



human settlements

Department:  
Human Settlements  
PROVINCE OF KWAZULU-NATAL

# THE SOCIAL HOUSING PROGRAMME

## WOMEN IN THE BUILT ENVIRONMENT SUMMIT

### 16 AUGUST 2019

Presenter : MS O. NJOTINI





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## I. INTRODUCTION

2014-2019 Provincial MTSF targets = 3086

Actual delivery = 2253

2019 – 2024 National MTSF targets = 30 000 for just social Housing

Of this KZN will be expected to deliver between 4000 – 5000 units In order to deliver this, the province had developed a Social Housing 5-year Plan that seeks to deliver 11 400 units.

Ministerial directive to include 30% women and youth in the development of social housing

Further – MEC's undertaking in her budget speech to have at least 3 new black SHIs accredited

Province currently has only 3 established SHIs with a further 7 newly accredited



# INTRODUCTION

## AVOCA HILLS-DURBAN







# INTRODUCTION

## WESTGATE GRANGE- PIETERMARITZBURG





# INTRODUCTION

## HAMSPHIRE- PINETOWN





## 2. What is Social Housing?

“A rental or co-operative housing option for low to medium households at a level of scale and built form which requires institutionalized management and which is provided by social housing institutions or other delivery agents in approved projects in designated restructuring zones with the benefit of public funding”

### KEY Pillars

#### Tenure:

Rental or co-operative housing option

#### Target Market:

Mixed income in projects

#### Primary Market

Household income between R3500 to R5000

#### Secondary Market

Household income between R7500 to R15000

**Scale and Built Form which requires institutionalised management**

= medium to high density

#### Delivery Agents:

- Accredited SHIs
- Private sector through accredited social housing projects
- Municipal entities
- PPP

#### Designated Restructuring Zones

- Geographic areas
- Identified by local authority
- Supported by province for targeted focus investment



### 3. POLICY AND LEGISLATIVE FRAMEWORK APPLICABLE TO SOCIAL HOUSING

Social housing must adhere to the general principles in the:

- Constitution of the Republic of South Africa, 1996.
- Housing Act, 1997 (Act 107 of 1997) Part I Section 2
- Social Housing Act, 16 of 2008
- Rental Housing Act, 1999 (Act 50 of 1999)
- White Paper on Housing (1994)
- Urban Development Framework (1997)
- National Housing Code
- Comprehensive Plan for the Development of Sustainable Human Settlements (2004)





## 4. ROLE PLAYERS IN THE SOCIAL HOUSING SECTOR

### LEADERSHIP

National Dept.  
of Housing

### FUNDING

SHRA (Grants), NHFC, Private Lenders (Loans),  
Provinces

### REGULATION

Social Housing Regulatory Authority (SHRA)

### DELIVERY

SHIs

Provinces & Municipalities (land, infrastructure,  
social facilities and other amenities)

## 5. SECTOR ROLES AND RESPONSIBILITIES

### **National Government is responsible for:**

- ▶ Creating and uphold an enabling environment for social housing, by providing the legislative, regulatory, financial and policy framework for the delivery of social housing.
- ▶ Ensuring compliance with its constitutional responsibilities
- ▶ Addressing issues that affect growth, development or sustainability of the social housing sector.
- ▶ Instituting and funding the social housing programme,
- ▶ Institute and fund the social housing programme as a national housing programme to promote the development and supply of social housing stock for low to medium income persons;
- ▶ Designate restructuring zones submitted by provinces and identified by municipalities and specifically provided in a municipality's integrated development plan
- ▶ Establish capital and institutional investment grants ;
- ▶ Allocate funds from the Department's budget for the operation in costs and commitments of the Regulatory Authority in accordance with the approved social housing investment plan and the social housing regulatory plan respectively;
- ▶ Determine Norms and Standards to be adhered to by provinces and municipalities; and

## SECTOR ROLES AND RESPONSIBILITIES

### **Provincial Department of Human Settlements is responsible for:**

- ▶ Ensure fairness, equity and compliance with national and provincial social housing norms and standards; ensure the protection of consumers by creating awareness of consumers' rights and obligations;
- ▶ Facilitate sustainability and growth in the social housing sector;
- ▶ Mediate in cases of conflict between a social housing institution or other delivery agent and a municipality, if required;
- ▶ Submit proposed restructuring zones to the Minister; monitor social housing projects to ascertain that relevant prescripts, norms and standards are being complied with;
- ▶ Monitor social housing projects to ascertain that relevant prescripts, norms and standards are being complied with;
- ▶ Approve, allocate and administer capital grants, in the manner contemplated in the social housing investment plan, in approved projects;
- ▶ Administer the social housing programme, by approving projects

## SECTOR ROLES AND RESPONSIBILITIES

### **The Social Housing Regulatory Authority (SHRA)**

- ▶ Promote the development and awareness of social housing and promote an enabling environment for the growth and development of the social housing sector
- ▶ Provide advise and support to the Department of Human Settlements in its development of policy for the social housing sector and facilitate national housing programmes.
- ▶ Support provincial governments with the approval of project applications by social housing institutions and assist, where requested, in the process of designation of restructuring zones.
- ▶ Enter into agreements with provincial government and the National Housing Finance Corporation (NHFC) to ensure that implementation by these entities is coordinated.
- ▶ Provide financial assistance to SHIs through grants to enable them to develop institutional capacity, gain accreditation as social housing institutions and submit viable project applications.
- ▶ Accredite institutions.
- ▶ Approve, administer and disburse institutional investment grants and capital grants

## SECTOR ROLES AND RESPONSIBILITIES

**Municipalities** are responsible, where there is a demand for social housing within their municipal area, for:-

- ▶ Encouraging the development of new social housing stock and the upgrading of existing stock or the conversion of existing non-residential stock;
- ▶ Providing access to land and buildings for social housing development in designated restructuring zones; and to municipal infrastructure and services for approved projects in designated restructuring zones; and services for approved projects.
- ▶ Initiate and motivate the identification of restructuring zones; and

The **NHFC** must, in respect of social housing:

- ▶ Provide access to loan funding
- ▶ Make available financial information to the Regulatory Authority in respect of the sustainability of social housing institutions
- ▶ Facilitate or provide access to guarantees for loan funding from financial institutions
- ▶ Explore and support mechanisms aimed at facilitating public funding for social housing
- ▶ Conclude an agreement with the Regulatory Authority aimed at avoiding the duplication of functions and overregulation of social housing institutions





## SECTOR ROLES AND RESPONSIBILITIES

The role of **social housing institutions** are to:

- ▶ Develop and/or manage viable social housing projects for low income residents in restructuring areas jointly with local authorities.
- ▶ Promote the creation of quality living environments for low income residents.
- ▶ Reinvest any operational surplus in future social housing projects in restructuring areas.
- ▶ Apply for and achieve accreditation and comply with the 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 social housing projects through meaningful participation.
- ▶ Inform residents on issues relating to consumer protection.



## 5.WHO CAN IMPLEMENT SOCIAL HOUSING?

Social housing can only be implemented by a Social Housing Institution (SHI) accredited by SHRA and or Other Deliver Agents (ODAs).

### A. SOCIAL HOUSING INSTITUTIONS

- ▶ In order to become an accredited SHI there is a process of accreditation undertaken by the SHRA within a set criteria that must be satisfied prior to accreditation being granted.





## 5.1 OTHER DELIVERY AGENT

### B. OTHER DELIVERY AGENTS (ODAs)

- ▶ ODA is an entity other than a Social Housing institution (SHI), a provincial government or a municipality, which may undertake an accredited and approved project,
- ▶ An ODA itself does not require to obtain accreditation by SHRA, however the project to be implemented must undergo project accreditation and approval processes set out by SHRA, as would a project being implemented by a SHI ( such a process is highlighted later in the presentation).
- ▶ ODAs are required to contribute 20% in equity to the project being implemented.



## 5.2 SOCIAL HOUSING INSTITUTION

- ▶ NON PROFIT ORGANIZATION (SECTION 21 COMPANY)
- ▶ ACCREDITED IN TERMS OF THE SOCIAL HOUSING ACT BY THE SHRA TO UNDERTAKE SOCIAL HOUSING



## 5.3 SHI ACCREDITATION QUALIFICATION CRITERIA

CRITERION	DESCRIPTION
1. Legal Form and Not for Profit	Founding documents (Memorandum of Incorporation, Articles of Association, and Certificate of Incorporation; Signed and completed accreditation application form; Signed and completed qualification of directors and key staff members form.
2. Property Development	Board Approved Property development policies and procedures
3. Property Management	Board Approved Property management policies and procedures and a Long-term maintenance plan
4. Tenant Management	Board Approved Tenant management policies and procedures that stipulate support arrangements and a referral system to deal with identified support; allows for a community engagement and neighborhood involvement plan; allows for a periodic tenant/membership satisfaction survey and how the SHI addresses the results to improve management services.





## QUALIFICATION CRITERIA FOR SHIs

CRITERION	DESCRIPTION
5. Financial Sustainability	Board Approved Financial control policies and procedures; Completed QuickScan A; Organisational Assessment for; Accreditation Application.; Board Approved Long-term Business Plan;
6. Governance	Board Approved Board Charter; Board Approved Code of Conduct and Duties of Directors; Signed Letters of appointment of Directors; Letters of appointment for key staff ; Summary CVs of Board members and key staff ; Job descriptions / contracts of key staff; Board Approved Internal management policies and procedures; Conflict of Interest register and policy; Mandates of the various Board Sub-Committees; Board Approved Risk management policies, procedures and register; Legal compliance policy ; Anti Fraud & Corruption policy; Anti Discrimination policy; Board Approved Organisational performance management system; Valid SARS Tax Clearance Certificate



## 6. WHERE CAN SOCIAL HOUSING BE IMPLEMENTED?

Social housing can only be implemented on land identified within an approved and Gazetted Restructuring Zone

### What is a Restructuring Zone?

- ▶ An area that has been identified to bring about three dimensions of restructuring:
- ▶ **Spatial** (by bringing lower income and often disadvantaged people into areas where there are major economic opportunities, both with respect to jobs and consumption).
- ▶ **Social** (by promoting a mix of race and classes).
- ▶ **Economic** (by promoting spatial access to economic opportunity and promoting job creation via the multiplier effect associated with building medium density housing stock).



## RESTRUCTURING ZONES (RZs)

- ▶ A full process is undertaken to officially demarcate such an area, through which it is approved and gazetted by the Minister as a Restructuring Zone.
- ▶ In the Kwa-Zulu Natal Province, the following municipalities have approved and provisionally approved Restructuring Zones:

MUNICIPALITY	NAME OF TOWN	NAME OF RESTRUCTURING ZONE AREA
Ethekwini (11)	Durban and surrounds	Cornubia, Bridge City, Newlands Phoenix, Chatsworth, iTrump, South Durban Basin, Pinetown/New Germany, Springfield/Riverhorse Valley, Cato Manor, KwaMashu and surrounds
KwaDukuza (3)	Stanger	KwaDukuza CBD, Blythedale Beach, Hyde Park
Umhlathuze(3)	Richards Bay and Empangeni	Aquadene, Umhlathuze Village
Umsunduzi(8)	Pietermaritzburg	Pietermaritzburg Central, Oribi, Westgate/Grange, Copseville, Raisethorpe Central, Otto's Bluff, Hayfields/Lincoln Meade, Edendale Corridor
Ray Nkonyeni (3)	Port Shepstone	Marburg, Protea Park, Uvongo
Alfred Duma (3)	Ladysmith	Hospital Park, Ladysmith Central, Dunlop
Newcastle (3)	Newcastle	Arbor Park, Newcastle Central, Fernwood



## 7.THE FUNDING MODEL FOR SOCIAL HOUSING PROGRAMME

- ▶ The following subsidy arrangement is adopted in the implementation of Social Housing Projects:

### Consolidation Capital Grant

70% Government Grant

30% Debt Funding

#### **CONSOLIDATED CAPITAL GRANT BREAKDOWN**

1. Institutional Subsidy	R116 867-00
2. Geo-tech Variation 7 – 15%	R 17 530-05
3. SHRA (CCG)	<u>R155 000-00</u>
<b>Total Government Contribution per Units</b>	<b><u>R289 397-05</u></b>

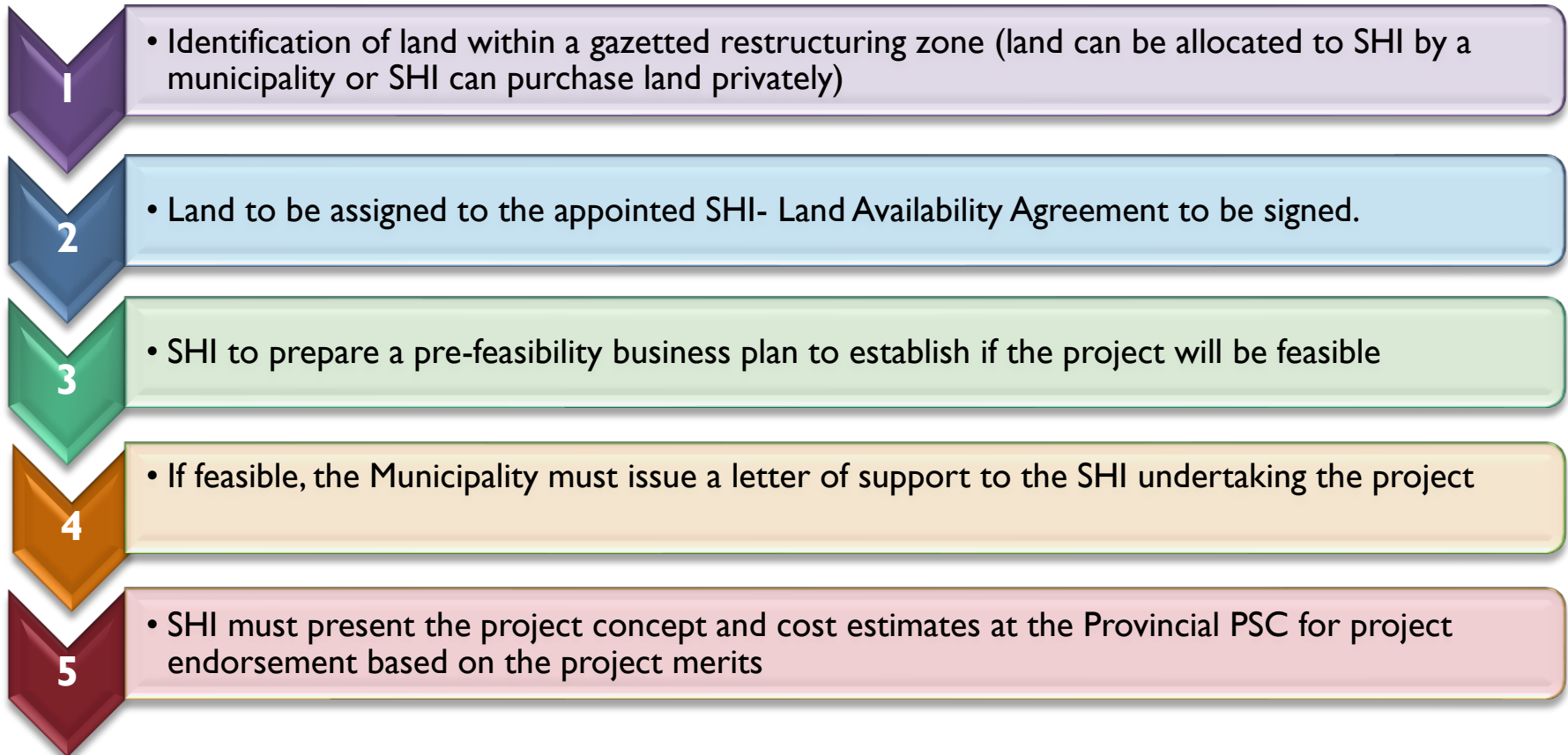
\*Remainder is generally obtained from NHFC, debt funding over a 20 year (Mortgage Bond) which is repaid through rental collections.

Current Operation Costs are estimated at R1 300-00 per unit (Grant excludes funding of operating costs)  
Operation costs are to be funded through rental income collection



## 8. THE PROCESS TO IMPLEMENT SOCIAL HOUSING PROJECTS

- ▶ The following process is undertaken to implement a social housing project:







## THE PROCESS TO IMPLEMENT SOCIAL HOUSING PROJECTS

6

- SHI must complete the SHRA assessment tools such as the Quick Scan A, B and C (these test the technical and financial viability of the project)

7

- SHI must confirm debt funding with NHFC or any commercial bank

8

- The project is tabled at the various structures at the SHRA for approval. These includes the Project Assessment Committee (PAC), Technical Assessment Committee (TAC), Project Development & Finance Committee, Full Council

9

- The Consolidated Capital Grant is signed

5

- Project is implemented (construction)



## **9. MANAGEMENT OF A SOCIAL HOUSING DEVELOPMENT**

### **I. INCOME BANDS**

- ▶ Primary market household income :R1500 to R5500 per month.
- ▶ Secondary market's household income limit: R5501 to R15000 per month.
- ▶ 30 % of a Social Housing Development must consist of beneficiaries with a primary household income.
- ▶ 70% of a Social Housing Development must consist of beneficiaries with a secondary household income.
- ▶ SHI recruits all tenants, manages stock and maintains it



Bands	5 Households Income Bands		Income Spread	Rent Quote	Min Rent	Max Rent	Average Rent
	Lower	Upper					
1	R1,500	R3,500	10%	25%	R375	R875	R625
2	R3,501	R5,500	20%	27%	R945	R1,485	R1,215
3	R5,501	R7,700	20%	32%	R1,760	R2,464	R2,112
4	R7,701	R11,300	20%	35%	R2,695	R3,955	R3,325
5	R11,301	R15,000	30%	35%	R3,955	R5,250	R4,603
			100%				
SHRA Approved 26 October 2017							
1. Internal operating cost benchmark p unit						R1,350	p.unit/mo
2. Long Term maintenance reserve (% Replacement Cost of Development = R304-56 p.unit/month)						1.02%	p. annum
3. Benchmark surplus projection of (to set aside for investment into future housing)						R173	p.unit/mo



## Sustainable social housing operation Is based on Economic Cost Recovery

- ▶ Management Costs: SHRA: R 1350 p unit/month
- ▶ Commercial Loans/Financing repayments
- ▶ Long term maintenance of asset needs Long Term Maintenance Capital Reserves

Cost recovery requires rental income flows above operating costs. This needs efficient and effective rent collection

- ▶ Good SHIs achieving 97% collection levels
- ▶ Properly managed vacancies to achieve rental income



## 10. CONCLUSION AND WAYFORWARD

1. Further information sessions with joint stakeholders on various topics to commence in early September
2. Database of interested party per district – register at table outside
3. Documents available on [www.kzndhs.gov.za](http://www.kzndhs.gov.za):
  - ▶ Information session dates
  - ▶ Legislation,
  - ▶ Policy,
  - ▶ All PRZs
  - ▶ Accreditation process and
  - ▶ Provincial contact details





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Department:  
Human Settlements  
**PROVINCE OF KWAZULU-NATAL**

# THANK YOU



**(031) 336 5300 (DBN)**



**(033) 392 6400 (PMB)**



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**KWAZULU-NATAL DEPARTMENT OF HUMAN SETTLEMENTS**



**0800 701 701**

**ANTI-FRAUD E-MAIL:  
FRAUDHOTLINE@KZNDHS.GOV.ZA**

