municipalities are given the responsibilities as implementing agents (see above under Province).
IMPLEMENTING AGENT e.g. SHI, Special Needs NGO)	<ul style="list-style-type: none"> • Facilitating the development including rising finances project and financial planning and contracting overseeing development and construction • Effective and efficient management of the completed project including both structures and tenancies
PVT for Profit Sector	<ul style="list-style-type: none"> • Developer • Construction contractor or sub-contractor

3.7 Ownership & Management of Stock

The policy dictates that a subsidy should be released to a non-profit organisation (e.g. SHI, Special Needs NGO, Co-op) that is expected to develop, own and undertake the long-term management of the stock. In terms of the contract with the Province or municipality, the IS contracting agent would either develop it themselves or contract a developer. In some instances, the Province or municipality has contracted the developer and then transferred the completed development to a management agent.

3.8 Long-term Control & Monitoring of IS Projects

Historically, this has been a great weakness of this programme. While the Province or municipality with designated human settlement responsibility might have monitored the delivery of the capital products, there was little or no long-term monitoring of the use of the asset under long term management. Often there are not even contracted terms that define clearly the conditions of long-term use.

MinMec has proposed that the SHRA undertake the future regulation of all existing and future IS projects. The SHRA is presently looking at the feasibility of this and the parameters within which to undertake this work. However, currently there is no clear policy and procedure framework for this.

3.9 Key considerations in the application of this programme by stakeholders

The IS programme is presently under review as part of the National Policy Review. In the meanwhile, there are a number of critical issues that stakeholders should consider before embarking on a non-SH linked IS project.

- The present grant quantum on its own does not allow for viable and sustainable rental housing projects without considerable extra operational subsidy from one or more sources. The affordable rentals from tenants cannot cover the cost recovery of both outstanding capital as well as the management costs required for a financially viable project.
- The same applies in consideration of any Co-op projects funded solely through this source. In addition, careful consideration should be given to the government study that has assessed the historical post-apartheid Co-op housing programme that has in most instances failed despite substantial additional subsidy allocations.
- Before deciding on using the IS for 'rent to buy' or 'delayed purchase' careful consideration of the actual cost of this model against affordability of the potential beneficiary (household incomes under R3 500 per month) is required. It is also worth while to study carefully the historical failure of such projects without substantial additional subsidy allocations.
- If a project does proceed, both the capital and long-term management and financial viability need proper assessment.
- Any contractual agreement related to such projects needs to include both the capital aspects as well as the conditions linked to operational financing, tenant eligibility, management service standards etc. which are presently not adequately covered in policy and procedures.
- The sphere of government with direct responsibility for driving the project must have in place the required mechanisms and resources to monitor the long-term use of the invested capital against the intent of the programme.

4. Social Housing

4.1 Introduction

The **Social Housing Programme** has three primary objectives:

- To contribute to the national priority of restructuring South African society in order to address structural, economic, social and spatial dysfunctionalities. This will contribute to government's vision of an economically empowered, non-racial, and integrated society living in sustainable human settlements.
- To improve and contribute to the overall functioning of the housing sector, and in so doing contribute, to widening the range of housing options available to low- and moderate- income households.
- Provide tenant households with access to resources that will permit them to take greater control of their positive household development and independence.

The **Social Housing Programme** provides government subsidies and support for the development of medium- to high-density rental housing in demarcated Restructuring Zones (RZs) within better-located parts of certain urban areas. Its primary objectives are the provision of affordable and well-managed rental stock to households with incomes ranging from R1 500 to R15 000, while achieving greater economic and racial integration of the urban areas.

The key funding mechanism is the provision of the Consolidated Capital Grant (CCG), comprising the Restructuring Capital Grant, which is targeted at projects in specifically

defined urban areas (Restructuring Zones) linked to the Institutional Subsidy, otherwise known as the Top-Up Grant Component of the CCG. In these projects, the development and management of the stock and linked tenancies is the responsibility of SHRA accredited SHIs (mainly not-for-profit) or for-profit Other Development Agents (ODAs).

4.2 Income Target

This programme is targeted at households with monthly household incomes ranging from R1 500 to R15 000 per month. This range is then divided into 2 further categories:

Primary: Household incomes R1 500 – R5 500

Secondary: Household incomes R5 501 – R15 000

The SH regulations prescribe that 30% of the units in each project must be leased to the primary income group and 70% to the secondary group.

The financing framework provides higher subsidies when the 30% of the primary market is exceeded. The SHRA requires a spread of rentals across the total entire income bands (see Info Box below). However, it is recognized that in certain geographical areas it is difficult to find households with regular incomes in the lowest income band R1 500 – R3 500 or where the private-for-profit housing sector is already supplying accommodation to the higher income groups. Since the rentals at the higher ends are important for internal cross-subsidising, where this market does not exist, it makes it difficult to achieve the income streams necessary for the lower rentals. In such instances it is possible to vary the spread.



INFO BOX



SH Income Band Spread

On any new project, the SHRA requires that rentals are set to meet a proposed income spread as outlined in the table below across primary and secondary bands.

The SHRA does permit some small variations where the market and demand in an area requires it for a viable project. It is these required rentals that provide the constraints on income for the SHI. Within these specified rentals the SHI must cover its loan repayments, management and administration costs. Included in such costs is a contribution to reserves to cover the long-term planned maintenance costs of the development.

INCOME BANDS	RENTALS			% ALLOCATION UNITS ACROSS INCOME BANDS	% OF INCOME FOR RENTAL
	MIN	MAX	MEAN		
1 500 – 3 500	375	875	620	10%	25%
3 501 – 5 500	945	1 845	1 395	20%	27%
5 501 – 7 700	1 760	2 464	2 112	20%	32%
7 701 – 11 300	2 695	3 955	3 325	20%	35%
11 301 – 15 000	4 181	5 550	4 866	30%	37%

4.3 Spatial Instruments: Location of Social Housing Developments

Since a major objective of the Social Housing Programme is to ensure greater economic and racial integration of urban areas, the grant is specifically provided to SH compliant projects that are in designated Restructuring Zones. These Zones are areas within Restructuring Municipalities that meet requirements of the SH programme intent to restructure urban areas and give access to areas with developed social and economic infrastructure to groups previously excluded access by Apartheid laws.

The process for the designation of RZs first requires the municipality to propose RZs using the rules set a part of the Programme regulations. Once agreed on by the municipal Council, they require endorsement by the Provincial MEC for Human Settlements before final approval by the National Minister and gazetting.

4.4 Financial Instrument: Capital Financing of Social Housing

The capital aspect of social housing is financed through the combination of a government grant with private sector loan finance and sometimes equity. The loan finance is then repaid through an element in the rentals.

4.4.1 Consolidated Capital Grant (CCG)

The Consolidated Capital Grant is provided in the form of a capital grant provided to the SHRA through the National Human Settlement's Budget. It is linked to very specific criteria regarding the location, viability and sustainability of the social housing project. Administered by the SHRA, the CCG is paid to the SHI or ODA responsible for the development and long-term management of the SH projects. The CCG has two parts:

- Restructuring Capital Grant (RCG) The current quantum per unit is R155 000 and it increases when the 30% primary market allocation is exceeded.
- Top-up component of the RCG It is a top-up grant for the RCG. The quantum is R116 867 per unit.

4.4.2 Capital - Loan Financing & Equity

This usually accounts for 0 – 35% of the capital cost of the project. With regards to SHIs, it is often primarily loan finance obtained usually from a Development Financial Institution (DFI) e.g. the National Housing Finance Corporation, at rates that range from prime to prime + 3%.

In some instances, the developer provides equity for the project, although this is very difficult for most non-profit SHIs to do. ODAs are required to inject a 20% equity investment in the project. This can involve a direct financial investment in the project or through an investment in the procurement or ownership of land.

In most instances that equity investment requires a return. With both equity and loan finance the repayment of both capital and any interest are recovered through an element in the rentals (see Info Box below under Rentals).

4.5 Operational Financing for Social Housing

4.5.1 Income and Expenditure

The management of the stock incurs both direct property and overhead costs for the SHI or ODA managing the stock and tenancies. These can include the following:

Rentals

Rental pricing at initial occupation of a new project ranges from a mean minimum of R625 to a mean maximum of R4

866 per unit per month. The SHRA regulations require that any new project attempts to achieve a particular spread of rentals across the primary and secondary income range.

The monthly rental charged is usually made up of the cost to the SHI/ODA of 4 elements:

- Loan and/or equity repayment charge.
- Administrative costs of managing the units and linked tenancies.
- Management costs of the units and linked tenancies.
- Development of a reserve that at least covers planned maintenance costs to maintain the units for a full lifecycle.

It is important that such costs are properly controlled as it is essential to keep the rentals at levels that are affordable to the targeted income group.

EXAMPLE BOX



Financing of an Average Unit

This is an example of the financing of a Social Housing unit and link to rental setting. The amounts can vary from project to project depending upon a range of variables.

AVG UNIT CAPITAL COSTS

Total Caps Cost 40m2 unit	R430 000	
RCG Subsidy	R155 000	Consolidated Capital Grant
Institutional Subsidy	R116 867	
Loan Finance and or Equity	R158 133	Repayment or return on investment prime + 3

AVERAGE UNIT RENTAL

Avg. contribution to monthly rental payments R1560

RENTAL ELEMENT	ESTIMATED AVG PER MONTH
Capital Repayment	R1 568
Management Costs	R1 300
TOTAL AVG RENTAL	R2 868

Rental Increases

It is not possible to avoid annual rental increases. Rentals escalate on an annual basis to cover inflationary increases in operating costs and any changes to loan interest rate payments. Rental increases should be aligned to CPI and associated increases, that influence rental escalations, to the satisfaction of the SHRA. A study done by NASHO in 2018 showed that the CPI increase on a basket of Social Housing input costs was closer to CPI + 1.8%.

Direct Property Costs

- Property insurance.
- Municipal Charges.
- Utility Charges - Communal.
- Maintenance – Reactive.
- Maintenance – Planned.
- Security.
- Cleaning.
- Gardening.

Overheads

- Office rentals, telephony and other administration costs.
- Transport.
- Staff costs.
- Marketing and Communication.
- Tenanting costs.
- Support services e.g. financial, human resource management.
- Legal costs.

INFO BOX



Cost of Management Service

A 2017 study by NASHO showed that for a SHI providing an efficient and effective management services the average costs were in the range of R950 – R1 100. The SHRA presently sets its benchmark for these costs at an average of R1 550 per unit per month.

These costs need close monitoring and control and must be recovered through the monthly rental income.

4.4.2 Institutional Investment Grants

The programme provides for institutional support for the development of viable SHIs. This is achieved through Institutional Investment Grants, namely:

- Pre-accreditation Grant: This grant is aimed at newly established and conditionally accredited SHIs to support them in the development of the organisation and management capacity.
- Project Feasibility Grant: This grant is aimed at supporting SHI and ODA projects that have been accredited, that require support to achieve readiness stage.
- Staff Gear-up Grant; This grant is designed to assist institutions managing projects with funds to cover operating costs while a project is being completed and still undergoing tenanting.
- SD&T Remedial Action Grant: This grant provides assistance and funding to institutions in instances of non-compliance with the SH regulations.
- General Capacity Building Grant: This grant is meant to assist institutions within the sector in terms of professional, knowledge and innovation development of the sector as a whole to ensure sustained sector development.

4.6 Delivery Agents (DAs)

Delivery Agents are responsible for the development and management of stock and linked tenancies. There are 2 categories of companies that can undertake the development of stock and its long-term management:

4.6.1 Non-Profit SHIs

These are non-profit companies that have as their primary objectives the development, ownership and the long-term management of social housing stock. In order to access the grant, a SHI must be accredited by the SHRA. The SHRA is then responsible for the monitoring of the accredited SHIs to ensure that they meet the regulations of the SH programme. SHIs are required to hold capacity and systems to manage the SH stock internally.

SHIs can be either independent or municipal entities. The latter are established in accordance with relevant government legislation including the Municipal Structures Act and the Municipal Finance Management Act (MFMA).

4.6.2 Other Delivery Agents

These are for-profit companies that can undertake the development, ownership and management of Social Housing using the CCG. They do this through having a project accredited by the SHRA in terms of the regulatory requirement of the SH programme. ODAs must provide a 20% investment in the project. ODAs are allowed to outsource the management arrangements to an external property management service provider. ODAs are subject to SHRA regulations for any project financed using the CCG.

4.7 Ownership of Social Housing Developments

The SH developments must be owned or held on a long-term lease by the Delivery Agent; a SHI or an ODA. The SHI and ODA are not permitted to dispose of any SHI development or use it for any other purposes without the approval of the SHRA. Such permission can only be granted within the strict conditions as imposed by the SH legislation and linked grant conditions.

4.7 Location of Social Housing Developments

Since a major objective of the Social Housing Programme is to ensure greater economic and racial integration of urban areas, the grant is specifically provided to SH compliant projects that are in designated Restructuring Zones. These Zones are areas within Restructuring Municipalities that meet requirements of the SH programme intent to restructure urban areas and give access to areas with developed social and economic infrastructure to groups previously excluded access by Apartheid laws.

The process for the designation of RZs first requires the municipality to propose RZs using the rules set a part of the Programme regulations. Once agreed on by the municipal Council, they require endorsement by the Provincial MEC for Human Settlements before final approval by the National Minister and gazetting.



INFO BOX

Is it only possible to receive CCG on a project that is in a restructuring zone?

The Restructuring Zones are the primary spatial targeting instruments for Social Housing. The exception is that it is possible to allocate CCG to an approved project in a government accredited Catalytic (Mega) Project not in a RZ. Presently such Catalytic projects are submitted to the Minister for approval via the Provinces submission and assessment by the Housing Development Agency (HDA).

The CCG is only allocated to SHRA approved SH projects in such developments.

4.8 Physical Form of Projects & Types of Units

The programme is specifically directed at medium- to high-density projects that can include any of the following:

- Greenfield.
- Infill development.
- Refurbishment of existing buildings.
- Conversion of existing buildings (e.g. from offices to flats).

There are very specific building quality standards. The programme presently requires the development of self-contained units of a minimum size of 30m². It also requires site layouts that encourage social cohesion. The norms and standards are presently under review (June 2019).

4.9 Challenges for the Social Housing Programme

While the Social Housing Programme is growing and achieving many desired outcomes, challenges remain, including:

- Ensuring the linkage of the quantum of the subsidy and income band to meet changing input development costs and minimum incomes.
- Accessing and packaging of more appropriate, well-located land within the land market costs and available subsidy quantum.
- Increasing the number of well-capacitated and well-run SHIs.
- Strengthening of relationships between municipalities and SHIs.
- Ensuring that the cost of utilities and municipal charges do not unnecessarily impact on affordability for lower-income tenants.



INFO BOX

This Toolkit is but one of the initiatives of the SHRA to address the capacity challenges within the SH sector

SECTION C

LEGISLATION, POLICY, ROLES AND RESPONSIBILITIES

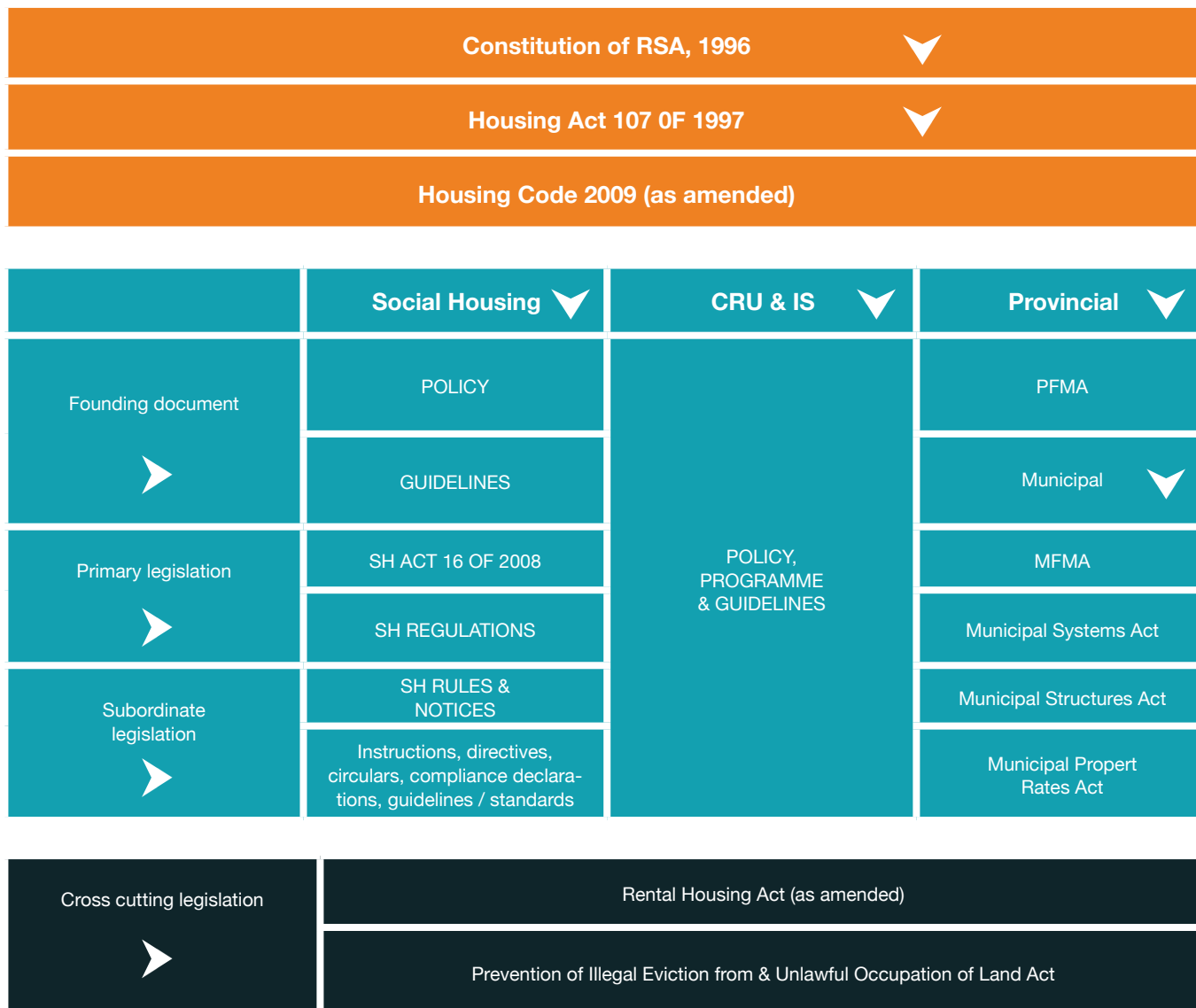


This section gives an overview of the key legislation and policies relevant to the delivery and management of the Rental Housing Programme for people on low income. Using this as a basis, it then considers key stakeholders and their respective roles and responsibilities.

1. Policy and Legislative Framework

Below is a diagrammatic overview of the legislative framework for the subsidised rental housing programmes of government.

Diagram 2: Legislative framework



1.1 Constitution

Section 26 of the Constitution enshrines the right to housing as follows:

- Everyone has the right to have access to adequate housing.
- The state must take reasonable legislative and other measures within its available resources to achieve the progressive realisation of this right.

Initially, government policy concentrated on the provision of ownership housing in pursuit of this constitutional right.

1.2 Housing Act No. 107 of 1997

The **Housing Act** provides for the facilitation of a sustainable housing development process which is given direction by set general principles applicable to housing development in all spheres of government. The general principles contained in this Section 2 of the Act states that all spheres of government must - Sec 2(1) (a) give priority to the needs of the poor in respect of housing development, (c) ensure that housing development, (d) encourage and support individuals and communities in fulfilling their housing needs, and (h) respect, protect, promote and fulfil the rights contained in the Bill of Rights in Chapter 2 of the Constitution.

1.3 Comprehensive Plan for Sustainable Human Settlements: Breaking new Ground (2004)

Ten years after the introduction of the housing programme in 1994, a comprehensive review of the outcomes of the programme and the changes in the socio-economic context in South Africa was undertaken. This led to the Cabinet approving the **Comprehensive Plan for Sustainable Human Settlements**, also known as Breaking New Ground (BNG), in September 2004.

BNG shifts the emphasis from the provision of housing to the creation of sustainable human settlements. This includes the promotion of more efficient urban areas. In support of spatial restructuring, BNG highlights the need to “integrate previously excluded groups into the city and the benefits it offers,” and promotes densification including “housing products which provide adequate shelter to households whilst enhancing flexibility and mobility.” This required government to rethink its primary delivery model to date, and a shift towards creating higher density housing that makes better use of urban land and services was initiated.

Government recognised the need to broaden the housing programme to address the increasing demand for affordable rental housing in urban areas. BNG called for a social housing programme to regenerate the inner cities in the country, promote the achievement of a non-racial integrated society and to more effectively develop well-located urban land by accommodating higher-density development. To do this equitably requires the development of institutional mechanisms to hold rental housing as a public asset over a period of time, for the benefit of a range of income groups.

1.4 Rental Housing Act No. 50 of 1999, Rental Housing Amendment Act No. 43 of 2007 and Rental Housing Amendment Act No 35 of 2014

By 1999 a policy shift to give more emphasis to rental housing started to occur. The **Rental Housing Act**, 1999 defines the responsibility of government in respect of rental housing property and creates mechanisms to promote the provision of rental housing property. The Rental Housing Act repealed the Rent Control Act of 1976.

It is aimed at creating mechanisms to improve the functioning of the rental housing market and makes provision for the establishment of Rental Housing Tribunals. The general principles governing conflict resolution and for the promotion of sound relations between landlords and tenants are laid out. The **Rental Housing Amendment Acts 43 Of 2007 and 35 of 2014** tightens the rights and obligations

of landlords and tenants and extends the powers of the rental tribunal. The 2014 amendment also places additional responsibility on the Minister in terms of lease agreements and the rental tribunals - a commencement date for the 2014 Amendment Act has not been announced yet.

In terms of government's responsibility to promote rental housing, it must:

- Promote a stable and growing market that progressively meets the latent demand for affordable rental housing among persons historically disadvantaged by unfair discrimination and poor persons, by the introduction of incentives, mechanisms and other measures that:
- Improve conditions in the rental housing market.
- Encourage investment in urban and rural areas that are in need of revitalisation and resuscitation.
- Correct distorted patterns of residential settlement by initiating, promoting and facilitating new development in or the redevelopment of affected areas.
- Facilitate the provision of rental housing in partnership with the private sector.

The Act did not, however, introduce new mechanisms for the government to directly facilitate the development of rental housing for those households on low-incomes.

1.5 Social Housing Policy, 2005

To support the implementation of BNG, the **Social Housing Policy for South Africa** (2005) “Towards an enabling environment for social housing development” was developed and sets the following objectives for social housing:

- To contribute to the national priority of restructuring South African society in order to address structural, economic, social and spatial dysfunctionalities, thereby contributing to government's vision of an economically empowered, non-racial and integrated society living in sustainable human settlements.
- To improve and contribute to the overall functioning of the housing sector and in particular the rental sub-component thereof, especially insofar as social housing is able to contribute towards widening the range of housing options available to the poor.

Social housing is defined in the policy as:

“A rental or co-operative housing option for low-income persons at a level of scale and built form which requires institutionalised management and which is provided by accredited social housing institutions or in accredited social housing projects in designated Restructuring Zones”.

It gave form to the mechanisms for implementation that are outlined in the section above.

1.6 Social Housing Act No. 16 of 2008

The **Social Housing Act** is aimed at establishing and promoting a sustainable social housing environment and defines the functions of national, provincial and local government in respect of social housing.

It provides for the establishment of a Social Housing Regulatory Authority (SHRA) in order to regulate SHIs obtaining (or which have obtained) public funds. The Act allows for the undertaking of approved projects by other delivery agents with the benefit of public money and gives statutory recognition to SHIs.

1.7 The Co-operatives Amendment Act 6 of 2013

The **Co-operatives Amendment Act** provides for the formation, registration and winding up of co-operatives, and for the first time includes a specific section on housing co-operatives. It therefore gives recognition to housing co-operatives as a means for delivering housing to low-income people, both for rental and group ownership.

The Act falls under the jurisdiction of the Minister of Trade and Industry.

1.8 CRU: Policy Framework and Guidelines 2006

The rental policy also defined a shift in the relevance of public rental stock. This marked recognition that there was a need to make more effective use of the existing rental housing stock owned by provinces and municipalities for low-income households. It also recognised the key role that these spheres of government had in improving existing stock, and in providing new stock specifically for low-income households. The **Community Residential Unit Policy Framework and Guidelines**, 2009 was developed in response to this need.

The CRU Programme aims to facilitate the provision of secure, stable rental tenure for lower-income persons. The programme provides a coherent framework for dealing with the many different forms of existing public sector residential accommodation.

Through the defined approach and funding mechanisms it intends to contribute towards:

- Stabilising the housing environment and market especially in township, suburban and inner-city areas.
- Supporting the integration of public housing into the broader housing market and environment.
- Ensuring the creation of sustainable public housing assets.
- Addressing dysfunctional and/or distressed buildings in cities.
- Providing rental accommodation for lower-income groups that are not at present being serviced by the social or other housing programmes.

More details are outlined in Section B above.

1.9 National Rental Housing Strategy & Outcomes

In order to respond to the acknowledged need for affordable low-income rental housing, and in order to redress spatial and economic inequalities of the past, government developed a National Rental Housing Strategy which is updated every 5 years (linked to the planning cycle of government).

The first national rental housing strategy acknowledged the need to provide an implementation framework for the implementation of the subsidised rental housing programmes of government. It sought to understand the rental housing market failure and developed plans with delivery targets that informed budgetary and resourcing requirements. The first National Rental Housing Strategy pinned demand for rental housing at 133 746 units per annum for the years 2006 to 2011, with the hope of building 100 000 units per year.

1.10 Other Relevant Legislation Impacting on the Rental Programme

In addition to the specific legislation dealing directly with rental housing there is other legislation that impacts on the way in which the rental programme is delivered.

1.10.1 Housing Development Agency Act No. 23 of 2008

The **Housing Development Agency Act** enabled the NDoHS to establish a Housing Development Agency (HDA) as a statutory body responsible for the acquisition and rapid release of well-located land for integrated settlements. The HDA's main purpose is to address:

- The shortage of well-located land for low-income housing purposes.
- The rapid development of sustainable human settlements by proactively improving inter governmental relations across all spheres of government by ensuring that needed inputs are delivered.
- The supply of project management capacity for government projects.

It is envisaged that rental housing is an important component of the Human Settlement programme and the work of the HDA will practically support the provision of more viable rental housing for medium- and low-income households.

1.10.2 Municipal Finance Management Act No. 56 of 2003 (MFMA)

The object of the MFMA is to secure sound and sustainable management of the fiscal and financial affairs of municipalities and municipal entities by establishing norms and standards and other requirements to meet government's developmental responsibility.

1.10.3 Public Finance Management Act No. 1 of 1999 (PFMA)

This serves a similar function for provinces as the MFMA does for municipalities. It is intended to regulate financial management in the national and provincial governments, to ensure that all revenue, expenditure, assets and liabilities of those governments are managed efficiently and effectively, and to set out the responsibilities of persons entrusted with financial management in those governments.

INFO BOX



PFMA and MFMA and government rental programmes

The success of the government Rental Housing Programme is dependent upon resource inputs, particularly grants and suitable land. When provincial or municipal governments wish to transfer assets, they are subject to the PFMA and the MFMA respectively.

The intent of both of these pieces of legislation is to ensure that provincial and municipal assets are used to maximise the developmental objectives of government. The controls stipulated in this legislation are not intended to inhibit development but rather to provide processes that ensure that government makes the most effective use possible of its assets for national developmental objectives. In doing so it must ensure that it follows the correct procedures.

For CRU this applies to proper procedures for outsourcing of different functions and not the disposal of assets, as land and top structures remain the property of government. The established process and procedures in CRU reflect MFMA and PFMA legislation.

For social housing the disposal of land and buildings owned by government at the right price to make the projects affordable makes the MFMA and PFMA pertinent. Sometimes municipalities and provinces are reluctant to proceed because of the provisions of these Acts. However, experience has demonstrated that it is possible to structure such long-term arrangements within the Act through:

- Following the disposal through "developmental interest" procedures that involve proper community consultation processes.
- Use of leasehold arrangements.
- Entering into longer-term partnerships with SHIs.

1.10.4 Prevention of Illegal Eviction from and Unlawful Occupation of Land Act No 19 of 1998

Commonly referred to as the **PIE Act**, this Act serves to provide for the prohibition of unlawful eviction; and to provide for procedures for the eviction of unlawful occupiers.

PIE states that no-one may be deprived of property except in terms of the law of general application, and no law may permit arbitrary deprivation of property. No-one may be evicted from their home, or have their home demolished without an order of the court made after considering all the relevant circumstances. PIE regulates the eviction of unlawful occupiers from land in a fair manner, while recognising the right of landowners to apply to a court for an eviction order in appropriate circumstances. Special consideration needs to be given to the rights of the elderly, children, disabled persons and women-headed households, and the needs of these groups should an eviction order be applied for.

The Act applies to municipalities, municipal entities and other spheres of government in their dealings with local government. It is particularly pertinent to rental housing programmes as it regulates the approach to the disposal of assets by municipalities as well as the approaches to acquisition of goods and services by municipalities.

2. Key Players and their Mandates

There are a number of different organisations, both governmental and non-governmental, that contribute to the rental sector and linked government programmes. This section outlines some of these key stakeholders and their roles and responsibilities under the following broad groupings:

- Government – national, provincial and local.
- Finance institutions.
- Property management entities.
- Tenant organisations.
- Other key stakeholders - SHI co-ordination and

lobbying, NGOs and CBOs and professionals to the delivery agents.

It is critical that anyone working in provincial or local government on the rental sector has a good broad understanding of the key stakeholders in the sector.

2.1 National

2.1.1 National Department of Human Settlements

It has the primary policy development and programme structuring responsibilities for rental housing programmes. In addition, it must fund the SH programme. It also develops awareness of the rental programmes and plays a part in developing the capacity of key stakeholders.

The key roles and responsibilities of national government listed in the Housing Code are as follows:

- Provide overall leadership for the sector.
- Create an enabling environment for rental housing, through the development of policy and enactment of legislation.
- Ensure attention to constitutional responsibilities.
- Provide a regulatory and legislative framework within which actors in the sector must operate.
- Address issues that affect the growth and development of the sector.
- Fund the Rental Housing Programmes.
- Administer the standard / fixed restructuring components of the capital grant.
- Approve the designation of Restructuring Zones submitted by provinces and local authorities.
- Approve rental housing projects, programmes and business plans submitted by provinces.
- Establish institutional capacity to support rental housing initiatives.
- Monitor the effective use of government grants for housing including subsidised rental housing.

2.1.2 National Government Agencies

Social Housing Regulatory Authority (SHRA)

The SHRA, an organization of Statute established under the Social Housing Act 16 of 2008. The body responsible for investing, regulating and capacitation of the social housing sector. The SHRA's mission is to facilitate delivery of quality, sustainable social housing at scale to advance the needs of low and middle-income groups in support of spatial, economic and social restructuring. The SHRA is required to have performance agreements with Provinces and the NHFC to achieve sector alignment and efficiencies.

Its specific mandate is:

- to regulate government investment in the sector.
- to regulate the delivery agents providing and managing the social housing stock in terms of the regulations.
- to support the development of capacity for the delivery of the programme.

It is responsible for:

- the accreditation and regulation of non-profit SHIs,
- the awarding and allocation of government financed SHRA accredited Social housing projects.

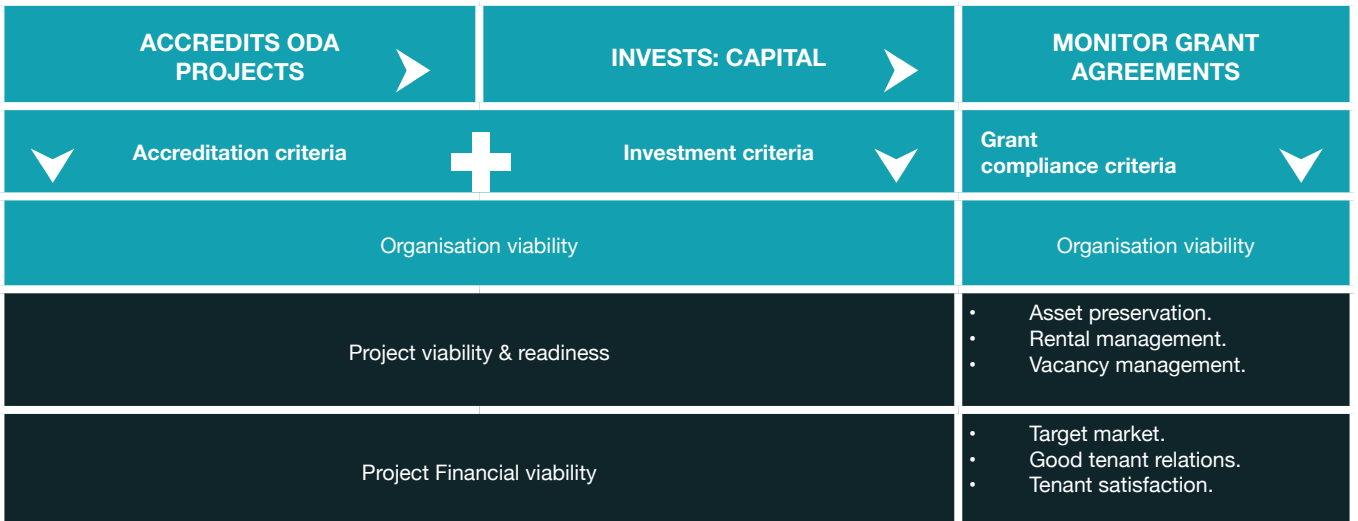
- investing in programmes and projects to develop the right capacity in the sector.

This involves:

- Accrediting SHIs and approving their project applications.
- Accrediting projects to be developed by other delivery agents (private sector developers and managers) wanting to develop social housing projects in restructuring areas.
- Managing the awarding and disbursement of the Consolidated Capital Grant as the main subsidy instrument of the programme.
- Conducting compliance monitoring.
- Enforcing compliance where necessary.
- Advising the Minister on social housing matters.
- Formulating, directing and overseeing the capacity building programme to build the social housing sector.

The SHRA is required to carry out its mandated function in close conjunction with the other spheres of government as well as other key stakeholders.

Diagram 3: SHRA implementation approach



Housing Development Agency (HDA)

This national agency has primary responsibility for identifying and preparing land for the provision of housing within the government’s Integrated Human Settlement policy. This involves the initiation of rental housing projects in partnership with municipalities and other key stakeholders. Furthermore, it should support municipalities and other key stakeholders in the implementation of these projects.

In addition, the HDA assesses Catalytic Projects for designation by the Minister of Human Settlements. Once designated, it is possible to use the CCG on such projects whether or not they are within Restructuring Zones.

2.1.3 Other National Structures

Provincial Steering Committee Chairpersons Forum

This forum is the national coordinating committee for the social housing sector with representation from the respective chairpersons of the Provincial Steering Committees (PSCs) and from municipalities, SALGA, the SHRA and the NHFC. The working group of the PSC Chairpersons Forum precedes the National Rental Housing Task Team (NRHTT).

National Rental Housing Task Team (NRHTT)

The function of the NRHTT is to facilitate, co-ordinate, guide and manage the interface amongst all rental housing programmes to achieve greater alignment and coherency in policy, programmes, projects and research with the wider human settlement policies, development and performance objectives of government. The Task Team is comprised of: the NDoHS, provinces, local government (especially the metros), the SHRA, NHFC, NURCHA, and HDA.

Peer Learning Forum

The forum is hosted in different locations linked to a project visit to discuss best practice and build awareness of the social housing programme.

2.2 Provincial

2.2.1 Provincial Departments Responsible for Human Settlements Provincial governments are responsible for:

- The overall co-ordination of provincial housing rental policy, strategy and the delivery of rental housing to households on lower incomes who qualify within national subsidy policies.

- Ensuring that the provincial allocation that forms part of the CCG is within the provincial budget - as much as this is a directive of the SH Act, it has been revised to fall under the mandate of the SHRA.
- Assisting in the development of capacity of the municipalities to prepare their rental housing strategies as part of their Integrated Development Plans (IDPs).
- Co-ordinating the implementation of these rental housing projects.
- Assisting in making available appropriate province-owned land and buildings for use in rental housing within the CRU and social housing programmes.
- Allocating additional grants available for special needs housing which can include rental.
- Monitoring and evaluating the roll-out of the rental programme in the province and the use of provincial government grant allocations.
- Running the PSCs that are the main forums for co-ordination and alignment of the SH activities in the Province.
- Establishing and resourcing of the Rental tribunals established to mediate where necessary between landlords and tenants.

More specifically, it has responsibility for the following tasks under the two major programmes:



ROLE OF PROVINCES IN SOCIAL HOUSING

Every provincial government, through its MEC, must:

- a. Ensure fairness, equity and compliance with national and provincial social housing norms and standards.
- b. Ensure the protection of consumers by creating awareness of consumers' rights and obligations;
- c. Facilitate sustainability and growth in the social housing sector.
- d. Mediate in cases of conflict between a social housing institution or other delivery agent and a municipality, if required
- e. Submit proposed restructuring zones to the Minister;
- f. Monitor social housing projects to ascertain that relevant prescripts, norms and standards are being complied with;
- g. Endorse SH projects and participate in the SHRA decision-making forum for approval of CCG.
- h. Develop the capacity of municipalities to fulfill the roles and responsibilities contemplated in section 5.

A provincial government may not interfere with the governance or management of social housing institutions.

Subject to section 11(3)(k), the Regulatory Authority may not interfere with the monitoring of social housing projects.

ROLE OF PROVINCES IN CRU

Provincial housing departments are responsible for:

- a. Conducting of audit and confirmation of ownership.
- b. Communication with municipalities, residents' associations and tenants.
- c. Consolidation of audits for province and municipalities and responsibility for application for funding.
- d. Receipt and disbursement of funding CRU projects.
- e. Issuing of tenders for provincial housing department stock and support role for municipal stock.
- f. Adjudication and appointment of service providers for provincial housing department stock and support role for municipal stock
- g. Monitoring and evaluation and reporting on the capital delivery as well as the long-term management of stock and tenancies.
- h. First-line support to municipalities.
- i. Management of project expenditure and deviations.
- j. Compilation of budget for long-term maintenance.
- k. Create rental tribunals with offices in municipalities.
- l. Administration of the programme and funding.

2.2.2 Provincial Rental Housing Steering Committees

The success of the rental housing programmes is very dependent upon the co-operation and alignment between the different spheres of government in each province in engagement with critical non-governmental stakeholders. Provinces have an important part to play in facilitating this.

The national rental housing strategy introduced **Provincial Steering Committees** (PSCs) as the focus for achieving the necessary co-operation and alignment. There are two potential approaches to this:

- A single rental housing PSC that deals with all government-linked rental housing initiatives.
- Separate CRU and Social Housing PSC's.

The setting up and co-ordination of these PSCs is the responsibility of provinces. They are used to engage municipalities but can also involve other key stakeholders e.g. SHIs, key government-linked entities like the National Housing Finance Company and the HDA.

There are developed guidelines and terms of reference (ToR) for the establishment of these PSC's available from .

The committees are mandated to:

- Facilitate and provide inputs into provincial and municipal rental housing strategies.
- Help align the involvement of the key government and other stakeholders in delivering the rental strategy.
- Facilitate the removal of blockages to delivery.
- Co-ordinate the development of and provide inputs on the provincial five-year rental housing project pipeline.
- Motivate for quantum of funding required for rental housing projects in the province.
- Recommend projects for approval for project financing as a prerequisite for the consideration of these projects by relevant spheres of government.
- Track progress made on delivery against agreed strategy and propose interventions where deemed necessary.

2.2.3 Rental Housing Tribunals

These were set up at a provincial level in terms of the Rental Housing Act. Their function is to act as a mediator in dealing with the resolution of disputes between landlord and tenants in terms of the conditions set down in the Act. Although independent, they are set up by and receive administrative support from provincial government. Rental Tribunals resolve disputes between SH Landlords and tenants therefore it is important that they have a thorough understanding of the Social Housing policy, legislation and regulations.

2.3 Local

2.3.1 Municipalities

In terms of the Constitution, national legislation and policies, municipalities have a primary responsibility for the realisation of housing development, particularly for previously disadvantaged people living in their areas. This includes facilitating the provision of housing.

With regard to rental housing the municipality is expected to:

- Develop appropriate housing strategies and incorporate them into its IDP.
- Assess needs, demand and gaps in supply for rental housing.
- Help in securing the resources to respond to the demand for rental housing.
- Structure partnership arrangements with key stakeholders to ensure delivery.
- Identify appropriate projects that meet the national policy requirements.
- Apply for or assist in applying for government financing

of such projects.

- In some instances, directly implement such projects.
- Provide access to municipal infrastructure and services for rental housing, and where appropriate, with local fiscal benefits.

Role of Municipalities in Social Housing

- Identify suitable municipal land for social housing development and release it to SHIs in an appropriate manner.
- Where identified as a broad Restructuring Zone municipality, define specific restructuring zones within its area for approval by the MEC and the national Minister.
- Co-operate with SHIs in their areas through partnerships and Service Level Agreements (SLAs) to ensure effective allocation and management of social housing stock and tenancies.
- Monitor the delivery by SHIs on projects that specifically use municipal resources.
- Provide preferential access to SHIs to acquire local authority rental stock.
- Assist SHIs in their establishment stages by providing logistical and resource (financial, human and technical) support.
- Provide grant funding and assistance with sourcing additional funding.

The South African Local Government Association (SALGA) has provided detailed [Guidelines on Social and Rental Housing](#) for Municipalities.

Roles of Municipalities in CRU

Municipalities are key stakeholders in CRU programmes. They have the following responsibilities:

- Developing CRU strategies and project pipelines for their areas.
- Identifying and assisting in the packaging of appropriate land and projects.
- Applying for necessary CRU grant finance from province for projects.
- Facilitating the CRU developments in their areas in co-operation with the province.
- In some instances, to act as the developer.
- Either managing the completed stock in an efficient and effective way or entering into agreements with management agents to undertake this task.
- Monitoring the CRU programmes in their areas.

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Politicians and administration

In all three spheres of government there is involvement of both politicians and administrative officials in rental housing in their spheres. To develop successful projects, it is best that politicians and officials co-operate with each other, and respect each other's specific roles.

The primary role of the politician is to provide the policy and budgetary framework as well as the strategic plan for the implementation of rental housing. Politicians also assist in facilitating the smooth implementation of projects which involve community issues and concerns.

The administration must:

- Provide relevant information and analysis on the sector
- Advise politicians on key issues related to policy, strategy and budget allocation
- Implement the agreed policy and strategies.

2.3.2 Municipal Entities

Some municipalities have established municipal entities in terms of the MFMA and other local government structuring legislation to assist them in these tasks. Municipal entities have direct accountability to the municipality and are subject to the provisions of the MFMA and the Municipal Structures Act and are set up to achieve the following objectives:

- Refurbishing existing projects and the turning around of non-performing projects related to council-owned housing.
- Providing alternatives to single-sex hostels.
- Producing new stock.
- Contributing to a strategy for turning around declining inner cities.
- Managing completed rental stock and linked tenancies within both the CRU and social housing programmes.

They have to operate within municipal strategies and targets, particularly those contained within the Housing Chapter of the IDP and are treated as additional municipal departments.

Their relationships are governed either by SLAs or memorandums of understanding but are also part of the municipalities' budgets and strategic planning framework. They face multiple accountability responsibilities including to their own board and political and administrative officials within the municipalities.

There are very few municipal housing entities that are functioning effectively in the rental sector. There is often confusion about their exact role in municipalities—whether they are facilitators or developers; and whether they are responsible for managing completed stock or management of the municipality's existing stock. This lack of clarity about

their role, and the risks involved, has meant that many municipal housing entities have failed or are failing.

2.4 Finance Institutions

This includes developmental financing institutions.

2.4.1 National Housing Finance Corporation (NHFC)

In 1996 The National Housing Finance Corporation (NHFC) was established to provide wholesale finance to retailers of housing finance. It is presently undergoing restructuring incorporating both NURCHA and the Rural Housing Fund. The intention is to establish a government National Housing Bank.

The NHFC has and continues to play an important role in the loan financing of Social Housing for which it remains the primary lender. The role for the NHFC is to:

- Provide improved access to loan funding by developers of rental projects.
- Assess project viability from an institutional and financial perspective.
- Provide and/or facilitate access to guarantees for loan funding from private sector financial institutions.
- Explore and support mechanisms aimed at gearing public funding with private equity and loan finance.

The NHFC works closely with the SHRA to align the allocation and disbursement of SH project financing. However, as a loan funder it undertakes its own project and risk assessments of Social Housing projects before deciding whether to provide finance or not.

2.4.2 Trust for Urban Housing Finance (TUHF)

The Trust for Urban Housing Finance (TUHF) is a finance company providing short-and medium-term loans to property entrepreneurs looking to purchase or improve residential rental buildings within South Africa's inner cities. It provides a range of financing products including refurbishment and bridging loans, as well as financing and development advice. It played an important role in the funding of Social Housing, particularly in the inner city of Johannesburg. It is now more involved in lending to for-profit landlords.

2.4.3 Banks / Commercial Sector

A number of South African commercial banks have become involved in lending to social housing projects. Social housing projects developed and managed by reputable SHIs, with screening through the national government grant system, provide banks with better risk protection than direct individual lending at the lower end of the market. It also cuts down on administrative costs for the banks because they have one bulk loan to administer and the SHI is responsible for collecting the contributions from individual tenants. On most social housing projects individual banks will co-finance with another bank or the NHFC as an additional risk protection mechanism.

2.5 Landlords / Property Management Entities

A critical area in the success of rental housing for households on lower incomes is the efficient, effective and responsive management of stock. Various agencies undertake this work.

2.5.1 Municipalities

Historically, a number of municipalities have managed their own rental stock. While some of this stock is now sold off to the tenants there is still a substantial amount under direct municipal management.

While there are massive problems around the quality of municipal management it is likely to continue.

To ensure improvement, it is necessary to develop management models that move away from the "silo" approach that divides the management into discrete and seldom co-operating streams for allocations and tenant management, financial management, and stock management including repairs. Instead, municipalities should concentrate on a more integrated and responsive service modelled on that of the successful SHIs.

2.5.2 Municipal Entities

These are entities set up by municipalities to undertake responsibility for aspects of municipal housing delivery and management. Some of these are specifically tasked with the management of the municipality's existing stock or of newer CRU and social housing developments. Such municipal entities are generally also classified as a form of SHI and are required to be accredited as SHIs by the SHRA if they access the CCG.

2.5.3 Independent Social Housing Institutions

These are generally, although not always, not-for-profit companies with the specific mandate of developing, owning and managing rental housing stock for households on low incomes. They are usually the conduits for the investment of the government's CCG. Their particular expertise is the development of stock within a tight financial framework and then taking on management of the stock and the linked tenancies.

Usually the SHI owns the rental stock developed or holds it on a long-term lease. However, the CRU Programme also provides the opportunity for SHIs to enter into management agreements with municipalities and province.

The role of SHIs is as follows:

- Facilitate the development and undertake the management of social housing stock and linked tenancies.
- In some instances, undertake the management of CRU projects for low-income residents jointly with local authorities.
- Promote the creation of quality living environments for low-income residents.
- Reinvest any operational surpluses in further social housing projects in restructuring zones.
- Apply for and achieve accreditation and comply with accreditation requirements.
- Establish and comply with annual performance agreements with local authorities on social housing projects in the area of jurisdiction.
- Consult with residents in rental housing projects through meaningful participation.
- Inform residents on issues relating to consumer protection.
- Observe and operate within a best practice and value regime as supported by national policy.
- Comply with the Ministerial national norms and standards in respect of permanent residential structures, the National Building Regulations and the technical standards imposed by the NHBRC, where applicable.

SHIs sometimes enter into partnership agreements or sign SLA's with municipalities. These are intended to strengthen the co-operation between them and ensure roles, responsibilities and resource flows are properly defined, and through this to strengthen both partners and to help facilitate project implementation.

2.5.4 Other Delivery Agents (ODAs)

The social housing legislation regulations permit the development and management of SH by private for-profit companies. This involves such companies in applying to receive accreditation for SH projects. As a pre-condition for this, such ODAs must invest a 20% equity investment in such projects. They are also responsible for reporting on the management of such projects to the SHRA in accordance with the CCG Agreement.

2.5.5 Private Rental Agencies

These are private for-profit agencies that undertake the management of rental stock, usually on a fee-per-unit basis. They usually do not have any ownership of the stock and manage under a specific contract with the owner. The use of such agents generally used by ODAs or it is possible under CRU but needs to be done within the cost constraints and affordability levels of the programme.

2.5.6 Private Small-Scale Landlords

These are landlords who generally own one or a few units, either formal or informal, that they rent out with or without a formal written rental agreement. These landlord's function across the spectrum of rental costs but are particularly pertinent within government policy for their role in the "informal" and "backyard" sectors.

2.6 Tenant Organisations

There are also a number of community-based organisations (CBOs) and tenants' organisations that provide support to communities in campaigning for rental housing, or which provide tenants with advice and support. In the context of SH, SHIs are expected to support the tenants to organise themselves and to take on leadership roles in promoting active citizenship, involvement and participation in aspects that affect their living environment.

2.7 Other key stakeholders

2.7.1 The National Association of Social Housing organisations (NASHO)

A National Association of Social Housing Organisations (NASHO) was established as an independent organisation

to provide a forum for the SHIs and other non-governmental stakeholders to influence developments in the sector. It is involved in lobbying, research and some capacity support, more specifically for its members. Its role is to:

- Represent and co-ordinate on behalf of its members.
- Campaign and lobby on behalf of its members.
- Promote the rental housing sector.
- Support individual SHIs.
- Promote capacity-building within the sector from the demand side in partnership with other sector players.
- Promote exchange of information on good practice among its members.

2.7.2 Non-Governmental Organisations

There are a number of different non-governmental organisations working in the field of housing (e.g. COHRE, CALS, DAG.) They are involved in mobilising and supporting communities in pushing for housing development, including rental housing, in taking up legal cases, and in the provision of advice to tenants. The NGO sector also provides support to SHIs in addressing social and health related problems that tenants experience.

2.7.3 Delivery Agents with Professional Support

There are a number of delivery agents who assist directly with the planning and implementing of aspects of rental housing projects under the CRU and Social Housing Programme.

This applies particularly to inputs of certain technical skills into the different processes including:

- Urban and land planner.
- Surveyors.
- Architects.
- Quantity surveyors.
- Engineers.
- Housing management specialists.

On both CRU and social housing projects such technical expertise is usually contracted in for particular parts of the process. This is sometimes through contracts with individual companies or consortia established to bring together the different skills. There are groupings of professionals that have come together to specifically support the technical inputs required in the governmental rental programmes. The construction of rental stock is in most instances contracted to for-profit construction companies contracted to build in accordance with designs and cost parameters from the project planning process.

REVIEW OF THE TOOLKIT

Demand for affordable rental housing is a result of the failure of the private sector to provide sufficient and affordable rental housing products at the required price, locations and typologies that meet the needs of middle to lower income households.

A number of rental housing typologies have emerged, both informal and formal and private and government funded, to cater for the diverse households in South Africa.

Government funded rental housing programmes that is geared to address the spatial inequalities of the past, the urbanization and high mobility rates of the population plays a crucial role in the provision of well-located, good quality and affordable rental housing for middle to low income households. The policy framework provides for spatial redress via restructuring zones, financial instrument to achieve affordable rental and an institutional framework to ensure that delivery takes places at a level of pace and scale required.

Now that you have insight into

- The rental housing market; and
- The nature of demand for affordable rental housing; and
- Government response to the failure of the private housing market to cater to middle to low income earners.

Are you able to

- Assess the demand for affordable rental housing in the municipal areas where you plan to deliver affordable rental housing? - and
- To make projections of the type of government funded rental housing instruments that is most suitable to address the demand? - and
- Identify the key stakeholders that you need to support you in delivering affordable rental housing?

THE NEXT TOOLKIT

Now that you have an understanding of demand and supply for affordable rental housing as well as the government funded rental housing programmes, the next Toolkit will assist you to understand how the three tiers of government and their agencies works to create an enabling environment for the delivery of Social Housing. It covers the mandates, roles and responsibilities of the key stakeholders (as legislated), institutional structuring and programme development, planning and implementation.

