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Breaking new ground in housing delivery
Housing, Security & Comfort

Gordhan's R1bn for housing is just a band-aid

THE R1bn that Finance Minister Pravin Gordhan has set aside for the establishment of a housing finance guarantee scheme for people earning between R3 000 and R9 000 a month is unlikely to crack the problem of affordable housing in SA.

This is because access to finance for this market is not the key problem; the availability and cost of housing units is. The government has yet to explain how it intends dealing with these two critical challenges.

Gordhan said in his budget speech last Wednesday there was a key gap in the housing market where middle-income people were finding it difficult to get mortgage finance. The government had therefore set aside R1bn to create a guarantee scheme to reduce the risk to banks for lending to people who earn between R3 000 and R9 000 a month. People in this income band often found that they carried too much to qualify for a state housing subsidy, but not enough to meet the criteria set by banks.

Gordhan's announcement misses the crux of the problem in the affordable housing market, where banks have been lending successfully over the past six years in terms of their financial sector charter commitments.

The experience of banks during this period shows access to finance is not the major problem. Banks committed in terms of the financial sector charter to finance R42bn worth of affordable housing between 2004



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Banking Association of SA data show that the problem is not access to finance — but a shortage of suitable housing, and government processes that raise risks and costs

and 2008. They exceeded the target, pumping R53bn into the housing market, an investment that benefited 1,4-million families, Banking Association of SA statistics show.

But only a small portion of the R53bn went to finance new homes; the bulk went to alterations and improvements to existing homes. The reason banks financed only 10 000 new homes was a shortage in the supply of suitable, affordable housing stock. The report, commissioned by the association from Matthew Nell & Associates, points out that the affordable housing market is constrained by processes that are complex and high-risk, resulting in time delays, increased costs, uncertainty and limited supply of housing units.

The most significant constraints relate to the proclamation of land for housing development, transfers of land ownership, as well as the transfer of properties in the secondary market.

The report, which was published in 2005, explains that the blockage in the proclamation and servicing of land is caused by a lack of access to well-located and reasonably priced land, serious delays in the land proclamation and servicing process generally due to lack of capacity in municipalities, a transparent and consultative processes (especially in terms of environmental provisions), and lack of bulk services capacity.

The delays and the high risks associated with affordable housing have resulted in many developers withdrawing from this market. A whole range of other problems cited by Nell & Associates relate to government processes and regulations.

The Banking Association of SA's 2008 annual report also cites the high cost of labour and building materials as contributory factors. "Given the acute primary market housing shortage, the association commissioned three research studies in 2008 to determine the drivers of building costs (escalating well ahead of inflation) and to evaluate market distortions created by the government's capital subsidy programme. The outcome of these findings is expected to be a useful tool in engaging with the Department of Housing to review some areas

of government's subsidy policy," wrote Cas Coovadia, the association's CEO. The blockages in the affordable housing market have serious implications for government housing initiatives, especially in the so-called RDP housing area.

The association estimates that only 5% of the 700 000 families who meet the criteria of the affordable housing market definition qualify for a new home priced at an average R240 000 in 2008.

To qualify for a bank loan, these families would need to earn more than R11 000 a month, also based on 2008 statistics.

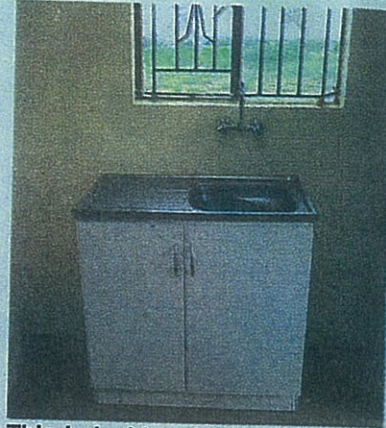
Having been priced out of the affordable housing market, these families have no option but to move lower, where they are likely to squeeze the poor out of the RDP housing segment. There is evidence of this happening across the country, where what is billed as an RDP housing development is suddenly taken over by families who, based on their income and lifestyle, should not be there. They get into these developments because they can afford to pay bribes.

So, if access to finance — as the financial sector charter experience shows — isn't the key blockage, I doubt that putting R1bn on the table is the solution.

The problem and the solution lie with the government and its processes.

■ Sikhakhane is editor-in-chief of *Destiny Man* and a freelance writer.

The Rama City community is already making the bricks needed to build the houses in a project which is also used to teach skills to local people.



This is inside a house similar to those that will be built at Rama City.

BUILDING IT TOGETHER

By NJABULO NGCOBO

THE Bakgatla and Bakone will spend up to R1 billion, loaned from Rama Horizon Development, to build their state-of-the-art *ekasi*.

They are not doing it alone – the Rama development company will help them.

This 755ha site will have everything found in modern big cities, making Rama the first of its kind in South Africa.

Chairman Hendrick Nthite said they will have shopping centres, parks, sports fields, schools, community halls,

churches, clinics and, of houses houses.

The houses will range from ones built for free for the original beneficiaries of the land claim to RDP and affordable housing.

There will also be a railway station, backed up by a public transport system of buses and taxis, so that no one will have to walk more than 400 metres to get transport.

And about 10 000 people are expected to live in the city.

“We are hoping to spend up to R1 billion in building this

city, which is going to have everything you find in the big cities and places of work for its people,” said Nthite.

“Everything was designed by the best town planners from Rama Horizons working together with our committee – but we are waiting for the Tshwane Metro to approve our plans,” he said.

Rama City community is already making its bricks in a project which is also used to skill local people so that they will be able to find work when the city is being built.

Mpisanes' names cleared

STAFF REPORTER
THE battle between the National Home Builders Registration Council (NHBRC) and flamboyant Durban couple S'bu and Shawn Mpisane continues to intrigue.



EXONERATED: Shawn Mpisane and her husband

Last week we reported that the Mpisanes were suing the council for defamation after the body was quoted by newspapers as saying the Mpisanes, under their company name Zikhulise, had built sub-standard housing and that their company was not registered.

The Mpisanes have two tenders worth more than R300m - one to build 1 000 low-cost houses in Umlazi township in Durban and the other to build a school.

The Mpisanes claim to have been prejudiced by the allegations. But there's a twist to this sting-in-the-tale saga.

Sunday World is in possession of a copy of the report compiled by the NHBRC evaluating

the Umlazi B10 low-cost housing project. Written in November by the NHBRC's Thembele Gumede, the report exonerates Zikhulise from any wrongdoing.

"One of the residents... had had a retaining wall behind his house collapse against his house, which was rectified and rebuilt by the builder," Gumede writes.

"He later complained that his roof was leaking but when the contractor returned to rectify it, the same owner refused to let them into the house.

"The other resident interviewed lives in a double-storey unit. His complaint was that the duplex he occupies is too small for his large family."

The council has said it no longer wishes to comment on the saga. The Mpisanes did not wish to comment either, stating that the matter between them and the council had been resolved.

Land needs more cash

With a budget of R3bn allocated for land reform, much effort needs to be put in to make sure that it is fast-tracked.

Although a much bigger budget was expected from the Minister of Finance, we need to work with the budget that we were allocated.

South Africa needs about R75bn to meet its target of distributing 30% of agricultural land to black farmers by 2014. SA just does not have the money to buy the required 82-million hectares.

This year we need to turn things around – we need to make sure that land reform benefits the people of this country.

Government needs to work much smarter and faster. Sustainable communities are as dependent on the creation of jobs as they are on the availability of housing and land.

■ *Tshepo Diale*

Huge tender for hospital terminated

THE North West Department of Public Works has terminated its R456 million construction contract with Ilima Projects/Tsoga Developers Joint Venture - because of non-compliance.

The company was awarded the tender to build the Brits hospital in the Bojanala district in July 2008 -and construction began four months later.

According to the department's spokesperson Mafshube Mfoloe, the contract was terminated because of the provisional liquidation of the majority partner in the joint venture, Ilima Projects.

Mfoloe said Ilima had the necessary construction industry development board (CIDB) grade of GB9 - whereas their junior partner, Tsoga Developers only has the grade GB5.

"Tsoga Developers, being the remaining contractor on site, does not have the required CIDB grading and this amounts to non-compliance to the contract.

"The department is considering various options to avoid a vacuum being created that could stall construction work and the speedy delivery of the project." - Sowetan reporters