




# **Design and Implementation Evaluation of the Integrated Residential Development Programme**

STUDY REPORT



human settlements  
planning, monitoring  
and evaluation

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The Steering Committee has met at important stages in the process to provide inputs into the methodology and content of the evaluation. Members of the Steering Committee have also provided commentary on the documented outputs. Steering Committee members reviewed draft documents, and provided verbal inputs into workshop sessions, as well as written inputs to the project team.

The project was peer reviewed by Mark Napier and S Rihanzu who offered independent review of all evaluation deliverables.

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## 1. Introduction

The Department of Planning, Monitoring & Evaluation has appointed a team comprising the Rebel-Group Advisory Southern Africa (Pty) Ltd. (hereafter RebelGroup), the Project Shop and Progressus Research and Development (hereafter Progressus) to undertake a design implementation evaluation of the Integrated Residential Development Programme (IRDP).

The IRDP was initiated in 2006 in response to the Comprehensive Plan for the Development of Sustainable Human Settlements (otherwise called Breaking New Ground (BNG) of the National Department of Human Settlements. The purpose of the IRDP is to facilitate the development of integrated human settlements in well located areas that provide convenient access to urban amenities, including places of employment. The programme also aims at creating social cohesion.

The IRDP provides for the acquisition of land, servicing of stands for a variety of land uses including commercial, recreational, schools and clinics, as well as residential stands for both low, middle and high income groups. A range of different land uses and income groups are provided based on local conditions and requirements.

**This report is the summary evaluation report and includes:**

- Evaluation purpose and method
- Background of the IRDP
- The Theory of Change
- Overview of the Case Studies
- Evaluation findings
- Conclusion and lessons learnt
- Recommendations

## 2. Evaluation purpose and method

The purpose of the evaluation is to assess the implementation of four pilot projects (see table below), to draw out lessons for the IRDP and determine how best to strengthen the programme to achieve the desired outcomes at scale.

Table 1: Case study projects

Province	Municipality	Project
Eastern Cape	Nelson Mandela Metro	Zanemvula
Gauteng	City of Johannesburg	Cosmo City
Gauteng	City of Johannesburg	Pennyville
Gauteng	City of Tshwane	Olievenhoutbosch



The focus of the evaluation is on the programme design and its implementation. The evaluation is undertaken in response to specific evaluation questions as detailed in the table below.

**Table 2: Evaluation Questions**

	<b>Research Questions</b>
Planning for integration	<ul style="list-style-type: none"> <li>• What are the key contextual factors that allow for a suitable (or unsuitable) planning environment for the implementation of the IRDP?</li> <li>• Were the principles of integrated residential development followed throughout the various projects? How were these interpreted and/or adapted for the specific context?</li> <li>• How do integrated residential development (IRD) projects relate to wider land use planning and housing processes? Related to this, how are the various housing programmes viewed, planned and sequenced to achieve integrated projects?</li> <li>• Do provinces and municipalities have capacities to manage and implement integrated residential development projects?</li> </ul>
Achieving integration	<ul style="list-style-type: none"> <li>• Are there indications that the IRDP theory of change is working?</li> <li>• To what extent have the projects been able to integrate different land uses i.e. commerce, retail and residential developments?</li> <li>• Is there evidence from the case studies that indicate better functioning urban spaces, social inclusion and spatial integration?</li> <li>• Are there indications that the developments/projects have affected local property markets (both within the settlements and surrounding areas)?</li> <li>• Has the implementation of integrated development pilot projects triggered changes in how provinces and municipalities plan housing projects? Are provinces and municipalities embracing integrative development principles?</li> </ul>
Funding arrangements	<ul style="list-style-type: none"> <li>• What forms of funding arrangements were utilised in the development of the projects.</li> <li>• Which subsidies and grants instruments have been used to deliver on IRDP projects?</li> <li>• What mix of private and public funding made projects viable?</li> <li>• What is the nature of cross subsidisation in each of the projects and what conditions make for effective cross-subsidisation?</li> </ul>
Institutional arrangements	<ul style="list-style-type: none"> <li>• Analyse cooperative governance strategies and key institutional arrangements used in the management and implementation of the projects</li> <li>• What are the institutional mechanisms that facilitated (or inhibit) successful implementation in each of the projects? Were there any context specific institutional and capacity arrangements that enabled implementation in the case study projects?</li> <li>• Were the delivery channels and institutional arrangements sufficient and suitable for the effective delivery of IRDP projects?</li> <li>• Why has there been limited success in getting the private sector to participate in IRDP projects? What needs to be done to incentivise the private sector to be more active partners in the delivery of IRDP projects i.e. institutional structure, composition of the projects?</li> </ul>
Monitoring of projects	<ul style="list-style-type: none"> <li>• How has the implementation of integrated projects been monitored?</li> <li>• To what extent have the monitoring frameworks been adequate and effective in tracking both project and programme implementation?</li> </ul>

Lessons learnt	<ul style="list-style-type: none"> <li>• What are the institutional and policy lessons that can be drawn from the implementation of integrated projects?</li> <li>• What made the projects work or not work and what is the potential for 'upscaling' or strengthening the programme?</li> <li>• What are the strengths and weaknesses of the programme? Indicate why and provide recommendations to improve programme weaknesses.</li> </ul>
IRDP programme conceptualisation and design	<ul style="list-style-type: none"> <li>• What is the theory of change of the IRDP and is it consistent, coherent and appropriate, given the issues the IRDP responds to?</li> <li>• What are the key historical motivations that gave rise to the development of the IRDP?</li> <li>• What are the philosophical arguments that underpin the IRDP?</li> <li>• How does the IRDP interface with the rest of the programmes of the Department and other government initiatives that govern the development of human settlements in the country?</li> </ul>
<b><i>Understanding of the IRDP and support for implementation</i></b>	<ul style="list-style-type: none"> <li>• How have provinces and municipalities understood and interpreted the IRDP?</li> <li>• What systems have been put in place by national and provincial departments to support the implementation of integrated residential projects?</li> </ul>

A Steering Committee was established comprising key agencies involved in the implementation of the IRDP programme and identified experts. The Steering Committee provided input into the work undertaken.

Case study research involves selecting a few examples of the phenomenon to be studied – in this case four IRDP projects - and then intensively investigating the characteristics of those examples ("cases"). By closely examining a relatively small number of cases, and comparing and contrasting them, the researcher learns about significant features of the phenomenon and how it varies under different circumstances<sup>1</sup>. While there are limitations to this methodology – specifically in respect of generalisation of results and potential information biases – case study research is useful in informing both policy work as well as future empirical and related investigations.

The analytical framework was informed by the Theory of Change (ToC) log frame that was developed for the IRDP (see next section for more detail) and research questions that the DPME posed, arising from the ToC, to assess the implementation of integrated development. In summary, the ToC log frame maps out the pathway and relationships of a range of inputs and activities that a project needs in order to produce desired outputs leading to outcomes that ultimately will lead to integrated human settlements.

From this conclusions can be drawn for application to wider policy initiatives, such as the IRDP programme in this case.

<sup>1</sup> See, Robert K. Yin (2012), Applications of Case Study Research, Third Edition. Sage.

By linking the analysis to the theory of change, a coherent framework is achieved that addresses the inputs, the activities, the outputs and outcomes and ultimately the impact across the four case studies.

The evaluation method comprised the following:

- 1) A desktop literature review was undertaken of both local and international literature. This provided the background and context to the IRDP and formed the basis on which the logic framework for the IRDP was formulated. The literature review is set out in a separate report and is summarised in Section 3 that follows.
- 2) The logic framework for the IRDP was formulated, set out in a theory of change. This was workshopped with the Steering Committee and is set out in Section 4 that follows.
- 3) Case studies of the four selected projects was undertaken as follows:
  - A review of documentation sourced both from the Internet, as well as from the individuals interviewed (see below).
  - Interviews with relevant officials and service providers involved in the packaging and implementation of the selected projects was undertaken
  - A site visit was undertaken.

Each case study was written as a separate report.

- 4) A household survey was undertaken of approximately 100 households in each of the four project areas respectively. The breakdown in each area in respect of housing typology can be seen in the table below.

The result represents data with an accuracy of 95% within a range of 10% for each of the communities. The accuracy of the data per housing type within the community is much lower as the size of the study was limited by budget and trends identified per housing should be considered preliminary and supplemented with existing knowledge and further studies to confirm the data.

**Table 3: Households interviewed by project and typology**

	<b>Private housing</b>	<b>RDP</b>	<b>Backyard rooms</b>	<b>Social housing</b>	<b>Site and service</b>	<b>Total</b>
Cosmo City	29	26	31	14	0	99
Zanemvula	0	48	0	0	52	100
Pennyville	37	33	33	0	0	103
Olievenhoutbosch	37	48	14	0	0	99

The methodology applied in undertaking the household survey was as follows:

- The study started in each area with community liaison efforts where the counsellor was briefed on the purpose of the study and the message was communicated to the relevant community structures to promote trust and honesty in the survey.

- All staff that worked on the study were trained by Progressus. Training included both a conceptual understanding and sensitisation towards the study topic, as well as a detailed understanding of the questionnaire.
- The interviewers were managed by a field supervisor and data was checked and verified by a Questionnaire quality supervisor.
- Sampling in each community started with a process of identifying the different kinds of housing in the area and where they were situated in the community. Clusters were randomly selected within each housing type and a random sample number calculated to give each house an equal opportunity to be included in the study. A random sample was then selected.
- Sampled households were visited at least three different times to ensure that not-found households were kept to a minimum.
- Interviewers identified themselves and the purpose of the study and asked permission to interview the head of the household or the person responsible for making the decision to move to that house. Interviews were conducted in the preferred language of the respondent.

5) The response to the evaluation questions and the development of recommendations was undertaken through workshops and analysis by the project team and is detailed in sections 6 and 7.

Annexure A sets out the documents reviewed and interviews undertaken.

### **3. Background to the IRDP**

#### **3.1 Historical overview of the IRDP**

South Africa's current housing programme commenced in March 1994. Beneficiaries with a household income of less than R3500 per month and who satisfied specified criteria were invited to apply for a housing subsidy (Housing Code, 2001). The subsidy comprised predominantly the provision of a free standing housing unit provided free of charge on an ownership basis. Six mechanisms were available: project linked, individual, consolidation, institutional, relocation assistance and the peoples' housing process (Housing Code, 2001). Among the variety of mechanisms available, project linked and individual subsidies were the most popular. The mechanism for delivery was via private sector developers. The focus was on delivery and a target of one million subsidised houses to be delivered in the first five years was set (K Rust, 2008).

Implementation of the National Subsidy Programme commenced in 1995 and housing delivery was extremely effective with the target of 1 million houses being achieved albeit in 7 years - two years longer than the specified time frame (Shisaka, 2011).

From 2001, delivery of subsidy units shifted from private sector delivery to the public sector with an expanded role for local government and the intention to incorporate a greater number of smaller scale entities and individuals into the development process. Initially Provincial Governments and then over time Municipalities took responsibility for structuring projects and appointing small scale builders to implement them (Shisaka, 2011).

During this period there was also a shift in thinking about the way in which subsidised housing was delivered and the role that it played both in the economy and the financial well being of the beneficiary households. A submission to MINMEC by the then Department of Housing (NDoHS, 2003) argues that there is a need to focus the housing programme towards a broader concept of sustainable human settlements by measuring the social, economic and ecological benefits of projects and using integrated development planning initiatives.

As part of this shift in thinking was concerns with the location of subsidy housing projects within the city. Projects were generally located on the periphery of cities in order to keep land costs down. As a result subsidy projects were seen as continuing the apartheid city alienation of the poor and not integrating poor people into the city. The poor's location with respect to access to work opportunities, social services and transportation networks was seen as creating an added burden onto the poor (K Rust, 2008). A further criticism was that there was little co-ordination between government departments in the provision of complementary activities such as schools, clinics, public transport, police stations and other activities (ADEC, 2014).

In September 2004 the National Department of Housing released a new policy document – The Comprehensive Plan for the Development of Sustainable Human Settlements popularly known as Breaking New Ground (BNG) (NDoHS, 2004). This was based on a comprehensive review of South Africa's housing programme undertaken during 2002 and 2003.

This policy document comprised a major paradigm shift in how housing was to be delivered, requiring that in structuring projects they are well located relative to amenities in cities and are planned in a comprehensive manner that incorporates access to infrastructure services, social and economic facilities. Furthermore that housing projects accommodate households with different incomes and offer a range of housing products.

BNG defines five primary ends (NDHS, 2004):

- **Sustainable human settlements** (p12): “well-managed entities in which economic growth and social development are in balance with the carrying capacity of the natural systems on which they depend for their existence and result in sustainable development, wealth creation, poverty alleviation and equity.”
- **Integration and spatial restructuring** which is seen as being critical to sustainable hu-

man settlements: "... utilising housing as an instrument for the development of sustainable human settlements, in support of spatial restructuring" (p7). There is also an institutional dimension as integration is both intra-governmental (within a sphere of government) and inter-governmental, requiring integrated planning and coordinated investment.

- **Housing assets:** The subsidy house as an asset to the beneficiary household is introduced as a concept for the first time: "ensuring property can be accessed by all as an asset for wealth creation and empowerment" and "supporting the functioning of the entire residential property market to reduce duality ..." (p7)
- **Upgraded informal settlements:** For the first time the need to upgrade informal settlements is recognized. The BNG calls for the progressive eradication of informal settlements and urban inclusion: "informal settlements must urgently be integrated into the broader urban fabric to overcome spatial, social and economic exclusion" (p12)
- **Scaling up the social housing programme:** The importance of social housing to upgrade and integrate city development is recognized. The BNG sees this form of tenure as enhancing "the mobility of people and promoting an integrated society" (p18)

BNG completed the process of moving from developer driven delivery to municipal delivery and placed a substantially increased emphasis on the role of the State in determining the location and nature of housing (NDoHS, 2004). Most importantly in respect of the IRDP, BNG shifted the requirement from just delivering houses, to the delivery of integrated human settlements.

Initially Provinces and Municipalities had difficulty in interpreting how to implement the policy. Overtime sustainable human settlements were determined by the extent to which socio-economic integration occurs within the project. The application of the policy results in the undertaking of a number of large projects for example, Cosmo City (2004) and Olievenhoutbosch in Gauteng (2006), Zanemvula (2006) in the Eastern Cape and Pennyville in Gauteng (2007). These projects were to become the cornerstone of the IRDP and are the case studies being used for this evaluation.

In February 2009 the **Revised Housing Code is published** (Tissington, 2011) and sets out the underlying policy principles, guidelines and norms and standards which apply to government's various housing assistance programmes. The code indicates a significant shift in government policy away from municipal driven subsidy projects providing RDP houses to incorporate better the intent of BNG. **The IRDP is introduced in the Code to replace the project linked subsidy programme** (NDoHS, 2009). The IRDP is introduced together with the following other key subsidies:

- The Upgrading of Informal Settlements Programme
- The Individual Housing Subsidy Programme
- Enhanced People's Housing Process
- Community residential units' programme

- Institutional subsidies
- Social Housing Programme

### **3.2 Defining integrated development**

Central to the IRDP is the concept of integrated development. Accordingly this section outlines what is meant by this concept.

Tonkin (2008, p424) defines “integrated development” as: “A form of development which is holistic in addressing needs and where different actions support each other and set up positive relationships with each other. In an integrated development approach the development objectives and process is responsive to the needs of – and shape through the direct participation of those who the development is intended to benefit.” Further that integrated settlements, contain a mix of housing typologies and tenures, incomes and social and age groups that enable social inclusion.

The Integrated Urban Development Framework (IUDF) (Department of Cooperative Governance, 2014) sets out a policy framework to guide the development of inclusive, resilient and liveable urban settlements, while addressing the unique conditions and challenges facing South Africa’s cities and towns. It provides a new approach to urban investment by the developmental state, which in turn guides the private sector and households. The IUDF seeks to provide a roadmap to reach its vision. Its vision is liveable, safe, resource-efficient cities and towns that are socially integrated, economically inclusive and globally competitive, where residents actively participate in urban life.

This vision recognises that South Africa has different types of cities and towns, which have different roles and requirements. As such, the vision has to be interpreted and pursued in differentiated and locally relevant ways. To achieve this transformative vision, four overall strategic goals are introduced:

- Access: To ensure people have access to social and economic services, opportunities and choices.
- Growth: To harness urban dynamism for inclusive, sustainable economic growth and development.
- Governance: To enhance the capacity of the state and its citizens to work together to achieve social integration.
- Spatial Transformation: To forge new spatial forms in settlement, transport, social and economic areas

The South African Cities Network (2008) sees integration as being inclusionary cities which is defined as a city that provides all its citizens with decent public services, protects freedoms and citizen’s rights and fosters economic, social and environmental well-being of its citizens. It strives to produce a beneficial framework for inclusive economic growth and improves the quality of urban living. An inclusive city cares for social development in its communities and



celebrates their diversity.

Ramsden P & Colini L (2013) see integration as the opposite of sectoral or silo-based delivery in which development is disconnected and fragmented. They argue that although the notion of integration is expressed in policy documents as if it is a single concept, in the real world integration has a number of meanings and interpretations:

- In terms of policy management, integration is about organising and coordinating the policy fields in a specific area including the formation of partnership and promoting citizen participation (horizontal integration);
- In terms of governance, integration is about bringing together vertical policies from different levels of government and applying them coherently in an area-based initiative (vertical integration);
- In terms of geography it can be used to address the issue of sustainable urban development at different geographical scales, such as neighbourhood, municipality or city region.

The combination and interrelation of these aspects is the most difficult and challenging task for a city but is necessary to achieve a genuinely integrated approach.

On the basis of the above it is evident that the key characteristics of integration are:

- Location in respect of the wider socio-spatial system in a manner where a settlement is integrated into and not peripheral to the system
- A mix of housing typologies and tenures, incomes and age groups
- Access to transport, work opportunities, recreational and retail facilities, safety and security, adequate health care and basic services (water, electricity and sanitation services)
- A level of participation by citizens in establishing and managing the settlement

### **3.3 Key elements of the IRDP**

#### **3.3.1 Policy intent**

The IRDP was developed to give effect to the objectives of the Comprehensive Plan for the Development of Sustainable Human Settlements, by incorporating the following:

- A comprehensive development approach to integrated township development which accommodates all the needs identified in a specific area or community. This relates to land use and the provision of municipal engineering services and sites for all land uses to ensure the development of integrated and sustainable human settlements;
- A phased development approach in terms of which a housing project is packaged in phases to facilitate effective project management and administration, as well as effective expenditure and application of housing funds;
- The allocation and sale of serviced residential stands at the final stage of housing construction in a new development to qualifying beneficiaries, as well as the sale of other residential stands to persons who do not qualify for subsidies, at a variety of prices depending on the income and profile of the households;
- Housing construction administered in terms of the basket of housing development options available within the National Housing Programmes for qualifying beneficiaries as the final



phase; and

- The provision of serviced sites for a variety of non-residential uses essential to integrated Human Settlements.

A further fundamental departure point is the fact that the creation of serviced stands in a new township is no longer subject to the identification and approval of a qualifying housing subsidy beneficiary.

### **3.3.2 Application of the programme**

The IRDP may be utilised for:

- A project that is undertaken in an area where unoccupied vacant land is developed for an integrated Human Settlement; or
- An integrated Human Settlement project is undertaken in an existing township where an undeveloped parcel of land is utilised for development purposes.

In order to deliver housing in terms of a procurement compliant process, it is necessary for:

- A developer to manage the total development process and to administer projects in terms of the provisions of the Programme. A developer can either be a municipality or a provincial department where the municipality lacks capacity;
- Professionals to establish the township, design and monitor the installation of the services and to design the housing units, and provide project management services; and
- Contractors to construct the services and housing units.

The services of professionals and contractors can be procured in a number of ways, depending on how a developer wants to allocate risk and manage the project. A developer can choose any one of the following three contracting strategies or a combination thereof:

- Turnkey contract where the contractor is appointed by the developer through a public tender to do all work related to the successful completion of the project.
- Traditional pre-planned contracts where professional and contracting services may be provided in-house or may be procured through public tenders; or
- Development contracts through which community contractors are contracted through public tenders.

### **3.3.3 Development process**

The IRDP was designed as a two-phased delivery mechanism where Phase 1 includes all the necessary planning and land acquisition necessary to secure well located land. It also includes the legal processes to obtain development approval (township establishment), environmental approval and other necessary approvals. Included in the township establishment phase is the design of the layout of the project and the location of sites for different typologies of housing and different economic groups, sites for schools, community facilities, shops and business sites and parks and open space.

Phase 1 also includes the installation of internal services. Internal services are delivered to all properties including the commercial and market/bonded houses and not only the subsidised housing areas. The installation of internal services presumes that there is access to bulk

infrastructure and should it not be readily available this must be planned for and financed (by the necessary responsible authorities) as part of Phase 1.

Hence, Phase 1 is conceptualised as the stage when all the necessary activities needed to prepare the land for the entire project are undertaken prior to the construction of buildings. Integration therefore begins right from the start, with the identification of well-located land, the design of the settlement layout and the co-operation needed for all service delivery agents to provide infrastructure services, as well as social and economic facilities.

In Phase 2 house construction for subsidy beneficiaries commences, as does the sale of stands to non-qualifying beneficiaries. Sites for commercial and social development are also sold so that facilities and amenities can be provided at the same time as the house construction. Hence, Phase 2 requires strong co-ordination of all the stakeholders who will be developing their land so that schools, clinics, shops, parks and community halls can be built at the same time as the subsidy houses, the rental housing, the finance-linked houses and the private sector, affordable housing.

### 3.3.4 Eligibility

The eligibility requirements in respect of beneficiaries accessing a subsidised top structure provided as part of an IRDP project is the same as for the subsidy programme as follows:

- An applicant must be **married** or constantly be living together with any other person. A single person with **proven financial dependants** (such as children or family members) may also apply.
- An applicant must be a **citizen of the Republic of South Africa**, or be in the possession of a permanent resident permit.
- An applicant must be **legally competent to contract** (i.e. over 21 years of age, or married or divorced) and of sound mind.
- Adequate proof of income must be submitted.
- An applicant must not have received previous housing benefits.
- A person must never have owned a residential property before.

As indicated above residential stands and top structures are sold to persons who do not qualify for subsidies at a variety of prices depending on the income and profile of the households; Access to the variety of non-residential stands created is based on the following rules:

- Institutional stands (e.g. police stations, clinics/ medical facilities operated by a state institution, municipal offices; and other public sector use stands): These must be made available to the client public sector institutions at an amount equal to the per stand input costs.
- Business and commercial stands: These must be disposed of in transparent, open and competitive tender/development proposal basis that will satisfy the provisions of the Constitution, 1996, the Public Finance Management Act, 1999 (Act No. 1 of 1999) and the Municipal Finance Management Act, 2003 (Act No. 56 of 2003). The sale price is thus market value related but may not be less than the per stand input cost.

- Serviced stands for use by not-for-profit community service providers (e.g. churches, crèche/pre-school/nursery schools and old age schemes and/or related service centres sites): These stands must be disposed of at prices equal to at least the per stand input cost and in a transparent, open and competitive tender/ development proposal call basis.
- Public uses (e.g. parks, recreation areas, roads areas and road reserves, stands for electric substations and transformers, informal trading areas, taxi facilities and community facilities/service centres): The stands will not be disposed of and will remain in the ownership of the municipality. Where the Provincial Government acted as developer, the stands must be transferred to the municipality at no cost.

### 3.3.5 Funding arrangements

The total project cost to be financed through the Programme will be determined by the MEC in line with the funding policy as determined by MINMEC from time to time. In determining the project amount, the MEC will take the following into account:

- **Internal municipal engineering cost:** Where municipal engineering services are to be funded from the housing allocation to Provinces, the services costs include all the costs related to the creation of serviced stands for the project area. This cost includes the costs in respect of township design, the design of the services, the incremental installation of the approved services and supervision/project management. The following may be developed under this Programme:
  - Residential stands for housing subsidy scheme beneficiaries;
  - Stands for non-housing subsidy scheme beneficiaries;
  - Residential stands for higher income categories;
  - Stands for commercial and/ or business use;
  - Institutional stands – schools, police stations etc.; and
  - Stands for higher density scheme etc.

The cost of township establishment may also be funded. The allocation and sale of the stands created under the programme will be directed by the nature of the stands and the profile of the beneficiaries. The principle of “the stand input cost” is also introduced and includes:

- The land acquisition cost;
- The cost of providing the basic municipal engineering services where such were funded from the housing allocation;
- The cost related to the township establishment process; and
- Any applicable transfer costs.
- **The housing construction phase:** In this phase the costs incurred are for house construction for qualifying beneficiaries. In respect of households that will be assisted through the application of any of the other National Housing Subsidy Programmes, the cost structure of the relevant programme will determine the actual total project cost.
- **Total project cost:** The total project cost will therefore be determined on the following basis.

- The cost of the provision of municipal engineering services where such are funded from the housing allocation to provinces as determined by MINMEC funding policy; and
- The cost of construction of the houses under this programme for qualifying beneficiaries.

In view of the phased nature of the Programme, the quantum of the housing subsidy amount to be allocated to households that qualify for stands and housing construction assistance will be determined by:

- The actual cost of the creation of the serviced stand within a specific construction contract as determined by the MINMEC funding policy; plus
- The applicable amount of the subsidy for the housing construction phase as directed by the subsidy quantum available on the date of signing the project agreement for the housing construction Phase; and/or
- The applicable cost structure of the relevant Programme, in respect of housing construction in terms of any of the other National Housing Programmes as on the date of approval of the housing construction project.

Beneficiaries must receive written confirmation of the actual value of the benefits they receive through the Programme.

### 3.3.6 Guidelines for the implementation of projects

The Housing Code sets out guidelines as to how IRDP projects can be implemented including documentation required and roles and responsibilities of the different stakeholders.

### 3.4 Implementation context

- **Institutional Context:** The preparation of a housing programme such as the IRDP requires inputs from different ministries and agencies incorporating all tiers of government. The institutional framework also extends to key stakeholders such as the private sector, non-profit organisations and specialised housing agencies.

A key challenge in the structuring and implementation of IRDP projects is to achieve the integration that is required. Different departments have different responsibilities when it comes to project implementation. For example, hospitals and clinics will fall under the jurisdiction of the Provincial Department of Health, national roads under the Provincial Department of Transport and local roads under the Municipal Department of Transport etc.

Most municipalities struggle to address social and economic development which are largely provincial functions and even to overcome their current institutional arrangements which are departmentally divided 'silo-based' and there is a lack of communication and integrated planning (Burger and Oberholzer, 2013). This view is further corroborated by Christmas & De Visser (2009) who note that government spheres and institutions continue to be fragmented and dysfunctional, unable to collaborate, and unable to clearly

define roles and lines of authority. As a result of this, municipalities especially the human settlement departments do not have full control over a number of key built-environment functions to easily structure a project.

- **Financial Context:** In order for an IRDP project to be structured and implemented a range of funds are necessary including bridging finance, equity, mortgage finance and if very low income people are included in the project (as is the intention) then subsidies. The funding streams needs to be balanced and provided timeously. Given that the funds are coming from different sources to achieve this balance is challenging.

In addition Shisaka (2012) identifies high levels of household indebtedness as a key constraint. This leaves little disposable income and constrained affordability for additional credit. Furthermore, the National Credit Regulator records that around 46% of all South African households have impaired credit records, undermining their ability to procure new credit under the much more onerous lending conditions required by the new credit regulations and improved sharing of credit information across the Credit Bureaus.

- **Planning and Design Context:** As stipulated in the Housing Code (NDoHS, 2009), planning and design of an IRDP project relates to the extent to which the envisaged settlement provides a wholesome living environment that will instill pride and a sense of belonging amongst the beneficiaries and is well integrated into the urban fabric. This is a central component of an IRDP project. Integrated Development Planning is already ingrained in the practices of South African Local Municipalities. Plans are compiled on the basis of approved Integrated Development plans (IDPs) and are agreed upon between the MECs and mayors of those respective municipalities located within the province.

Pieterse (2004) notes that integration is most likely to be realised if local government assumes the lead in using its resources and power to shape the urban system. The legislative obligation on municipalities to formulate IDPs through participatory democratic means is an excellent starting point in thinking through the practicalities of advancing greater urban integration. IDPs are essentially strategic planning frameworks that allow municipalities to establish a holistic but prioritised development plan for the territory under its jurisdiction. IDPs are meant to provide a roadmap for how municipalities intend to address the social, political, livelihood and cultural needs of citizens and firms residing in their ambit. IDPs therefore reflect political agreements about which urban challenges and needs are most urgent and how best to address them.

IRDP supports holistic development. (NDHS, 2009). What this means is that community needs should be supplied in an integrated manner. Projects should include or enable access to social and business amenities. Furthermore beneficiaries should have choice in terms of the types of housing that can be accessed. A settlement is deemed to be integrated based on its access to social amenities like education, health, social welfare, employment, shopping, sport and recreation. Accordingly central to the success of an IRDP

project is the Integrated Development Plan (IDP). Projects need to be located within IDPs and the success to which integration is achieved depends on the extent to which the IDP has been well conceived.

- **Access to land and township development challenges:** As stipulated in the IRDP (Housing Code, 2009) an integrated human settlement project can be undertaken in an area where there is available unoccupied vacant land. The implication thereof is that these are Greenfield projects as opposed to brownfield or infill. However it does allow for a project to be undertaken in an established township where there exists an undeveloped piece of land. The IRPD further reinstates that it is the responsibility of the developer to identify land within the spatial development framework. The land should have the following attributes:
  - provide easy access to employment centres, education and health care facilities;
  - have adequate services and bulk infrastructure services. In the event that these are absent the municipality must commit to these improvements within a reasonable time frame.
  - be accessible to transportation;
  - direct development towards existing economic opportunities and promote urban efficiency and the spatial integration of towns and cities
  - comply with other directives by the MEC that are consistent with the housing policy
- **Structuring projects :** Shisaka (2012) identifies the following key challenges in respect of the structuring of housing projects:
  - **Access to bulk Infrastructure:** Municipalities are responsible for developing and financing bulk infrastructure, the costs of which are traditionally recouped through imposing development charges on new housing development. However housing developments for low income households can seldom carry such development charges. Bulk infrastructure development is not occurring in a manner that supports and unlocks land for housing development. Bulk infrastructure is either not available either because of a lack of funding or as a result of planning delays. In the short term, this affects the ability of developers to obtain service agreements for new developments, and in some cases leads to broken agreements that threaten project feasibility and developer sustainability. In the medium to long term, it threatens the sustainability of human settlements.
  - **Access to land for lower income housing:** There is limited access to well-located land largely due to the costs of and difficulties in accessing well-located state land and acquiring well-located private land due to a lack of appropriate fiscal instruments and incentives.
  - **Extended period for municipal planning and proclamation approvals:** There is an extended period for municipal planning and proclamation approvals due to oner-

ous regulatory requirements and inadequate capacity within municipalities. This increases the cost of development and undermines the viability of projects.

- **Land use municipal regulation (subdivision and adding of rental units):** There are extensive delays in respect of zoning approvals and issuing development rights, which causes extensive delays and inhibit densification of existing residential areas.

## 4. The Theory of Change

### 4.1 IRDP Theory of Change

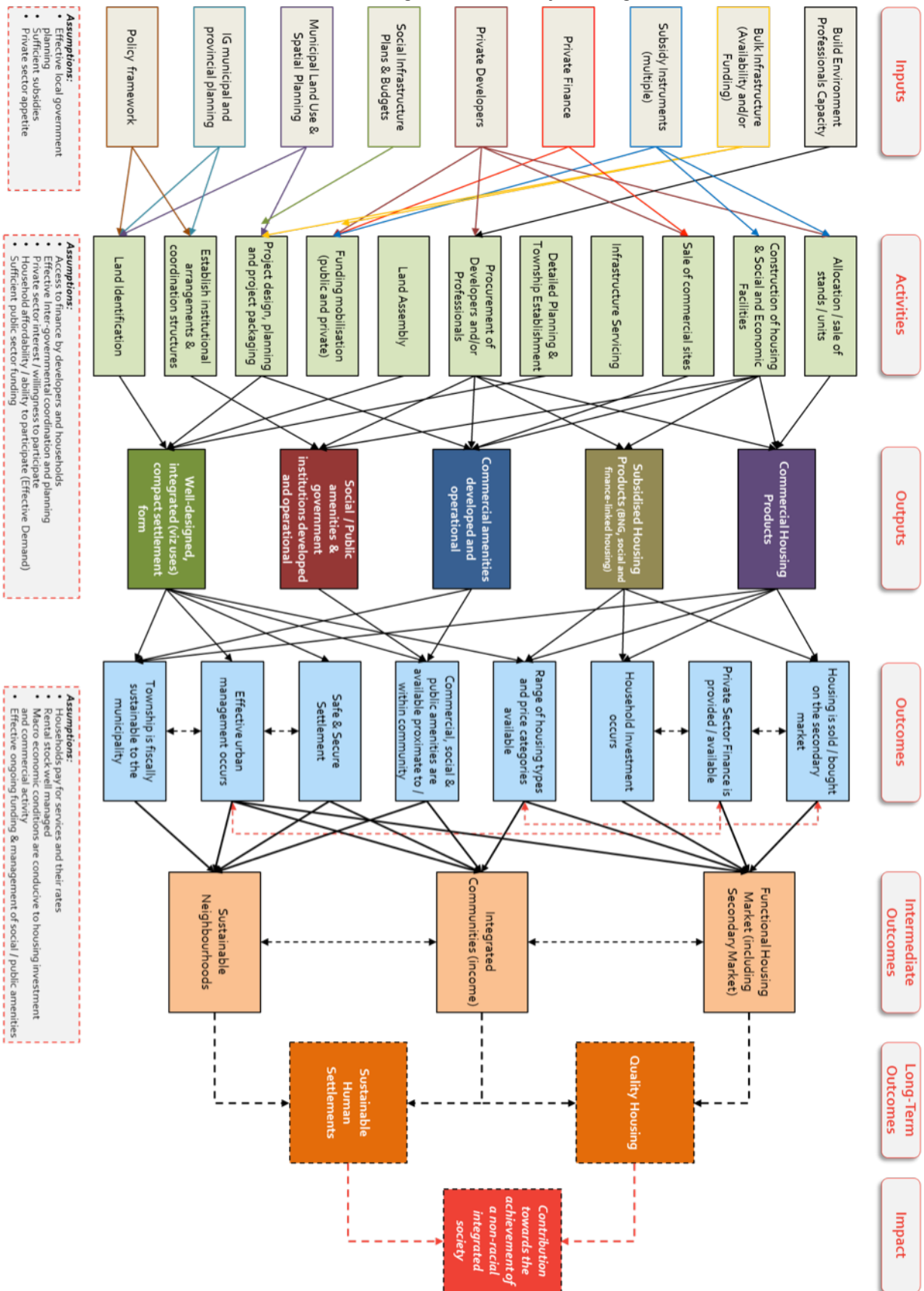
Set out below is a reconstruction of the theory of change underpinning the IRDP, based on a review of BNG and the Housing Code. This ToC aims to articulate the causal relationships between the various elements of the programme and how the IRDP intends to contribute to the envisaged outcomes and impact.

Importantly it must be noted that the ToC presented below assumes as its unit of analysis a specific project / development.

The diagram below is explained by beginning with the impacts and outcomes (on the right) and illustrating how each set of factors relate and contribute to the next set of elements all the way back to the initial inputs (on the left).



Figure 1: IRDP Theory of Change





#### 4.1.1 Base Assumptions underpinning the IRDP

While not fully articulated in the IRDP (as per the Housing Code), the base assumptions that underpin the IRDP are as follows:

- Better (holistic) area - wide settlement planning will ensure that the necessary land uses (to provide for both residential and non-residential uses) and housing types (both in terms of typology and price categories) are provided for.
- The provision of a variety of housing types across price bands (both subsidised and commercial units) as well as the provision of economic and social amenities will achieve both integration (inclusion) and economies of scale including cross-subsidisation.

In short the IRDP assumes that through better planning and public supply - side interventions, the programme is able to mobilise private developers' and private households' demand to deliver housing development that comprise a variety of housing types and price bands in neighbourhoods that are not purely dormitory in nature.

Integration in respect of income is achieved as a consequence of the planning and the delivery of units. In other words, the built form will support and promote social change.

#### 4.1.2 Impact and Long-term Outcomes

It is important to note that this ToC is framed by BNG which has set as its vision the utilisation of the housing programme to promote the achievement of an integrated society through the development of sustainable human settlements and quality housing.

On the basis of this it is understood that the ultimate **IMPACT** (see last block to right of the ToC diagram) of the IRDP would be to **contribute towards the achievement** of an integrated society.

This contribution towards the impact will occur if two **LONG-TERM OUTCOMES** are achieved, namely:

- The first is the delivery of quality housing, which we assume to mean across the spectrum of typologies, tenure options and affordability bands. As noted further below the underlying assumption is that quality housing requires effective housing markets (value) which in turn require and contribute towards good neighbourhoods which are well managed and have the entire requisite urban amenity. Underpinning this is an assumption that quality housing should include both subsidised as well as commercial housing.
- The second is sustainable human settlements, which is understood as well-functioning compact, self-sustaining and fiscally sustainable townships (in the strict planning sense). Given that the IRDP is explicitly counter-posed to RDP projects which are characterised as monotonous dormitory townships with little to no income mix, it can be assumed that sustainable human settlements are envisaged as being integrated (economically) with mixed-uses.

As indicated in the ToC figure the causal linkages between the long-term outcomes and impact are tenuous and definitely largely beyond the control of the IRDP programme and rely on certain assumptions such as municipal sustainability and effective delivery of services and

urban management and that there is a positive macro-economic environment that supports households to invest in their properties, pay rates and service charges and fund consumption expenditure. Where this does not happen, there are risks to these Outcomes.

#### 4.1.3 Intermediate Outcomes & Outcomes

In order to achieve the above long term outcomes of quality housing and sustainable human settlements, three **INTERMEDIATE OUTCOMES** have to be achieved:

1) Functional Housing Markets. This includes an effective secondary market. Functional housing markets are defined as markets with active buyers and sellers who are able to exercise effective choice and can access finance. Indicators would include churn (units sold), new housing stock delivery, levels of household investment in housing extension etc., the availability of mortgage and other housing finance as well the absence of any statutory encumbrances (such as the current 5-year limitation on the resale of BNG housing).

2) Integrated Communities. This is understood to be about the inclusion of range of income demographics in the settlements area, i.e. the nature of the settlements should cater for a variety of income bands and tenure options.

3) Sustainable Neighbourhoods. Sustainable neighbourhoods are understood as neighbourhoods that are functional in respect of service delivery and urban management and that offer a quality life to its residents. This would encompass the settlements being relatively safe and secure and the availability of commercial, social and public amenities proximate or within the settlements. Key to sustainability is also that residents pay for services and their rates which enable the municipality to perform its functions.

As indicated in the log frame diagram above (through the dotted connector arrows), these three INTERMEDIATE OUTCOMES are also interrelated. As is evident above these Intermediate Outcomes are the consequences of a number of **OUTCOMES** being delivered by any IRDP project. These are what the NDHS hoped to achieve in each IRDP project and they will be reflected on in the review of the Case Studies:

- Housing is sold / bought on the secondary market – Functional housing markets require active participation of buyers and sellers in order to underpin private sector lending as well as support price setting of housing products;
- Private sector finance is provided / available – Functional housing markets require that private lenders are willing to lend for housing in an area to facilitate the development of new stock, extension of existing stock or purchase through the secondary market;
- Household investment in housing occurs – Functional housing markets and ultimately quality housing requires that households continually invest in housing or housing improvements. These add to the value of properties (assuming neighbourhoods are well

managed) and demonstrate household's commitment to a place.

- Range of housing types and price categories are available – Functional housing markets require that an effective “housing ladder” be in place that provides a range of options given specific life stage needs as well as household incomes. Additionally in order to achieve income integration, settlements require a mix of subsidised as well as non-subsidised housing delivery of various typologies and tenures.
- Commercial, social and public amenities are available either close by or within the settlement – Integrated communities are also characterised by access to commercial, social and public amenities within the community or proximate. These prevent areas from being mono-functional dormitory townships and offer important points for local social interaction and community integration.
- Settlements are safe and secure – Household's sense of well-being is in part defined by the perceived level of safety and security within a neighbourhood. This outcome is important to both the promotion of integration (through the reduction of mistrust and fear) as well as the sustainability of neighbourhoods (for instance the lack of safety and security is likely to result in better-off income households fleeing an area which negatively impacts integration, sustainability of the area and finally the housing market).
- Effective urban management is in place – Closely related to the above outcome the achievement of effective urban management is critical to the sustainability of an area, as well as supporting an effective functional housing market. Failed urban management will result in a spiral of collapse as better-off households leave an area, commercial lenders refuse to finance and households refuse to pay of services and rates. Urban management is therefore a critical outcome to preserving the value of both public and private investment and supporting ongoing investment decisions by households.
- Township is fiscally sustainable from the perspective of the municipality. A key outcome is that the settlement is fiscally sustainable to the municipality, meaning that the investment cost as well as ongoing operating cost (e.g. to deliver services and urban management) must be matched by payments for rates and services by households and businesses. Clearly a better mix in respect of residential and non-residential uses, as well as a range of household incomes (as opposed to a single large poor household BNG settlements), is more conducive to municipal fiscal sustainability.

To achieve these outcomes certain **assumptions** are made. These include aspects such as:

- Households pay for services and property rates and all properties are appropriately rated and charged;
- Rental stock (whether public or private) is well managed;
- There is effective ongoing funding and management of social / public amenities;
- There is effective policing;
- The macro-economic environment is conducive to housing investment and commercial activity

Likewise, there are risks to not achieving these outcomes and these include:

- Failure by municipalities to deliver services and effect urban management (including bylaw, building control and other enforcement)
- Failure by non-municipal government (e.g. SAPS, Health and Education) which negatively impact on the neighbourhood
- Inappropriate balance (either too little or too much of a specific category – likely to be highly context specific) between land uses (commercial, residential, social etc.) and housing types and prices. The dominance of one development type is likely to cause bias to the entire settlement which may lead to negative consequences and/or inhibit the achievement of INTERMEDIATE OUTCOMES;
- Severe deterioration in macro-economic conditions, for instance growing unemployment, growing levels of household indebtedness etc.

#### 4.1.4 Outputs

In order to achieve the above OUTCOMES the IRDP requires that at least five key **OUTPUTS** are cost-effectively and efficiently delivered. The outputs are tangible results of development and implementation and include:

- Commercial housing products that meet the needs of the non-subsidised housing market (middle to upper income households) whether for ownership or rental. The IRDP logic envisages that the sale of these properties (whether serviced stands or top-structures) will contribute to the overall financial viability of a project, as well as being key to the achievement of the range of housing types and price categories that supports integrated communities.
- Subsidised housing products, which may comprise BNG, social or finance-linked subsidy housing to qualifying beneficiaries are included. Again as noted above this output is a key contributor to the availability of a range of housing types and price categories in a settlement, contributing towards integrated communities.
- Commercial amenities need to be developed and operational within the settlement in order to ensure that the settlement is not exclusively residential (i.e. is in fact mixed use), as well as contributing towards sustainable neighbourhoods where households can have a range of retail and related needs met, proximate to their homes and which offers the potential for local employment.
- Social / public amenities and government institutions need to be developed and operational in order to ensure that settlements offer the full range of urban amenity to residents and ultimately support integrated communities, as well as sustainable neighbourhoods. This points to the critical role of public sector investment and ongoing funding of such facilities in response to the requirements of the resident community.
- Well-designed, compact and integrated (in respect of land uses) settlement form. A key output from the envisaged activities is that the settlement is well-planned and integrated in respect of land uses and supports a compact / efficient urban form. The IRDP emphasises

the role of its funding in supporting the necessary planning to achieve this. This output is critical to the delivery of a number of outcomes including the range of housing types, the availability of commercial, social and public amenities as well as safety and security, effective urban management and fiscal sustainability for the municipality.

- **Assumptions:**

- Households and developers are able to access finance
- There is effective inter-governmental coordination and planning
- There is sufficient public funding (at scale) to finance infrastructure requirements, as well as the development and operation of social / public / government facilities
- There is sufficient private sector interest / willingness to participate in the programme
- There is household affordability / ability to participate (i.e. effective demand)

- **Risks:**

- Poor planning and inter-governmental coordination
- Insufficient public funding at scale
- Insufficient private sector interest / investment
- Lack of effective demand on the part of households

#### **4.1.5 Activities**

The following **ACTIVITIES** are required in order to deliver the indicated OUTPUTS above:

- Land identification – the inception activity is typically the identification of potential land within the municipality for human settlements development. This would be guided by municipal land use plans as well as broader human settlements policy prescripts.
- Establishment of institutional arrangements and coordination structures – in terms of the IRDP framework, as well as good project management principles for large multi-use developments, this activity would involve establishing the necessary institutional arrangements and coordinating structures to oversee and implement the project. In particular, noting the critical role of all spheres of government across departments, this activity is key if outputs and outcomes are to be delivered.
- Project design, planning and project packaging – the primary objective of the IRDP grant is to support better project design, planning and packaging. Project packaging should also comprise a phasing / release strategy that addresses itself to the commercial / developer market whose involvement and uptake of sites is critical to the delivery of key outputs and the achievement of key outcomes.
- Funding mobilisation, both public and private – Funding mobilisation typically occurs on the basis of the project plan and packaging which would determine the kinds and quantum of funding required for different phases and components. Clearly a core intent of the IRDP is that projects seek to mobilise private funding in addition to public resources for the creation of settlements. In order to attract private developer participation, projects need to be financially viable and commercially attractive – this dictates to a large extent the nature of land-use mix as well as household income targets.

- Land assembly – Land assembly would comprise the acquisition and/or consolidation and/or subdivision of land parcels in order to create the settlement area. This is primarily a land legal process but could involve negotiation, purchase, land swaps or even expropriation (for instance where portions of land are privately held) as is required in order to deliver the project.
- Procurement of developers and /or professionals – A key activity in the IRDP is the securing of private partners. This could occur in a number of ways – securing a large lead developer that takes on some of the risk and financing obligations to service the settlement and the commercial risk of selling commercial, sites etc., or the procurement of a contractor only to build key commercial and / or housing components.
- Detailed planning and township establishment – this activity involves the detailed planning and township establishment process that establishes defined erven and confers the necessary development rights to individual portions of land. This is a prerequisite to any investment – whether public or private – taking place and the basis for future transactions including the hand-over of title deeds, where required.
- Infrastructure servicing – Assuming that bulk infrastructure is available this activity involves the servicing of the site and installation of link infrastructure to individual erven. Typically this would include roads, water, electricity, sewer and storm water. This could be undertaken by the municipality or a private developer.
- Sale of commercial sites – Typically large developments would aim to sell or lease commercial sites (for instance for retail shopping centres) as soon as infrastructure servicing is complete. This provides initial cash flow to the project. Typically such sites are sold to specialist developers – for instance shopping centre developers.
- Construction of housing and social and economic facilities – This comprises the construction of facilities or housing top-structures. Again different parties may be contracted to construct different components or a single developer may be tasked with the full spectrum of requirements. Typically subsidised housing (with the exception of FLSP and social housing) would be developed by local government either through the appointment of a contractor or again through a lead developer.
- Allocation / sale of stands / units – The final key activity is the sale of stands and/or housing units for the market and the allocation of houses (e.g. BNG) to qualifying beneficiaries. Importantly the IRDP process envisages a demand driven process to a significant degree – i.e. the development will undertake the construction of a mix of houses that it anticipates will be taken up by the market, rather than responding to a housing waiting list. In the case of commercial housing projects the developers typically pre-sell a significant portion prior to construction in order to mitigate risk. As envisaged in the IRDP subsidy housing in IRDP projects would only be allocated at the conclusion of the entire development.
- **Assumptions:**
  - Effective Inter-governmental coordination and planning
  - Sufficient public sector funding

- Access to finance by developers and households
- Private sector interest / willingness to participate
- Household affordability / ability to participate (Effective Demand)
- **Risks:**
  - Insufficient public funding at scale
  - Insufficient private sector investment because projects are either not financially viable or too risky
  - Lack of effective demand from households

#### **4.1.6 Inputs**

The following INPUTS must be available:

- Policy framework
- IG municipal and provincial planning
- Municipal Land Use & Spatial Planning
- Social Infrastructure Plans & Budgets
- Private Developers
- Private Finance
- Subsidy Instruments (multiple)
- Bulk Infrastructure (Availability and/or Funding available)
- Build Environment Professionals Capacity
- Assumptions:
  - Effective local government planning
  - Sufficient subsidies
  - Private sector appetite
- **Risks:**
  - Lack of IRDP subsidy funding
  - Policy uncertainty / confusion

## **5. Overview of the case studies**

This section provides an overview of each case study outlining the history of the project, project outcomes and impact, location and a high level description. The conclusion reflects the key elements of and time line for each case study.

### **5.1 Cosmo City**

#### **5.1.1 History of the Project**

In 1996/97, the Northern Metropolitan Local Council (now the City of Johannesburg), in the preparation of its Land Development Objectives (LDOs), identified the need to provide housing for the growing informal settlements of Zevenfontein and Riverbend and that a strategic planning framework be prepared (Ehlers & Limacher, 2008, p. 10).

A planning period ensued and in 2000 the City had a Development Framework for Cosmo City that formed the basis of a proposal call, inviting tenders for development proposals on



the land (Civil Designer). In response to the tender, Basil Read and Kopana Ke Matla were the successful bidders, and together they formed a company called Codevco (Civil Designer).

The City identified the land where Cosmo City now is, but had to go through a protracted legal and consultative process, including strong objections from neighbouring residents. This legal process occurred between 2002 and 2004. Basil Read helped the City to fund this protracted legal process.

The town planning application, prepared in terms of the Town Planning and Townships Ordinance, 1986, was submitted in March 2002 and the Environmental Impact Assessment (EIA) was submitted in April 2002. The tribunal hearing to approve the development application was postponed twice (Ehlers & Limacher, 2008), contributing to a very slow approval process. In addition, the decision including the environmental Record of Decision was appealed creating even more delays in decision-making. An application was made in March 2003 to the High Court to review the decision to approve the township design and to cease the application. Once the legal process had ended, work proceeded rapidly and in January 2005, ground was broken on the project. Later that year, in November, the first beneficiaries of Cosmo City moved into their completed homes. Subsidy housing beneficiaries were drawn from the Zevenfontein informal settlement as per the court agreements. The land where the Zevenfontein settlement started is now part of the Steyn City lifestyle estate which will house around 10 000 residents (Business Day Live, 2015).

The project was conceptualised as a mixed-use, mixed income integrated development. It is noted that this was prior to the release of the Breaking New Ground policy in 2004. The planning and design of the development was undertaken in the context of a Development Framework for the wider area. The development was governed by a Land Availability Agreement. The project was ostensibly completed in 2012. There are still vacant stands in the project area and as these are sold the land sale proceeds are distributed to the City and the developer. Codevco continues to have a local office in Cosmo City and supports and facilitates many community initiatives in the area. They often act as a bridge between the residents and the City when residents enquire/complain about City services. The Land Availability Agreement is for a period of 20 years and so is still in force. According to the Provincial Dept of Human Settlements, no close out report has been submitted yet as there are still a number of RDP houses that remain to be transferred to beneficiaries<sup>2</sup>

Cosmo City has won three awards: “the Best Housing Project”, “Best Developer of the Year” and “Best Public Private Partnership” (Urban Dynamics, undated). This has given the project national and international profile and recognition. It has been the subject of numerous

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<sup>2</sup> Discussion with Ms Linda Ngcobo, Regional Head, Johannesburg, DHS on 20 August 2015



studies, study tours (by politicians from many provinces) and research. It is seen as a best practice in many respects and has inspired ideas of doing similar developments elsewhere, not only in Johannesburg but in other cities.

### **5.1.2 Project Size**

The land on which Cosmo City is located is a 1 100 hectare greenfields site, traversed by a large wetland. The land was purchased for around R30m by the City and developed in phases. The project includes 5 000 subsidised houses (RDP), 3 000 credit-linked houses and 3 300 fully bonded houses. A large site zoned Res 4 was sold to the Johannesburg Housing Company (JHC) in 2008 which they developed as a social housing project of 281 rental units called Hlanganani Gardens. In addition, 12 school sites were included, 40 sites demarcated for churches, clinics and crèches, 43 for park and recreational sites, 30 commercial and retail sites and a 40 hectare industrial park making it a mixed-use development that had all social and non-residential uses planned along with the housing uses. Upon completion, it is estimated that Cosmo City will be home to 65 000 – 70 000 people. The area is substantially fully developed, save for some non-residential sites and the remaining Res 4 sites.

### **5.1.3 Project Objectives and Outcomes**

The project was conceptualised in an environment where the then Urban Development Framework (1997) was promoting integrated, compact urban development and the City's planning department was preparing Land Development Objectives (LDOs) in terms of the then new Development Facilitation Act 1995.

According to Ehlers and Limacher (Ehlers & Limacher, 2008, p. 5), the objectives of the City of Johannesburg at the time that Cosmo City was being planned (c 1994-1999) included:

- To assist in meeting the pressing demand for housing in the north-western part of the City of Johannesburg;
- To assist the City to resolve the conflict between environmental considerations, economic considerations and social responsibilities;
- To be the first green-field development that will endeavour to comply with integration and sustainability principles as per government policies and legislation;
- To make a statement regarding the government's intention to assist previously disadvantaged people to gain access to the formal urban system;
- To make a statement towards integration along racial grounds and the negative perceptions that exists around such integration and to overcome the "not in my backyard (NIM-BY) syndrome;

Additionally Lebeta (Lebeta, 2008, p. 29) notes that "the aim of the project is to create the sustainable integration of communities and homeowners with widely varied financial, cultural and social backgrounds, while incorporating very high standards of environmental compliance".

The Urban LandMark study observes that the objectives of the development at the outset were to (Urban LandMark, 2010, p. 6):

- Integrate different income groups in the same area: by providing different housing tenure

and price-types in the same area and using schools and public open space as integrating zones;

- Integrate compatible land uses in the same area: by providing residential and non-residential uses near each other;
- Create, maintain and store value in property for the poor: by being located close to high-value developments;
- Promote sustainability: by including nature areas, solar geysers, tree planting, garden competition and education;
- Ensure profit for the developer: through sound layout planning, cooperation of all players to provide facilities and good quality construction.

It is therefore clear that Cosmo City, while not conceptualised as an IRDP project, certainly was conceptualised as an integrated, mixed, sustainable human settlement right from the start.

Lategan (Lategan, 2012), in his research report, indicated that the goal of the Cosmo City project “was to provide an integrated, mixed use and inclusionary housing development which would integrate families from different income groups in a sustainable settlement” (Lategan, 2012, p. 153).

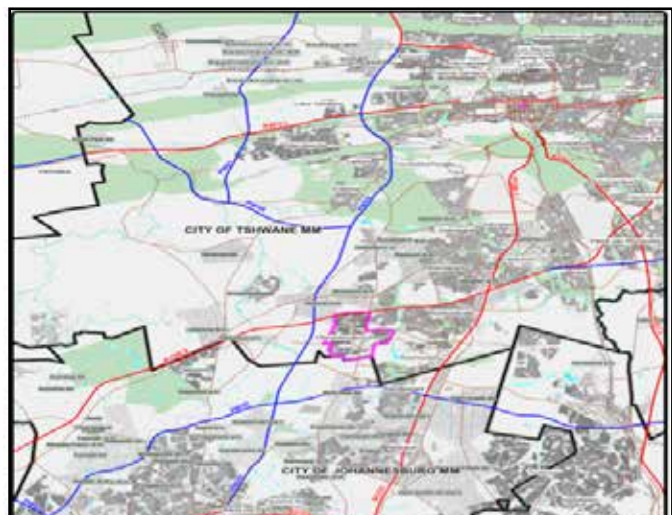
#### 5.1.4 Project Location and Jurisdiction

Cosmo City, while located on the urban development boundary initially, is considered well located. In the City of Johannesburg the spatial form is such that most low income residents live to the south of the city, mainly on the periphery, while wealthier residents live in suburbs in the north. However, Cosmo City departs from this and provides housing opportunities for low income residents in the northern areas.

Cosmo City is located on Malibongwe Drive, an important north-south arterial road and the R14 that links Johannesburg to Tshwane. The area is well connected to the metros of Johannesburg and Tshwane, despite being 25km from the centre of Johannesburg. It is accessible to Randburg (large taxi hub), Roodepoort and Midrand, which are all centres of employment. It is close to the growing industrial area of Kya Sands and is not far from Lanseria airport.

The area around Lanseria is earmarked as a future growth area so Cosmo City will increasingly become a well-located suburb in the north west of Johannesburg.

The project falls under the jurisdiction of Region C of the City (Lebeta, 2008, p. 4). Cosmo City comprises most of Ward 100 within the region.



**Figure 2: Location of Cosmo City**  
Source: (Urban Dynamics, undated, p. 19)

### 5.1.5 Project composition and layout plan description

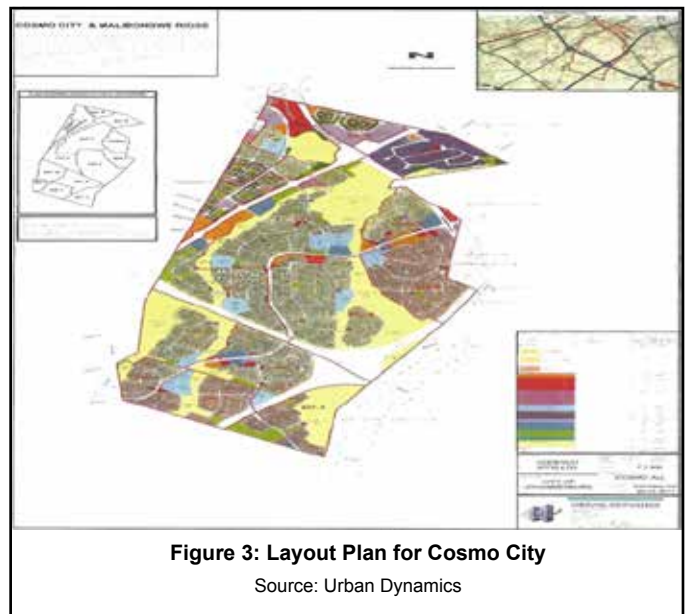
Cosmo City is a well-designed project that incorporates the wetland and nature areas (totalling around 300 hectares) into the layout, has social facilities, commercial and business sites and industrial land. The design included a layout with superblocks that contain different housing typologies (Lategan, 2012, p. 160).

The design of layout of Cosmo City was influenced by several factors, including:

- Create a safe living environment;
- Protection of land values;
- Technically feasible;
- Protection of natural areas and the flood line;
- Utilise the natural topography and geotechnical conditions;
- Include mixed uses;
- Provide houses and economic opportunities for lower income areas;
- Provide different residential typologies and counteract monotony;
- Good access to social facilities and minimal walking distances to facilities (Urban Dynamics, undated, p. 14) ;<sup>3</sup>

Through consultation and accommodation of comments received during the consultation, the layout of the area located the bonded homes on the perimeter of the development, close to main access points and the RDP homes were situated more centrally or in the heart of the development. It was designed so that no one had to walk more than 10 minutes to a park.

The approved layout plan (see below) was presented to the Tribunal Hearing on 9 Dec 2002 and the final composition of the approved layout plan included (Urban Dynamics, undated, p. 19):



**Figure 3: Layout Plan for Cosmo City**  
Source: Urban Dynamics

Zoning	Extent
Residential 1	11 337 units
Residential 4	16, 16 ha
Business 1	31 erven
Institutional and municipal	64 erven, 30 ha
Education	38 ha
Open space	278 ha
Municipal	21 ha
Public Garage	2,67 ha

**Table 4: Summary of approved land uses, Cosmo City**

Source: (Urban Dynamics, undated, p. 19)

## **5.2 Zanemvula**

### **5.2.1 History of the Project**

The area that became known as Soweto-on-Sea was settled informally in the 1980's. It is located close to the Ibhayi township and nearby industrial areas and is traversed by the Chatty River. Many homes were established in the flood plains and by 1992 there were 80 000 families living in 11 000 informal dwellings in Soweto-on-Sea (Mrawu, 1997, p. 1). At that time, the IDT had developed a capital subsidy mechanism for low income housing and allocated funds to upgrade 10 000 sites in Soweto-on-Sea on a site and services basis with ownership of sites. The subsidy at the time was R7 500 per beneficiary and did not include a top structure. The area was upgraded in situ and 7 000 sites were serviced while another 3 500 families had to be relocated out of the flood plains to an adjacent area known as Govan Mbeki. The upgrading was spearheaded by the Mzingisi Development Trust (MDT) and project managed by the Urban Foundation. Beneficiaries received a site with a water connection and meter, a toilet and wash trough and title (colloquially known as TTT – tap, toilet and title). No subsidy was provided for house structures at that time. Roads were gravel with basic stormwater (Nelson Mandela Bay Metropolitan Municipality, 2006, p. 7).

After 1994 when the national housing subsidy programme was put in place, formal top structures could be built using Consolidation subsidies. Further investment in the area occurred in the later parts of the 1990's when schools, a clinic and nursery schools were built and electricity reticulation extended to homes in the area (Nelson Mandela Bay Metropolitan Municipality, 2006, p. 8).

While some attempt was made to ensure that the flood plains remained clear of structures after shacks were relocated, re-invasion of the land below the 1:100 year floodplain steadily took place. In 2006 when the Zanemvula project formally started, there were approximately 3 000 homes located back in the flood plain.

The Consolidation subsidy was used to build top structures, to bring parity to the post-1994 government housing policy and the IDT subsidy scheme. Small contractors were used to construct the homes. It is largely these homes that now require rectification<sup>4</sup>.

<sup>3</sup> From a presentation provided in hard copy by Urban Dynamics but also from the interview with Mr J-L Limacher a director at Urban Dynamics and the planner involved in designing the layout plan for Cosmo City, 24 April 2015

<sup>4</sup> Discussion with Jacko McCarthy of the HDA on 6 May 2015

A number of factors triggered the Zanemvula project. In 2004 President Thabo Mbeki visited Soweto-on-Sea with the Minister of Housing, Ms Lindiwe Sisulu, they were shocked at the conditions people were living in. President Mbeki suggested to the Minister that this area could become a pilot project for the new Breaking New Ground housing policy. An assessment of the project was undertaken in 2004/05 and in July 2005, Ms Sisulu visited the site again and saw that little change had occurred. A team was established with the NDHS, the PDHS and the NMBMM and work began on formulating a Cooperation Agreement and in February 2006, the project was officially launched as a BNG pilot project and a Section 29 national priority project.

The Minister was concerned that subsidies needed to be prioritised to Zanemvula and approached National Treasury to set aside (or top-slice) a portion of the allocated National Housing Grant for identified Priority Projects. This ensured that the existing provincial allocation of the grant would not need to be re-allocated to accommodate this priority because the funds would be channelled from national government to the PDHS specifically for Zanemvula.

At the official launch, it was raining and conditions were muddy. Minister Sisulu promised to move people from the flood plain and one of the women from the community turned to her and said “Wa Zanemvula” or you come with the rain in Xhosa. Hence the project got the name Zanemvula from the Minister who “came with the rain” to bring this new project to them. Exacerbating the poor conditions were the heavy rains in August 2006 that resulted in severe flooding of the Chatty River. Homes in the flood plains were submerged in the flood waters up to their roofs. Relocating beneficiaries from below the 1:100 year flood plain, became a priority. At that stage the project was not fully formulated with all its components and given the urgency to relocate flood victims, suitable relocation areas had to be found in a hurry.

Flood victims were moved to Chatty 3 & 4 approximately 12 km away, which had serviced sites but no top structures. People had to erect their own shelters (shacks). Chatty 3 & 4 is an informal settlement upgrading project, using the UISP housing subsidy. Later top structures were built to move residents from the shacks to the RDP houses. By mid-2008, only 300 of the planned 1 687 houses had been constructed and by the beginning of 2014, most of the homes had been completed. At the same time, work began on the Bethelsdorp site, but this time the intention was to construct homes on the sites before moving beneficiaries, so that they did not have to move from shack to shack and then from shack to the RDP house (National Department of Human Settlements, 2008, p. 2).

At this time Thubelisha Homes was appointed the project managers of Zanemvula and were involved in managing the relocations. Due to problems in obtaining the Environmental Decision on the Joe Slovo West site, the area to the north-west of Chatty 3&4, called Chatty 5, 12, 13 and 15 was identified as a further area for inclusion in Zanemvula. Hence it is clear that



the composition of the Zanemvula project was one that developed through compromise and the need to find sites for relocation rather than a project with a clear vision, holistic planning of all areas in relation to each other and to the wider planning and spatial context. Implementation is proceeding steadily since the HDA were appointed the implementing agents after Thubelisha Homes was closed down.

Zanemvula is a collaborative project between the National Department of Human Settlements, the Eastern Cape Department of Human Settlements, the Nelson Mandela Bay Metro and the HDA as the implementing agent.

### **5.2.2 Project Size**

Zanemvula is a complex housing project that incorporates both source and destination areas to include the relocation of residents in precarious situations in the flood plains of Soweto-on-Sea/ Veeplaas and move them to the Chatty and Joe Slovo areas in Nelson Mandela Bay Metropolitan municipality in the Eastern Cape.

It comprises source areas and destination areas. While essentially it began as an informal settlement upgrading project, it also includes greenfields development of 7 498 new houses, informal settlement upgrading of 1 065 units and the rectification of around 460 houses that were built previously and rental opportunities for 323 families (Nelson Mandela Bay Metropolitan Municipality, 2006, p. 3). Overall the project is estimated to house up to 90 000 residents in 20 000 units when complete. The estimated cost of the project is R1 billion over three years.

### **5.2.3 Project Objectives and Outcomes**

With the project being both a pilot project for the then new Breaking New Ground Housing policy and a Presidential Priority project, the vision, principles and objectives were rooted strongly in the policy intentions of the day. The Interim Business Plan (Nelson Mandela Bay Metropolitan Municipality, 2006) sets out in considerable detail the purpose, vision, broader and specific guiding principles for the project and the purpose of the project and these are summarised below.

**Vision:** “An integrated and sustainable community living in environments that have access to economic opportunities, a variety of affordable and secure housing and tenure options, reliable and affordable basic services, educational, entertainment and cultural activities, as well as health, welfare and police services”(Nelson Mandela Bay Metropolitan Municipality, 2006, p. 15)

This vision incorporates clear intentions to provide integrated development that will provide a range of housing options, as well as access to social and economic facilities.

**Principles:** The Business Plan is clear that the Principles that underpin the Zanemvula project are based on the Comprehensive Plan for the Development of Sustainable Human Settle-

ments, (BNG)(Nelson Mandela Bay Metropolitan Municipality, 2006, p. 12).

A Sustainable Community Planning methodology was applied by the NMBMM in association with the Swedish International Development Co-operation Agency (SIDA) (Nelson Mandela Bay Metropolitan Municipality, 2006, p. 13). This approach is based on planning for Sustainable Community Units where all facilities and amenities are within a 2 km radius of the housing. More specifically, the following development principles were applied:

- An approach that encourages innovation, learning and the application of best practices;
- Community and stakeholder participation in planning and implementation processes;
- Families or communities who have settled on land that is unsafe and not suitable for residential development will, where necessary and after consultation with them, be relocated to other development nodes;
- In situ development will take place where it is possible;
- Appropriately located land that accommodates people closer to work opportunities and social amenities, will be identified and developed to accommodate displaced families and communities, in line with the strategic objectives of the IDP;
- Vacated land will be secured against illegal re-occupation through the development of sports, recreation and other acceptable uses on such land;
- Various housing delivery mechanisms which offer beneficiaries a range of choices with regard to tenure and housing typologies, will be explored;
- New settlement areas will be designed as dignified and safe human settlements with useable public space to meet the socio-economic needs of the community and with access to inter alia public transport, employment opportunities and community based economic development and cultural needs;
- The Project will be integrated into other elements of the development programmes and plans of the NMBM and the DHLGT and will complement those programmes and plans;
- Promote the principles of inter-governmental relationships and co-operation with Sectoral Departments;
- Adopt and appropriately apply the principles and guidelines of the Expanded Public Works Programme (EPWP);
- Endeavour to investigate opportunities for the effective reclamation of low-lying flood line areas for development purposes so as to reduce the land requirements for new development;
- Lessons learnt from the Project will be used to contribute to enhancing policies on the development of sustainable human settlements.

Hence, there were very clear intentions to create an integrated, sustainable area that would have a range of housing types where communities would thrive and have access to facilities and economic opportunities.

**Purpose:** The purpose of the Zanemvula project is:

To address the housing and development needs of the communities located in Soweto-on-

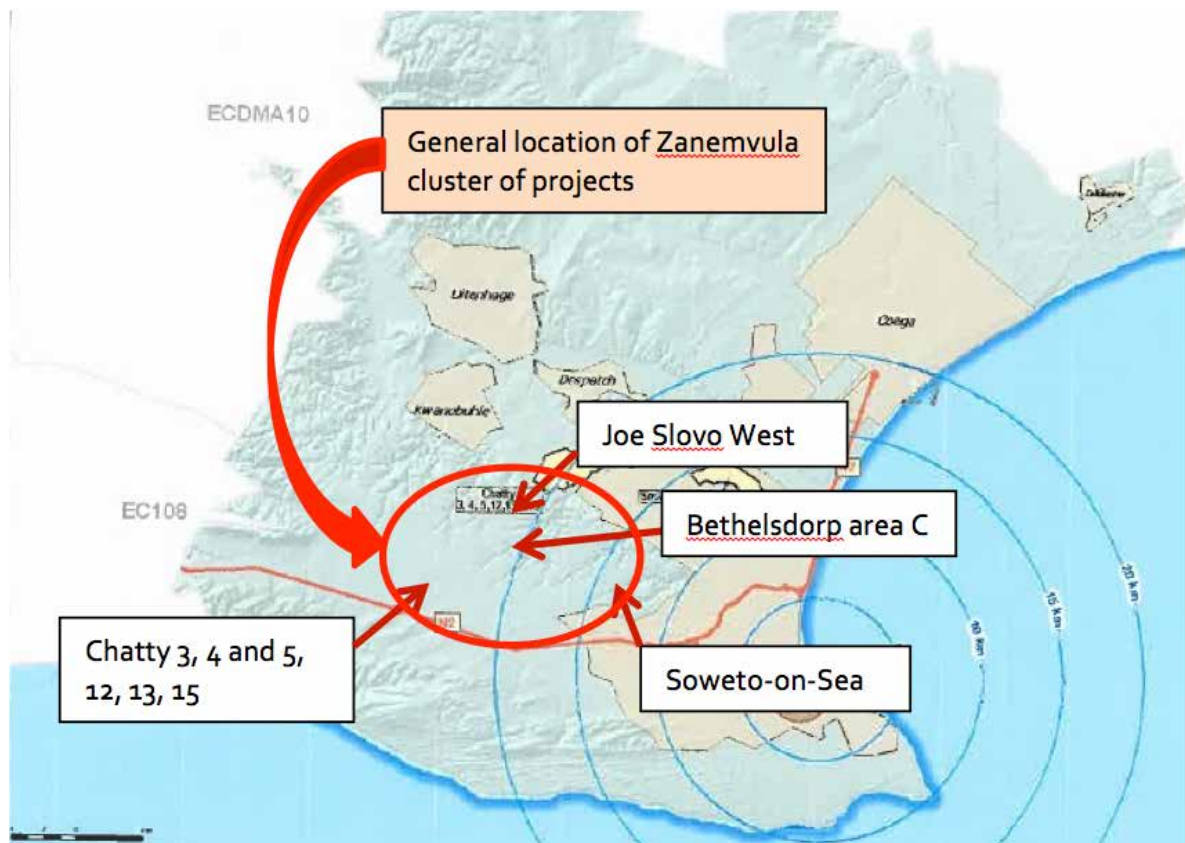
Sea / Veeplaas areas in a manner that will:

- Enable access to habitable, affordable and sustainable housing opportunities;
- Contribute to the improvement of the individual and household income levels through the establishment of new opportunities;
- Facilitates urban renewal, urban regeneration and socio-economic development; and
- Contributes to the mobilisation of institutional capabilities and capacities to execute sustainable and integrated settlement upgrading at scale and requisite speed (Nelson Mandela Bay Metropolitan Municipality, 2006, p. 11) and (Parliamentary Monitoring Group, 2009, p. 32).

#### 5.2.4 Project Location and Jurisdiction

Zanemvula is made up of several programmes and areas stretching from Soweto-on-Sea / Veeplaas towards Uitenhage and Despatch between the parallel link roads of the R75 (Stanford Road) and the R367, approximately 15 – 20 km north-west of the Port Elizabeth CBD.

Figure 4: General location of Zanemvula



Source: (Nelson Mandela Bay Metropolitan Municipality, 2006) adapted

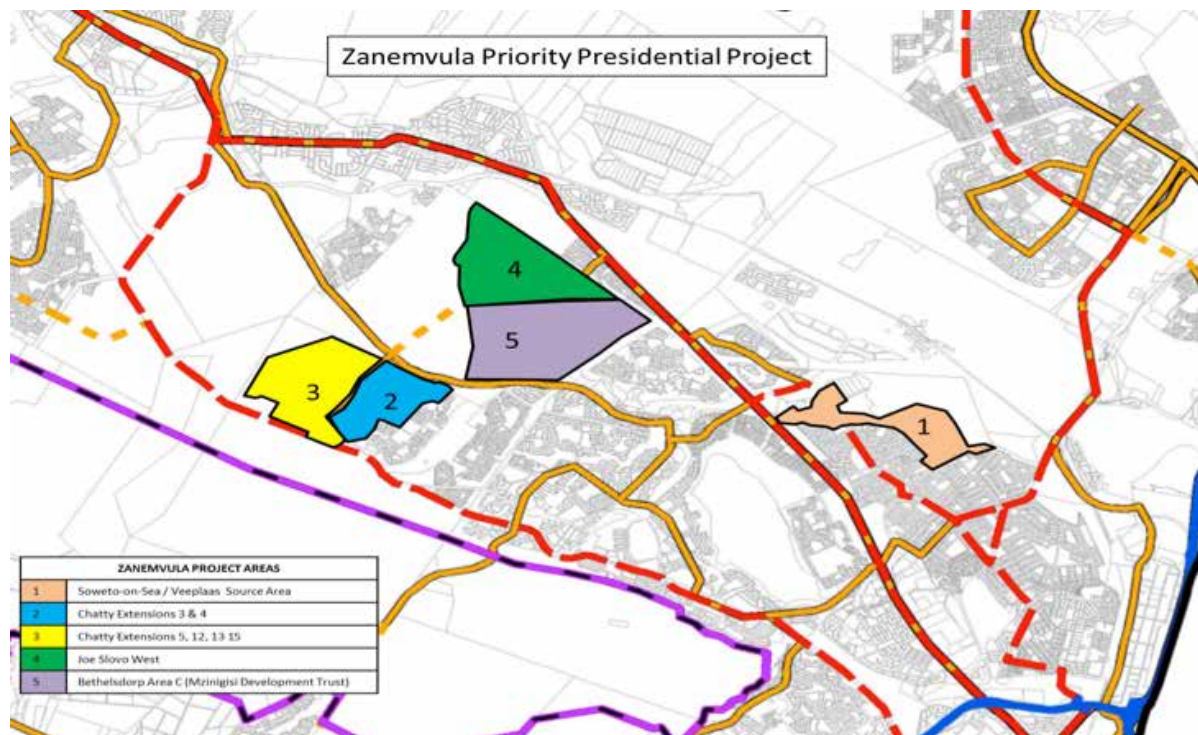
While the area currently is peripheral to the CBD, it is close to the former township areas of Ibhayi, Zwide and Kwadwesi. This area is within a future development corridor that will see



improved linkages between Port Elizabeth and the Despatch and Uitenhage areas. More specifically, the source areas of Soweto-on-Sea and Veeplaas are located close to the Chatty and Little Swartkops rivers approximately 12-15 km north-west of the Port Elizabeth CBD. It is situated along the Chatty River in the east, with the Uitenhage Road in the west. In the north is KwaMagxaki suburb and in the south the M17 going towards Njoli Square (a future development node).

The location of the Zanemvula projects is shown below:

**Figure 5: Location of the Zanemvula projects**



Source: Nelson Mandela Bay Metropolitan Municipality <sup>5</sup>

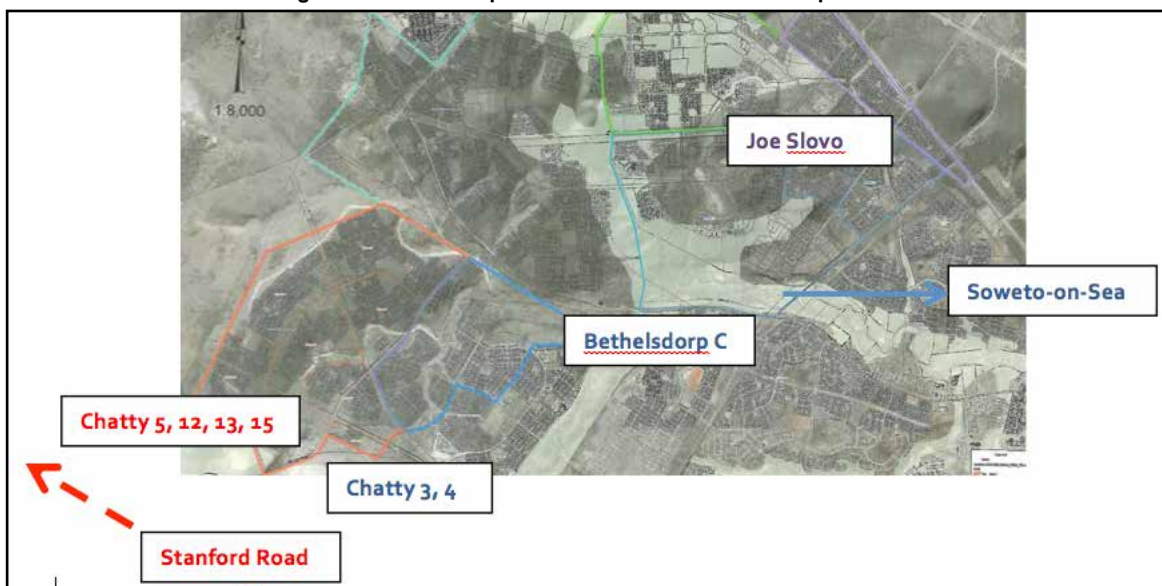
<sup>5</sup>This diagram was sent to the author by Mr Schalk Potgieter from the NMBMM

The location of the destination areas are:

- **Chatty 3 and 4:** These areas are located approximately 5 km further north-west of Soweto-on-Sea to the north of Stanford Road. This township had already been planned and so was thought to be ready to accept beneficiaries from the source area;
- **Chatty 5, 12, 13 and 15:** These areas are on the western boundary of Chatty 3 and 4 separated by the Bloemendal Arterial road. This township is larger than Chatty 3 and 4 and extends southwards over Stanford Road.
- **Areas of Joe Slovo West, Bethelsdorp Area C Extension:** These large areas are to the east of the Chatty townships, closer to Soweto-on-Sea. Joe Slovo West (is an extension of Bethelsdorp township) is so named as it lies to the west of an existing township (informal settlement) called Joe Slovo. To the north is Despatch and KwaDwesi is at the southern boundary (The Housing Development Agency, 2015).
- **Bethelsdorp C** is land that is owned by the Mzingisi Trust (set up by the IDT in 1996 to fund the relocation of beneficiaries from Soweto-on-Sea).

The location of these areas is illustrated on an aerial photo below:

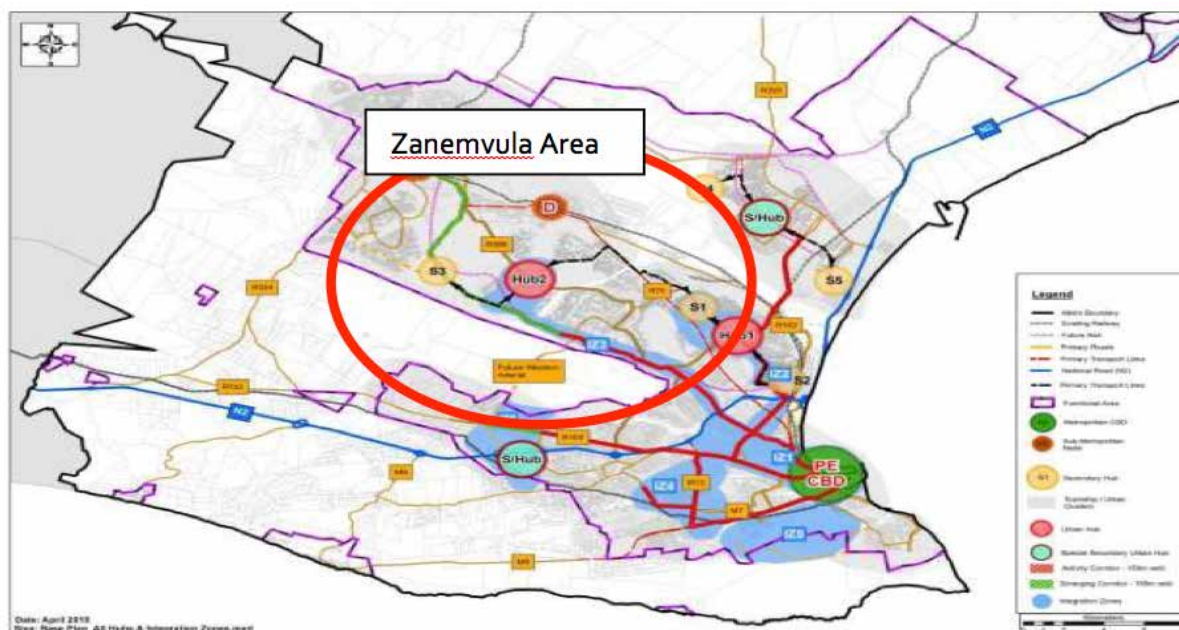
Figure 6: Relationship between the areas that make up Zanemvula



Source: (Nelson Mandela Bay Metropolitan Municipality, 2006, p. 43) adapted

It is worth noting that the draft Built Environment Performance Plan (BEPP) for the NMBMM, which is a requirement of DORA due to the grants that are disbursed to municipalities, identifies key hubs and integration zones, in line with the metropolitan SDF and IDP. It identifies the Chatty / Jachtlakte Hub as a primary hub which requires catalytic interventions that will unlock development in this area. It is located at the intersection of Bloemendal Arterial and Stanford Roads, centrally located between the Chatty townships that make up part of Zanemvula (Nelson Mandela Bay Metropolitan Municipality, 2015, p. 3). Integration zones are also identified and Zone 3 is along Stanford Road to link the Chatty Jachtlakte Hub to the CBD (Nelson Mandela Bay Metropolitan Municipality, 2015, p. 4).

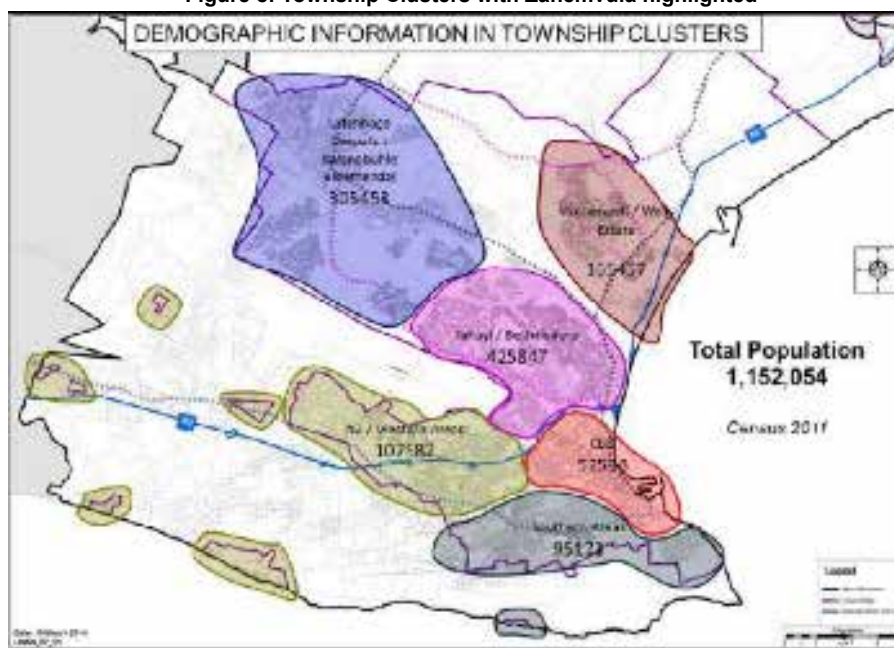
Figure 7: Hubs and Integration Zones with Zanemvula highlighted



Nelson Mandela Bay Metropolitan Municipality, 2015, p. 4

The project falls within the Nelson Mandela Bay Metropolitan Municipality (NMBMM) boundary. Six township clusters are identified in the SDF and Zanemvula falls within the township cluster of Ibhayi/Bethelsdorp, as illustrated below.

Figure 8: Township Clusters with Zanemvula highlighted



Source: (Nelson Mandela Bay Metropolitan Municipality, 2015, p. 81), adapted

### 5.2.5 Project Composition and Layout Plan Description

Zanemvula is made up of **4 key programmes** (The Housing Development Agency, 2011, p. 2), incorporating several different areas. The programmes are:

- The construction of 13 237 new RDP houses in the Chatty, Joe Slovo West and Bethels-



dorp (also called Kwadesi extensions);

- Informal settlement upgrading of approximately 1 565 shelters (in Soweto-on-Sea / Veeplaas);
- The rectification of approximately 7 500 units in Soweto-on-Sea <sup>6</sup>;
- The construction of 323 rental units <sup>7</sup>;

The Interim Business Plan indicated that overall, approximately 22 700 housing units (13 327 new units, 1 565 informal settlement upgrades, 7 500 rectifications and 323 rental units) will be provided (HDA, 2011, p. 3). These numbers have changed slightly to accommodate different constraints in the various areas and programmes, as the development is rolled out.

### **Programme 1: New RDP Houses.**

The project areas for Programme 1 are:

- **Chatty Ext 3&4:** This land is owned by the NMBMM and was planned as an area to relocate beneficiaries of the Bucket Eradication Programme (funded by the Department of Water Affairs) before the start of the Zanemvula project. It was therefore not originally intended to be part of the Zanemvula project but after some negotiation within the NMBMM and the resolution of beneficiaries of bucket eradication and Soweto-on-Sea beneficiaries, it was included <sup>8</sup>.

Some sites in Chatty 3 & 4 had already been allocated (500) but the balance of the sites was then earmarked for Soweto-on-Sea and Veeplaas beneficiaries. The area was developed as an informal settlement upgrading area with serviced sites and dirt roads. Initially it was to be developed with a toilet structure only (when it was a bucket eradication area) but its inclusion as part of Zanemvula meant that top structures were included (Nelson Mandela Bay Metropolitan Municipality, 2006, p. 18), as permitted by the housing subsidy scheme.

This area was also the site of the relocation of up to 800 families from the floodplains of Veeplaas. They moved from a shack in Veeplaas to a serviced site in Chatty 3 & 4 where RDP houses were later provided, necessitating the beneficiaries erecting their own shacks initially. This approach has since changed due to community pressure to be relocated from shacks to brick homes.

The area was planned by the NMBMM with residential sites of an average size of 200m<sup>2</sup>. There are varying statistics on the actual number of residential erven included in Chatty 3 & 4, however the HDA indicates that it comprises 2 287 sites (HDA, 2013, p. 3).

Included in the design of the area were several community sites including school and

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<sup>6</sup> When the Interim Business Plan was drafted in 2006, the estimated figure for rectification was much lower at 460 units.

<sup>7</sup> This has not materialised yet mainly because the area is not defined as a Restructuring Zone and because there has not been appetite for rental units in the area yet (discussion with officials on 6 May 2015)

<sup>8</sup> Discussion with Mr Schalk Pretorius, NMBMM 6 May 2015, who indicated that many of the beneficiaries of the bucket eradication were from the Soweto-on-Sea area and hence there was an 'overlap' of beneficiaries allowing Chatty 3 & 4 to be used for the Zanemvula project.

social facilities sites and 5 business erven. Half the area is devoted to public open space (largely undevelopable land). Several of the non-residential sites are located along the main road that bisects the township to form a low-impact activity spine. The roads, including the main road are not tarred as this was the minimum level of service that the housing subsidy funded.

As Chatty 3 & 4 was the initial relocation / destination site, it is now mostly completed. In progress reports by the HDA (Housing Development Agency, 2015), Chatty 3 & 4 is indicated to comprise 2 529 sites with top structures reported under the following projects (the number of the project refers to the original number of sites/top structures making up the development):

- Chatty 600: this is complete (rectification was necessary) and was the first area that beneficiaries were relocated to.
- Chatty 1687: this is not complete but 1 601 of the houses have been provided
- Chatty 328: this is complete
- **Joe Slovo West:** This area had also been previously planned by the NMBMM, who are the owners of the land. It comprises 2 800 residential sites (Nelson Mandela Bay Metropolitan Municipality, 2006, p. 19). It was identified as part of Zanemvula when it was discovered that there was a shortage of 1 200 sites to relocate beneficiaries in Chatty 3 & 4<sup>9</sup>. While the site was planned and the surveying of the sites initiated, the Environmental Authorisation (EIA) was not forthcoming and beneficiaries could not be relocated to the site initially.

The NMBMM had to find an alternative area which led to Chatty 5, 12, 13 and 15 being included in Zanemvula. Joe Slovo West has a well-planned, integrated layout plan that includes provision for 10 primary schools, 3 secondary schools, other community facilities and 6 business sites. One primary school is in existence. Reporting on Zanemvula<sup>10</sup> sometimes indicates that Joe Slovo West comprises two components, so called because of the number of sites provided: Joe Slovo West 4 000 and Joe Slovo 950. The HDA, in the latest progress report (Housing Development Agency, 2015) does not make this distinction and indicates that 4 040 sites are planned for this area. None have been delivered yet, however R150m has been spent on this area as of 30 September 2014<sup>11</sup>.

- **Chatty 5, 12, 13 and 15:** These areas are also owned by the NMBMM and layout plans had been prepared by the Metro. It was earmarked as an area to relocate flood victims (Nelson Mandela Bay Metropolitan Municipality, 2006, p. 20) and was not initially part of Zanemvula. The layout plan had been approved by the Metro and Environmental Authorisation had been given by the provincial authorities. Hence, when Joe Slovo West

<sup>9</sup> Discussion with Schalk Potgieter, NMBMM, 6 May 2015

<sup>10</sup> See for example a summary report on the HDSG as at 30 September 2014, prepared by the NDHS

<sup>11</sup> This is as per an extract from the HSDG report by NDHS at 30 September 2014.

could not be used initially, this area was then included in Zanemvula.

These Chatty extensions were designed to be implemented in phases and the layout of approximately 6 000 erven included mixed use sites, school and business sites along the two main spine roads, indicating the use of integrated planning concepts, despite it being essentially an informal settlement upgrading area.

Chatty Ext 5 has 328 residential erven while in Chatty 12, 13 and 15 approximately 4 300 houses will be built (HDA, 2013, p. 3). Construction has begun but was behind schedule due to contractor non-performance and re-hiring of new contractors.

RDP houses were constructed, many with slight architectural variations to break the monotony of identical top structures over the landscape <sup>12</sup>.

The design, is structured along main spine roads which are intended to function as a mixed use belt with commercial uses, community facilities and medium density housing typologies. In reality, few of these uses have materialised. Indications are that the level of services, especially the dirt roads, is a detractor to the private sector and social housing institutions investing in this belt.

An added complication is that due to long waiting times and frustrations of being moved from shack to shack, some members of the community invaded the RDP homes in this area and all parties are currently involved in trying to negotiate their relocation. Few facilities exist in the area however a multi-purpose centre is currently under construction.

In the Chatty 5, 12, 13 and 15 extensions 2 684 homes are completed and 1 997 are still to be delivered and are referred to in reports (Housing Development Agency, 2015) as follows:

- Chatty 1347 (1352): 1339 top structures are completed and 121 are still to be built
- Chatty 1380 (1398): 1345 are complete and 325 are still to be built
- Chatty 1060: these are in the planning stages
- Chatty 491: these are in the planning stages
- **Bethelsdorp Area C:** This part of Zanemvula has an interesting history because it is land that the IDT's Mzingisi Trust has a land availability agreement over, dating back to 1996 (Nelson Mandela Bay Metropolitan Municipality, 2006, p. 20). The Trust secured this land on the understanding that it would become a suitable relocation site for beneficiaries from Soweto-on-Sea and Veeplaas.  
The area is not fully developed (had historical informal settlements on part of it) and RDP houses were planned for 1 211 sites to house beneficiaries from Soweto-on-Sea. These have been completed and handed over to beneficiaries. The area was

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<sup>12</sup> Discussion with Mr Jacko McCarthy of the Housing Development Agency, 7 May 2015 while on a site visit.

planned as an informal settlement upgrading project and has dirt roads and limited facilities.

However, through negotiations, additional areas of Bethelsdorp will be included in Zanemvula and a Bethelsdorp Phase 3 is planned for 6 500 new sites and top structures. Funds have been allocated for the planning of this area and R15,6 m has been spent as of September 2014<sup>13</sup>.

In addition, an area called Vistarus will include 575 new sites and top structures within the area. Vistarus was not initially part of Zanemvula but recent discussions with the NMBMM have revealed that after much negotiation in the City, it has been agreed to include it as part of Zanemvula<sup>14</sup>. The land making up Vistarus is partially invaded (1030 families) and they will need to be relocated. Vistarus will only accommodate about 400 single residential sites.

Hence, the Bethelsdorp North area will become a key component of the Zanemvula project and house 8 286 households when completed.

### ***Programme 2: Informal Settlement Upgrading***

The second programme comprising Zanemvula is the Informal Settlement Upgrading component. This programme was targeted to Soweto-on-Sea and Veeplaas areas on land above the 1:100 year flood plain. It was therefore aimed at improving the existing informal areas. It also included the de-densification of denser areas that have smaller sites and sites with backyard dwellings and the improvement of the layout of sites and roads. It is estimated that 1 565 sites will be upgraded (The Housing Development Agency, 2011, p. 3).

Recent reporting (Housing Development Agency, 2015) indicates that the HDA has planned to deliver 500 sites in Soweto-on-Sea but to date only three have been completed but half will be delivered in the 2015/16 period.

This component of the project is difficult. Initially, when it was included in the project planning, the extent of the needs of this kind of in situ development was not known and was not planned for or accurately costed and budgeted. The NMBMM indicated that they now have a better idea of all the aspects and have needed to apply for additional funds to do the re-planning, relocations, new site demarcation, deeds searches, new subsidy applications, cancelling of old cadastral base (the General Plan) and re-doing a new general plan and registering new sites in addition to the additional infrastructure needs (roads, water and sanitation) and the beneficiary top structure construction. The NMBMM has applied to the PDOHS for an additional R44m for this work, largely for the deeds searches, new GP, registration and so forth (i.e. excluding top structures and some infrastructure). They are piloting a smaller area first<sup>15</sup>.

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<sup>13</sup> This is as per an extract from the HSDG report by NDHS at 30 September 2014.

<sup>14</sup> Discussions with Mr Schalk Potgieter on 3 August 2015

<sup>15</sup> Discussions with Mr Schalk Potgieter on 3 August 2015



### Programme 3: Rectification of Top Structures

The third programme involves the rectification of houses. This programme is not without some contention, mainly due to the limitations of the current policy that stipulates an RDP house size of 40m<sup>2</sup>. In many areas of Zanemvula, residents had homes that were larger and realised that the replacement of their rectified home would be much smaller than their <sup>16</sup>defective existing home. The matter is still being resolved.

Homes that require rectification originate from the IDT areas of Soweto-on-Sea / Veeplaas (National Department of Human Settlements, 2009, p. 34) and some newer homes that were vandalised, as well as homes in settlements that are located next to the Vista University Campus.

In Soweto-on-Sea, small contractors were used to build top structures using the Consolidation housing subsidy programme. The workmanship was poor and several thousand of the houses needed replacing. The first phase included the rectification of 460 houses (The Housing Development Agency, 2015, p. 2). In addition, structures that were damaged by rainwater or had other defects were included in this programme. The HDA indicates that an estimated 7 500 units are earmarked for rectification (The Housing Development Agency, 2011, p. 2).

Rectification projects are reported under two projects:

- **Soweto-on-Sea 2 500:** to date work has proceeded well and 2 034 houses have been completed and 42 are in progress as of June 2015 (Housing Development Agency, 2015) at a cost of close to R200m <sup>17</sup>.
- **Soweto-on-Sea 460:** 380 houses have been completed at a cost of around R25m.

It is the policy of this programme that only houses that do not have cadastral difficulties (i.e. can identify the site clearly) can qualify to be rectified. For each property a deeds search is done to ensure that the correct house for the correct beneficiary is rectified. These steps add to the cost of rectification.

### Programme 4: Rental Housing

The fourth programme included the development of rental housing units in the new green-fields developments. Despite attempts by the HDA and the housing authorities to initiate such rental housing, to date no rental units have been constructed.

#### 5.3 Pennyville

##### 5.3.1 History of the Project

The Pennyville development has its origins in 2006. At that time the City owned a piece of land in Riverlea extension 3, upon which it wanted to build 800 units. The site was already zoned and had civil services installed, but there were various service rights permits registered over the property which the city could not resolve (Erasmus, 2015).

Additionally, the residents of Riverlea objected to a low-cost housing development so close

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<sup>16</sup> Discussion with Mr Schalk Potgieter who explained that prior to 2001 beneficiaries could access R5 000.00 loans from the Port Elizabeth Low Income Loan Company, a S21 Company that had funding from Sweden, for house construction and extension. This resulted in some homes being 52m<sup>2</sup> or larger.

<sup>17</sup> This is as per an extract from the HSDG report by NDHS at 30 September 2014.

to their bonded houses (Skosana, 2015). Around the same time Safrich Developments purchased the Pennyville site. They wanted to develop subsidized housing upon the site, however they were prevented from doing so by certain subsidy rules which prohibited the use of subsidies on privately-owned land (PDG, 2011, p.3-4).

It was in this context that the City issued a call for development proposals to accommodate the Zamimpilo Informal Settlement, which had been around since 1993, and Safrich approached the City with the suggestion to exchange the two properties. A land-swap agreement was reached, with the understanding that a development vehicle consisting of Safrich and Calgro M3 would undertake the development of the Pennyville site for the city in line with the City's specific needs (Erasmus, 2015; CoJ, 2007). This development vehicle, which was called Pennyville Zamimpilo Relocation Pty Ltd (PZR), was thus appointed to develop a social housing project on the Pennyville site (Erasmus, 2015)<sup>18</sup>.

Construction on the Pennyville site began in mid-2006, with civil infrastructure and internal services being constructed simultaneously (PDG, 2011, p.3-4; Erasmus, 2015). This included the construction of bulk infrastructure such as a bulk water connection, an outfall sewer, the main bus route through Pennyville, and a pedestrian bridge (PDG, 2011, p.3-4).

A slight delay in the development process was experienced when it was decided that, in addition to the subsidized units, 800 units would be developed and sold to a private company and rented on the market. This decision came about as a result of a change in the development model, after the infrastructure for the entire site had already been constructed (PDG, 2011, p.4). The City ruled that the sale to the private company had to go through the correct procurement procedures, and the tender process ultimately took 10 months to complete (PDG, 2011, p.4-5). In January 2007, top-structure construction began and the first units were completed by October of the same year (PDG, 2011, p.3-4). In December 2007, the first houses were transferred, and in May 2011, the final houses of the last phase were handed over (PDG, 2011, p.3-4).

**Figure 9: Pennyville in 2000**



(Source: google maps)

<sup>18</sup> Safrich also eventually succeeded in solving the permit issues with the Riverlea site and proceeded to develop commercial units which were sold on the open market.

Figure 10: Pennyville in 2011



(Source: google maps)

### 5.3.2 Project size

Pennyville is a 100ha housing development approximately 7km south west of the Johannesburg CBD, on the main BRT route to Soweto (PDG, 2011, p.1-2). Originally intended to be a conventional RDP-development, the project ultimately transformed into an integrated housing development of 3127 housing opportunities through a joint initiative between the City of Johannesburg's Department of Housing and a private company called the Pennyville Zamimpilo Relocation Pty Ltd (PZR) (PDG, 2011, p.1).

Pennyville is often referred to as a mixed-settlement due to the fact that it consists of a mix of tenure types, a mix in income groups and a mix of social groups (Landman, 2012). Indeed, the settlement comprises 1 090 fully subsidised free-standing and semi-detached units; 462 fully subsidised multi-storey walk-up units; 207 JOSCHO social rental family units; 188 JOSCHO three-room rental units (564 rooms); and 804 market rental units (PDG, 2011, p.4).

Figure 11: Pennyville Development (Calgro M3, 2014)



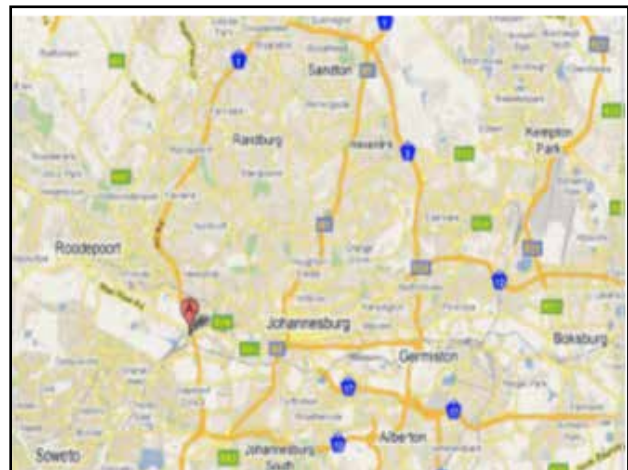


### 5.3.3 Project Objectives and Outcomes

The Pennyville development was initially intended to be a conventional RDP-type development of 1 800 free-standing, fully subsidised units. Its aim was to eradicate the Zamimpilo informal settlement with 1 600 RDP units allocated for people from the settlement (Joshco, 2011). However, as a result of changes in housing policy and a move towards a discourse of “integration”, the project transformed into a BNG mixed-income, mixed-housing typology development through a joint initiative between the City of Johannesburg’s Department of Housing and a private company called the Pennyville Zamimpilo Relocation Pty Ltd (PZR) (PDG, 2011, p.1, 4). This change was intended to demonstrate the commitment of the City of Johannesburg to the development of integrated human settlements which address the needs of households for services, shelter, and socio-economic development, based on the principles of sustainable development. (Mothotoana, 2015; CoJ, 2007). Pennyville was thus one of the first housing projects in which traditional, single-story RDP housing, semi-detached RDP units, and two and three story RDP units, were integrated with social rental housing and market rental stock (Erasmus, 2015). Although the original target market was the Zamipilo Informal Settlement, ultimately people were also accommodated from Riverlea, Noordgesig and Orlando East (Erasmus, 2015).

### 5.3.4 Project Location and Jurisdiction

Pennyville is located south of Roodepoort, and 7km south west of the Johannesburg CBD (PDG, 2011; CalgroM3, 2014). It lies on the main BRT route, and is adjacent to the New Canada train station. Both the BRT route and the railway line connect the Johannesburg CBD with Soweto (CalgroM3, 2014) Major highway routes include the N1, N17, Main Reef road, and Soweto highway. Pennyville therefore exists in a highly accessible location (CalgroM3, 2014). Moreover, the project is close to a major shopping centre and industrial areas (Department of Housing, 2014).



**Figure 12: Location of Pennyville in Relation to the Jhb CBD**  
Source: Urban Dynamics



Figure 13: Location of Pennyville in Relation to the Zamimpilo Informal Settlement  
(Source: Baloyi, 2014, p.52)

Figure 14: Location of Pennyville in Relation to Major Transport Routes



(Source: Google Maps)

Pennyville is located in the municipality of the City of Johannesburg and lies on the border between Administrative Regions B and C (CoJ, 2011, p.56).

### 5.3.5 Project Composition and Layout Plan Description

The Pennyville project comprises a mix of tenure accommodation, including private ownership for very low income households (through subsidized RDP houses), rental social housing



units, and market rental units. Overall 3200 housing units were delivered, of which 1 600 are RDP houses, 800 are credit-linked units owned by Diluculo Properties (a division of ABSA commercial Property), 600 are rental rooms owned by Joshco, and 200 are social rental family units owned by Joshco (PDG, 2011). The 800 middle and high income rental units were aimed to benefit households with incomes of between R3 500 and R15 000 a month (Calgro in Baloyi, 2014, p.56).

With respect to social amenities, Pennyville is home to a crèche which was developed and donated by Pennyville Zamimpilo Relocation (a subsidiary of Calgro M3 and Absa Group), in support of the City's Early Child Development Programme at a cost of R3, 9 million (CalgroM3, 2011; Dube, 2013; CoJ, 2014). There is also a satellite library service and a police station, which was upgraded during the development of the area (CalgroM3, 2011). Additionally, there is a well-maintained public park which was built by the City (Erasmus, 2015). Currently no other social amenities exist, however there is a commitment from the provincial departments of health and education to build a school and a clinic (Baloyi, 2014, p.59).

Figure 15: Layout Plans: High-Level Overview



(Source: CalgroM3 website)

According to the developer, proper town planning and urban design principles were applied, and the multi-storey units were located on the major roads for access purposes (Erasmus, 2015). Moreover, the social amenities are accessible to the residents (Erasmus, 2015).

The Pennyville site was conceptually broken into four distinct spatial regions or “phases”. Although all four phases (i.e. the totality of the site) were serviced at the same time, construction of the top structures began with phase one and concluded with phase four. Construction in the four phases did overlap (Erasmus, 2014).

## **5.4 Olievenhoutbosch**

### **5.4.1 History of the Project**

The Olievenhoutbosch development originated in the 1990’s as the then Centurion municipality sought to deal with the growth of informal settlements. Its early years saw it declared as a Transit Area and saw other informal settlements relocated to it. Local government reorganisation in 2000 saw Centurion merged with other local authorities to become part of Tshwane Metro and then be designated as part of the Sothorn Region of it.

The initial interventions comprised RDP housing projects. In 2006 a new project was announced by Housing Minister Lindiwe Sisulu that was seen to be aligned with the new “Breaking New Ground” national housing policy. This project, named Olievenhoutbosch, (Extension 36) was a joint venture between ABSA Bank, Gauteng and National Departments of Human Settlements and Tshwane Metro Municipality and aimed at creating an integrated human settlement that provided for a range of income levels, housing typologies and forms of tenure.

The project was developed by ABSA DEVCO along with its professional teams but this was done with the cooperation and coordination of the role players defined in the implementation agreement. This expressly set out to meet the Breaking New Ground development imperatives and these were fleshed out and made to fit the existing development context. The project documents clearly state the projects intention to develop mixed use, mixed housing typologies and a mix of subsidised and bonded housing products. This latter category expresses the intent to mix income groups. Integration of these elements guided design from the initial stages. In 2009 Olievenhoutbosch was submitted as a best practice as an IRDP development by the City of Tshwane.

In 2011 the wider settlement – Olievenhoutbosch area was included in CoT’s NDPG programme and a Township Regeneration Strategy was prepared for it.



**Figure 16: Olievenhoutbosch in 2007**



(Source:)

**Figure 17: Olievenhoutbosch in 2014**



#### **5.4.2 Project Size**

Olievenhoutbosch is a low income neighbourhood (township) located in the southwest of Tshwane Metropolitan Municipality. It is a post-Apartheid creation that emerged in the late 1990's in reaction to the movement of low income people into the then town of Centurion.

The area experienced considerable interest from NGO's and appears to have become a site of experimentation in new forms of local democracy and local governance as Centurion Town Council grappled with the need to develop a more developmental orientation.

The initial Transit Camp was formalised via RDP housing projects which established the township on a permanent basis. The area which became Extension 36 was owned by ABSA and it identified it as a suitable location to meet commitments to low cost housing development made as part of the Financial Charter in 2004. ABSA thus initiated the project via its development arm – ABSA DEVCO.

The wider Olievenhoutbos area is comprised of a number of cadastral subdivisions which are listed as urban township extensions. The original developments emerged from the areas initial status as a Transit Area in the late 1990's were extensions 13, 15 and 20. These were followed by extensions 21 and 23 in 2005 and then extensions 24, 25 and 26 in the south, extensions 4 and 19 east of road K71 and extension 37 (northwest)



**Figure 18: Olievenhoutbosch Extensions**

Source: OlievenhoutboschTRS 2011

The decision to embark on the development coincided with the release of the Breaking New Ground strategy. The newness of BNG meant that the translation of the policy intent into practical arrangements was a process of exploration on the behalf of all participants and required the policy be fitted to local conditions. Integration objectives sought to establish a mix of incomes, housing typologies and tenure options and associated land uses in a quality environment. This included quality housing, urban design and urban services delivered to create a secure environment.

The project aimed to produce a total of 5,688 dwelling units which were to be divided as fol-

lows:

- 3,216 Subsidised units (fully owned)
- 1,291 Institutional/ social housing units (rental)
- 1,181 Bonded housing units (fully owned)

#### **5.4.3 Project Objectives and Outcomes**

The implementation agreement sets out the following initial objectives

- Achieving compliance with the Governments New Comprehensive Housing Plan (BNG)
- Achieving a fully integrated development model
- Creating an integrated housing process crafted to deliver subsidised housing units, bonded units and institutional units.
- The inclusion of “other land uses” primarily related to a residential land development.

Other objectives spelt out the need for empowerment, the creation of work opportunities, community participation and skills transfer are stated but not elaborated on here.

The founding principles of the ABSA (Ext 36) project were:

- Integrated sustainable communities
- Open space planning and quality environments
- Ease of movement and pedestrian focus
- A well balanced layout
- Appropriate technical solutions

In terms of integration the project envisaged:

- Mixed land use
- Mixed housing typologies
- Mixed income
- Mixed tenure (ownership & rental)

The intended impact was to deliver a new housing project in support of BNG principals

#### **5.4.4 Project Location and Jurisdiction**

Olievenhoutbosch is located in the Southern Region of Tshwane close to its border with Johannesburg Metro. It lies to the west of the N1 and the developing Johannesburg-Pretoria urban corridor centred around Centurion and Midrand. The distances of major nodes from Olievenhoutbosch are:

- |                       |      |
|-----------------------|------|
| • To Pretoria CBD     | 32KM |
| • To Centurion        | 14KM |
| • To Midrand          | 12KM |
| • To Sandton          | 24KM |
| • To Johannesburg CBD | 40KM |



It is located within the Tshwane urban development boundary but is considered somewhat peripheral. Its neighbouring areas are predominantly smallholdings but urban development pressure is considerable as evident in the growth of (mostly gated) residential estates of varying densities in the area.

It lies adjacent to the N14 route between Mogale City (Krugersdorp) and Pretoria and thus enjoys good access to both on the only un-tolled freeway in Gauteng. This road also provides good access to the emerging Lanseria (airport) node and to Centurion business districts.

Its relative location in relation to rapidly urbanising areas is improving with the growth of light industry and office development in the highly significant Johannesburg – Pretoria corridor and as residential and commercial centre developments take up increasing areas of vacant land to the west of the N1. This area is developing rapidly and is considered to be Gauteng's primary development corridor.

Improved infrastructure including the Gauteng Freeway Improvement Project and the Gautrain are giving additional strength to the development corridor and hence improving Olievenhoutbosch's relative locational advantages. Long term planning appears to envisage the emergence of a future development corridor along the (long) proposed PWV9 route which is supposed to parallel the N1 to the west and link Johannesburg's northern suburbs to Pretoria's north-west.

Thus while the Olievenhoutbosch area was considered peripheral in the 1990's it is now well located in relation to emerging economic opportunities. Olievenhoutbosch is the only low income neighbourhood in this sector of Tshwane. The nearest low income area is Diepsloot within the JHB metro which is located about 5Km to the south on the N14.

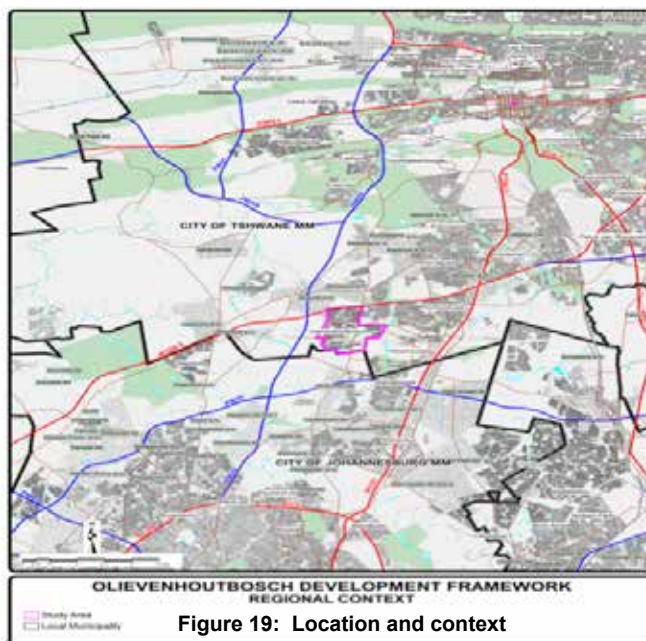


Figure 19: Location and context

#### 5.4.5 Project Composition and Layout Plan Description

Olievenhoutbosch extension 36 is a Ministerial Housing Project which comprises a joint venture between; ABSA Bank, ABSA Property Developments (DEVCO), National Department of Housing, Gauteng Department of Housing and The City of Tshwane. The development's partners negotiated the development process around BNG objectives which were modified to suit local conditions.

The wider Olievenhoutbosch residential area (township) works as a well-integrated settlement with development extensions connected both internally and externally into neighbouring areas via the road system.

The layout provides for a mix of land uses, housing typologies and income groups. This is arranged into a well ordered system of districts that places bonded housing products (with larger lot sizes) around the outer fringes and higher density institutional/social housing nearer the core. The social and economic land uses are clustered near the townships access points thus maximising user convenience and focusing buying power to improve business prospects. Subsidised housing is provided in three formats – single stand, semi-detached and row housing thus providing greater choice. The layout thus provides an integrated arrangement of residential, social (place of worship, recreation, social facilities) and economic land uses. It also accommodates different income groups although these are separated into same type districts and not distributed randomly throughout the development.

The layout arranges a mix of uses into a legible whole. It responds to the following site constraints:

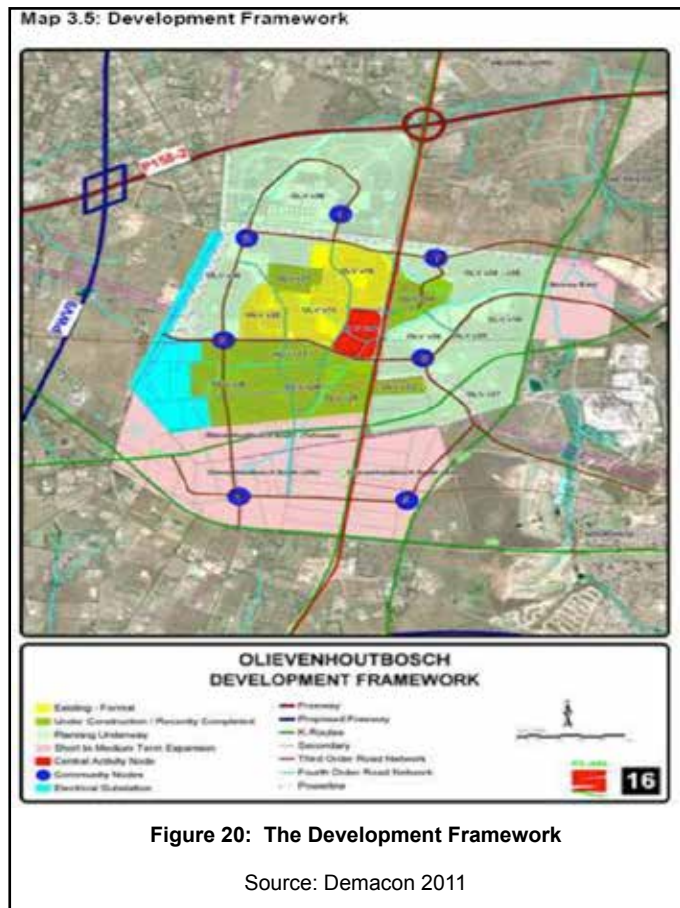
- Prohibited access to the north (N14) and east (R55)
- Electrical power servitudes follow the southern and western boundaries
- A major drainage line traverses the site from the south-west to the north-east

It focuses movement in a southward direction to align and integrate with the bulk of the Olievenhoutbosch township and to safe access to the R55.

The commercial and civic uses are clustered into three nodes to create focal points with the main one offset to the south of the project area but aligned well to integrate with other extensions. The southern node is located in an interceptor position thus creating

a position that focuses commercial energy and which increases access to facilities.

The movement system privileges pedestrian movement and uses a strong hierarchy of roads to reinforce civic/commercial nodes while effecting a level of vehicular/pedestrian separation by differential alignment of pedestrian desire lines (radial) and major vehicular movement (circular). Overall the layout provides a highly legible system.





The residential component makes provision for different housing typologies and residential densities but separates them into relatively distinct zones based primarily on a series of concentric rings with high density in the centre and successively lower rings of density moving out from the centre. While this does effect a measure of income separation, it is not as extreme as using a rigid district system.

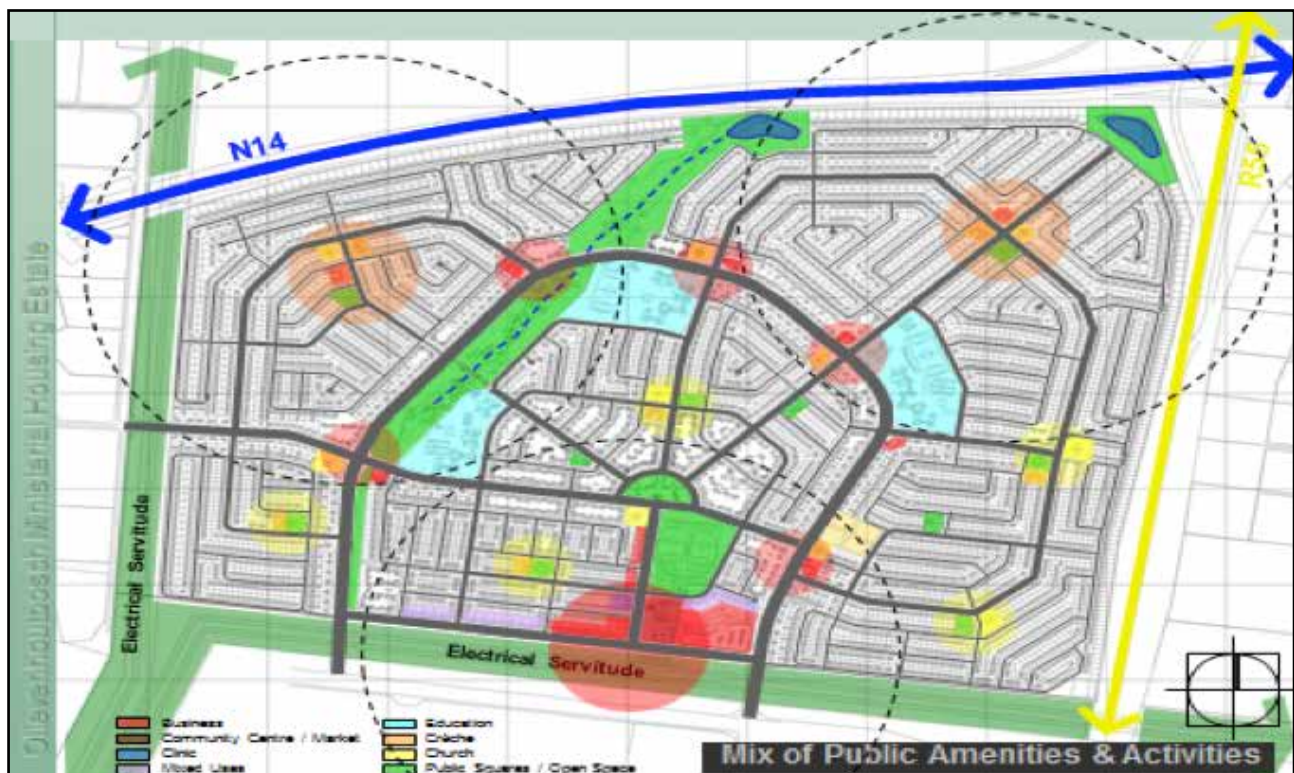


Figure 21: The clustering of civic amenities and the movement system



Figure 22: The disposition of housing typologies with higher densities (darker)  
surrounded by successively lower densities (lighter)

## 5.5 Conclusions

A time line for each of the projects is provided in the figure that follows. In addition a table provides a comparative overview of the four case studies that form the basis of the evaluation in terms of the following key elements:

- Project start
- Project end
- Project duration
- Type of development
- Size of the project
- Relationship to the IRDP
- Key project objectives
- Project location

As indicated in the time line and table all of the projects were developed prior to the IRDP however were based on the principles of BNG and thus while development predates the IRDP it is appropriate to analyse their outcomes as if they are IRDP projects.

All of the four case studies were intended as mixed use, mixed income integrated developments within the policy intent of BNG. The size of the four projects vary with Cosmo City being the largest (11,581 residential units) followed by Zanemvula (9,023 residential units). Olievenhoutbosch and Pennyville are smaller with 5,688 and 2,751 residential units respectively.



Figure 23: Timeline of the case studies (Source: Author's own)

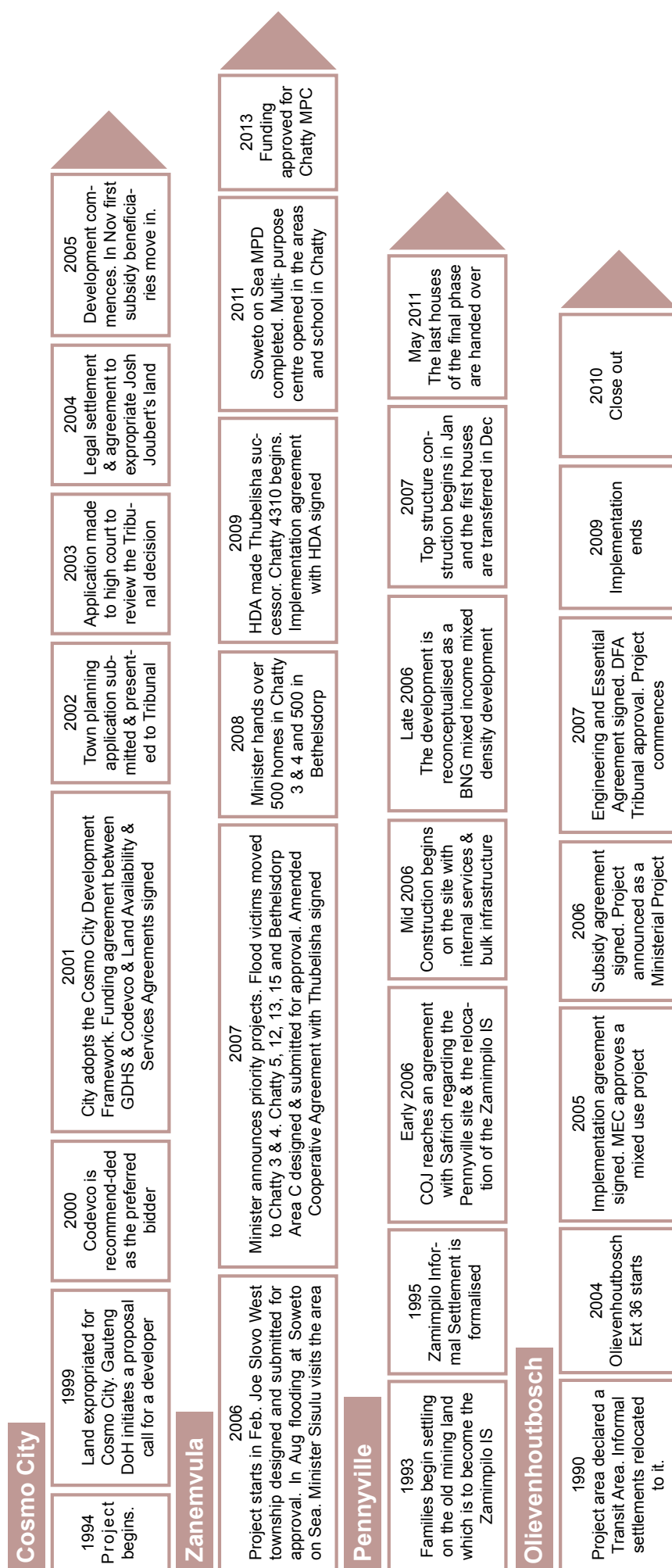


Table 5: Comparative overview of case studies

	<b>Cosmo City</b>	<b>Zanemvula</b>	<b>Pennyville</b>	<b>Olievenhout-bosch</b>
<b>Project starts</b>	1994	2006	1993	2004
<b>First houses delivered</b>	2005	2008	2007	2009
<b>Project ends</b>	Ongoing (ends in 2023)	Ongoing	2011	2010
<b>No of years between start and first houses</b>	11	2	14	5
<b>Type of development</b>	Mixed use, mixed income integrated development	Section 29 national priority project and a housing mega project	Mixed settlement comprising a mix of tenure types, income and social groups	Integrated human settlement to provide low income housing.
<b>Size of the project</b>	5,000 subsidised houses, 3,000 credit linked houses, 3,300 fully bonded houses, 281 rental units, 12 school sites, 40 sites for churches, clinics and crèches, 43 park and recreation sites, 30 commercial and retail sites, 40 hectare industrial part	7,498 subsidised houses, 1065 informal settlement upgrade units, 460 rectifications of existing subsidised units	1,090 subsidised houses (free standing and semi-detached), 462 subsidised multi storey walk ups, 207 social rental units, 188 three room rental units, 804 market rental units. A crèche, satellite library services, police station and public park.	3216 Subsidised units (fully owned), 1291 Institutional/ social housing units (rental), 1181 Bonded housing units (fully owned)
<b>Total no res units</b>	11,581	9,023	2,751	5,688
<b>Relationship to the IRDP</b>	Development commenced prior to the IRDP, but were based on BNG principles of integrated, compact urban development	Development commenced prior to the IRDP, but were based on BNG principles of integrated, compact urban development.	Development commenced prior to the IRDP, but were based on BNG principles of integrated, compact urban development.	Development commenced prior to the IRDP, but were based on BNG principles of integrated, compact urban development.
<b>Key project objectives</b>	To create the sustainable integration of communities and homeowners with widely varied financial, cultural and social backgrounds, while incorporating very high standards of environmental compliance	To create an integrated & sustainable community that has access to economic opportunities, a variety of affordable & secure housing & tenure options, reliable & affordable basic services, educational, entertainment & cultural activities, as well as health, welfare & police services	To provide housing so as to eradicate the Zamimpilo informal settlement. The project was structured so as to demonstrate the commitment of the City of Johannesburg to the development of integrated human settlements.	Achieving a fully integrated development model. Creating an integrated housing process crafted to deliver subsidised housing units, bonded units and institutional units.
<b>Project location</b>	Urban development boundary in the north of Johannesburg	Between Uitenhage and Despatch in Port Elizabeth	South of Rood-eпоort and 7km south west of the Johannesburg CBD	Southern region of Tshwane close the border of Johannesburg

## 6. Evaluation findings

### 6.1 Planning for integration

This section sets out the way in which planning was undertaken in respect of each of the case studies and addresses the evaluation questions as shown in Table 2.

#### 6.1.1 Cosmo City

From what can be ascertained, the Cosmo City project did not follow the IRDP, 2-phase development process because it was initiated prior to IRDP. However, it has many hallmarks of the approach and is not entirely dissimilar to what found its way into the Housing Code for IRDP projects.

The land was acquired upfront by the municipality, so a standard land availability agreement was not necessary. The municipality then went out on a proposal call for a developer to partner with the City. The proposal call focused on the design concept mostly and the actual implementation aspects were then worked out with the successful bidder. Codevco was formed as the implementing agent having won the bid. They undertook all the planning and environmental and other professional studies as per an agreement which was called a Land Availability Agreement. They also developed a detailed implementation plan and budget which indicated the number of houses, types, costs, servicing, flow of funds and so forth, not dissimilar to the Project Description and Feasibility Study required by the IRDP. All the servicing and contracting arrangements along with the subsidy tranche payments were detailed in agreements. In addition, the approach to recouping costs through land sales at an agreed rate (concept of “stand input cost” introduced by the IRDP) was also prominent in Cosmo City. Revenue is still being generated through this mechanism to recoup servicing costs.

When it came to the construction of the top structures (Phase 2 of the IRDP), Codevco had responsibility to contract out construction of homes and this resulted in many different construction firms being given an opportunity to be involved in house building.

Hence, with Codevco driving the process and strong involvement by the City and cooperation from the PDHS, the entire project was planned and costed upfront and agreements entered into. Therefore at the start of the project, all the planning and the costing and the funding responsibilities were set out, giving certainty to each party.

In addition, Basil Read (partner in Codevco) developed a flow chart that illustrated the relationships between all parties in order to support integrated development. This is illustrated below:

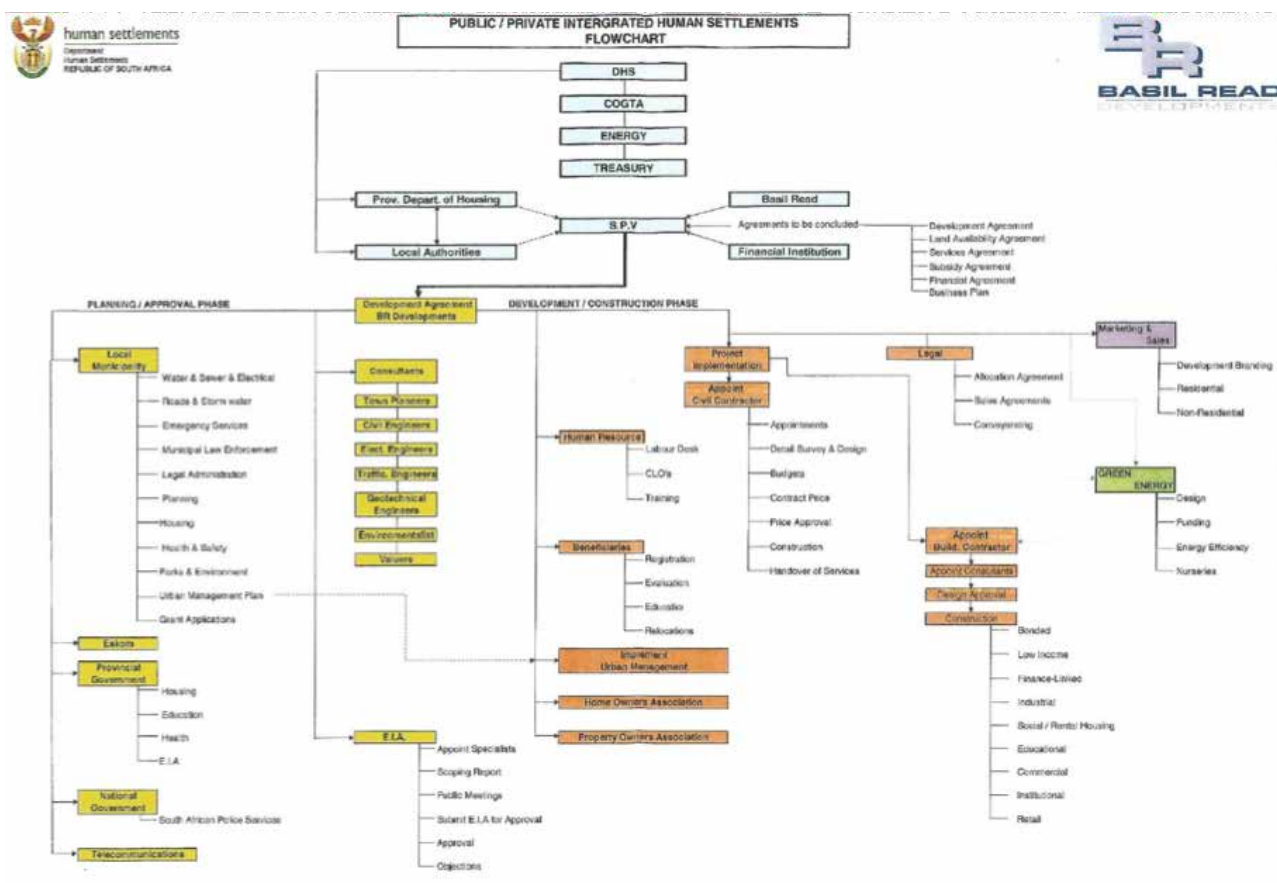


Figure 24: Flow Chart for Integrated Human Settlements

Source: Basil Read <sup>19</sup>

There was extensive consultation with the beneficiary community and ongoing education and training on homeownership. In fact, each beneficiary household had to undergo induction training prior to moving into Cosmo City. This approach is still being used in other Basil Read developments, as it was found to be a best practice.

The services were laid out by the developer (Codevco), funded by a combination of City (MIG was used for the bulk infrastructure) and developer funds. Higher standards in the subsidy areas were cross-subsidised by the affordable housing areas, by the developer and by funds generated from the land cost agreement sale price for the sale of all the sites (funds went into a dedicated vote in the City and allocated to service departments for capital projects for upgrading services/ improving the area).

Based on the implementation programme, subsidies flowed from Province to the developer to build the RDP houses, in phases. The subsidy agreement was based on the total number

<sup>19</sup> The flowchart was given to the author in hard copy from Mr Brian Mulherron at the site visit.

of units and not limited to a specific number per annum. Accordingly, the Cosmo City development approach was not very dissimilar from the subsequent IRDP approach using a turnkey contracting strategy for the whole project.

The Project Subsidy Agreement entered into between the PDHS and Codevco dictated the terms of the development of the RDP subsidy houses within Cosmo City and the funding arrangements were as per the progress payment schedules in the Housing Code Chapter 3, part 3 (Provincial Department of Human Settlements and Codevco, 2001):

- Progress Payment 1 – approval of engineering design
- Progress Payment 2 – approval of the General Plan
- Progress Payment 3 – services to stands
- Progress Payment 4 – transfer and cost of the stand
- Progress Payment 5 – top structure payment
- Progress Payment 6 – any variation payments

Regarding the planning and layout design, discussions with the town planner<sup>20</sup> who designed the layout of Cosmo City indicated that the design was in line with “Breaking New Ground” in many respects. This included:

- Accommodating different residential markets, especially bonded houses with RDP houses;
- Incorporating clusters of social facilities in each neighbourhood in an integrated way;
- Designing with the green open space and protecting it (had red data species and protected grasslands and small fauna, so they needed to fence it off initially).

The mix of housing types and the methodology of building a phase of each type of housing along with social facilities has proven successful and Basil Read has since used this approach on other large developments they are involved in, such as Malibongwe Ridge (was initially part of Cosmo City plan but was outside the then urban edge) and Savannah City to the south of Johannesburg<sup>21</sup>.

Regarding bulk services, there was some difficulty getting full commitment from funding partners who needed to provide key bulk infrastructure such as provincial road upgrades (Gautrans) and power (Eskom), however, the City of Johannesburg was instrumental in ensuring that the bulk infrastructure was provided to get the internal development and services installed. This was achieved through strong political commitment and ensuring that all internal departments prioritised their budgets for Cosmo City. There was also the undertaking that funding would be recouped to the service department from the sale of the land and in this way the services costs were “topped up”. The Project Subsidy Agreement, which pertains to the RDP component of the development ensured that no bulk contributions were payable on these sites to the municipality (Provincial Department of Human Settlements and Codevco, 2001).

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<sup>20</sup> Mr Jean-Luc Limacher of Urban Dynamics, 24 April 2015

<sup>21</sup> <http://www.property24.com/articles/r24-billion-savanna-city-development/19021> states that: “The 1 462 ha Savanna City Development will provide 18 399 integrated, mixed income housing units, schools, clinics, churches and retail and commercial sites. It is a sustainable, integrated, mixed use development with all the necessary amenities to offer a quality lifestyle. Fully subsidised houses (FSH) houses will make up over 30 percent of the development.”

By having a private sector partner, internal services were installed timeously although there were instances when municipal finance flows and provincial (subsidy component for services) were not well co-ordinated, necessitating that the developer bridged the costs at times. The Project Subsidy Agreement ensured that the developer was to have R10 000 000 available should bridging finance be necessary. Codevco used private sector property development project planning and cashflow management in the development. They also planned the installation of schools and parks so that they would be built as the houses were built, ensuring more integrated development.

Once services were provided, top structures were built to a high standard and beneficiaries moved into the homes after extensive community training on home ownership. Funds for top structures for the RDP and partly the FLISP were covered by the housing subsidy and transferred in tranches as per the funding agreement. The Project Subsidy Agreement dictated that a Services Agreement be entered into between the Codevco and the City of Johannesburg (Provincial Department of Human Settlements and Codevco, 2001).

The use of a private sector development partner and a more turnkey contracting strategy also enabled the development to proceed at an 'arm's length' from the bureaucracy of government.

Contractors and specialists could be more easily contracted and the pace of development was hindered more by the flow of funds from the subsidy (Province) and the City than by bureaucracy per se. The allocation of the function to sell land via an agent (Codevco) meant that they could manage the sales and ask market prices and generate some profits that would benefit the City and the overall project when allocated back to the service departments for services in the area.

The subsidy houses had to be allocated as per the waiting list and the subsidy quantum was determined by the number of qualifying beneficiaries (Provincial Department of Human Settlements and Codevco, 2001). The developer was responsible for the beneficiary subsidy applications.

### **6.1.2 Zanemvula**

Zanemvula was initiated prior to the implementation of the IRDP programme and therefore did not follow this 2-step IRDP development process set out in the Housing Code. The project is complex and comprises different programmes and developments. It was not rolled out in the way envisaged for IRDP projects and there is no evidence to suggest that more recent developments are doing so either. The 2006 Business Plan, which is a detailed plan of the Zanemvula project as it was conceptualised at that time, explains that the project will be implemented in four phases (Nelson Mandela Bay Metropolitan Municipality, 2006, p. 22):

- **A Pre-Application Phase:** setting up all the agreements
- **An Audit Phase:** scoping the extent of the project and its different programmes, including a socio-demographic survey, baseline studies, beneficiary management, refining land



requirements, geotechnical and EIA studies;

- **A Planning Phase:** includes the NMBMM Sustainable Community Planning approach and plan for this area to guide the overall development, planning of the de-densification areas and the greenfields areas, planning of infrastructure, planning for the provision of social and economic facilities, beneficiary management, re-settlement and relocation strategies, participation and communication.
- **An Implementation Phase:** this involves the survey and finalisation of General Plans, establishing housing support centres, installation of municipal engineering services, construction of social amenities, economic and community facilities (Nelson Mandela Bay Metropolitan Municipality, 2006, p. 26).

The project appears to have followed these steps but because of the different programmes and their implementation imperatives, the steps are at all different stages depending on the programme being implemented. However, the Business Plan did provide an overarching framework for the concept of the Zanemvula development and the NMBMM's SCP and SDF did provide the spatial planning context for the overall development.

Actual development has been guided by availability of serviced township areas to relocate families to and the availability and flow of funds, making it quite piecemeal in its development rather than a well-managed project moving seamlessly from phase to phase.

Some measure of acknowledging an IRDP implementation approach was evident in the funding arrangement where it was agreed that entire townships will be serviced, including the non-residential sites, with the subsidy funding.

However, the funding was still restricted to the number of subsidies allocated and then this servicing budget was used to provide engineering infrastructure to the whole development. This meant a low level of services throughout the township area, including dirt roads, which has had a negative impact on attracting private investment of any kind.

The HDA is now responsible for implementing all the developments and they contract out the planning and servicing to contractors and are then re-imbursed by the Province through the housing subsidy in tranche payments, as per the Funding Agreements, once value has been created.

The project has been funded exclusively by housing subsidy grants and has had to be planned and implemented around this funding mechanism. There is no partnership funding from the private sector for FLISP or Affordable housing or contributions to improving the built environment or increasing the level of services. This has resulted in the lowest level of services being installed and no mixed typologies of housing being constructed, as there has been no



potential to cross-subsidise service levels. Additionally, the poor co-ordination of provincial sector budgets and inter-departmental municipal co-ordination of services and facility provision has resulted in very few social facilities and improved amenities in the destination areas, making it less attractive to any housing markets above the basic housing subsidy level.

The destination area is therefore not attractive to private investors and especially commercial enterprises or banks that would finance affordable or rental housing construction or build commercial outlets in the area. Instead Zanemvula retains all the characteristics of an RDP housing project and an informal settlement upgrading project, rather than an integrated human settlement.

The destination areas of Zanemvula were well planned individually as evidenced by the layout plans prepared by planners. These layouts showed areas of mixed uses, sufficient sites for community facilities, the incorporation of business sites and opportunities for social and rental housing. Also, the NMBM municipality based the layout plans on their approach to planning called Sustainable Community Planning which ensured the inclusion of sites for community facilities close to each residential area. Additionally, in the broader spatial planning for this 'corridor' area within which Zanemvula falls, the planning is strategic and accommodates future integrative elements such as multi-use commercial hubs, improved transportation linkages and corridor development.

What has been the challenge is the translation of these plans into the kind of development envisaged in the plans. All that has been possible up to now has been the provision of a low level of services and the erection of RDP houses, a school and a multi-purpose centre. The need to co-ordinate other provincial sector department budgets to ensure timely construction of facilities such as additional schools, clinics and a police station has not materialised over the past 9 years.

While all the sites were serviced as intended in the IRDP approach, the funding for the servicing came from the housing subsidy that was limited to the number of qualifying beneficiaries. Hence, the limited budget had to be "spread" over the area being developed. The municipality was not able to "top up" the servicing funds with their own budgets so service levels remained low.

Additionally, given the urgency of the relocations out of the floodplains, beneficiaries were initially moved to serviced sites rather than into newly-built houses, which is not in line with the IRDP policy. However, this is being addressed and beneficiaries no longer have to move from "shack to shack". New developments that are part of Zanemvula will also now have surfaced roads. This illustrates a move towards an approach more consistent with the IRDP. Top structure construction was also plagued with many delays and the initial approach to use

small builders resulted in many of the homes being built to a low standard or not being finished. Since the HDA has been responsible for the top structures through building contracts with contractors, the newer homes are of a higher standard and there is a programme of completion.

### **6.1.3 Pennyville**

Because the Pennyville project was initiated prior to IRDP, it did not follow the official IRDP, 2-phase development process. However, it did undergo a planning stage as well as an implementation stage (Erasmus, 2015; Mothotaona, 2015; Phumzile, 2015; Ngcobo, 2015). The planning stage included the compilation of a feasibility report, a project plan, a geotechnical investigation, an environmental approval process, a National Nuclear Regulator test, as well as the town planning process. The implementation stage, dealt with the actual construction of the development.

The developer was contracted under a turnkey contracting agreement and therefore drove the majority of the project development process. While the City had input into the quantity, mix and specifications of the various housing typologies, the developer was responsible for all of the other aspects of both the planning and implementation stages. The actual implementation took place in four phases, with each phase focusing upon one particular geographical area of the Pennyville development. According to the developer, the biggest construction challenges were on-sight conditions, such as shallow underground tunnels from the old gold mines which needed to be plugged (Erasmus, 2015).

Although the Pennyville project did not follow the official IRDP development process, the process which was undertaken does seem to have been largely effective. Indeed, a planning phase took place before the implementation of the project and seems to have provided a solid basis for the development's implementation. On the whole the turnkey contract, under which the developer was hired, gave rise to a smooth and efficient development process.

The planning of the Pennyville development was based upon many of the integrative principles of the IRDP. By including plans for fully subsidized RDP units, partially subsidized rental units, as well as market rental units, the Pennyville site became an opportunity for the development of a variety of housing and tenure options which catered for a diverse range of income groups. Moreover, the Pennyville plans included a crèche, a public park, and a school site, and thus, to a certain extent, took into account the need to address its residents' social needs. Additionally, when allocating units to beneficiaries, the city attempted to do so in a manner which contributed to the racial integration of the development (Skosana, 2015).

However, the fact that the Pennyville project failed to plan for certain key social and economic amenities, such as clinics, shopping centres, and other formal commercial sites, cannot be

ignored. It is possible that the planners of the development believed that because Pennyville is located close to core public transport routes and the Johannesburg CBD, on-sight social and economic amenities would not be required. Additionally, it is important to note that it may not have been feasible to plan for large-scale commercial sites, given the smaller scale of the Pennyville development. Put another way, the 'rule' of including non-residential land uses within the project boundaries may not have been applicable in quite the same way as would be expected of a much larger project.

Nevertheless, more in the way of social amenities and commercial sites would certainly have strengthened the integrative aspects of Pennyville's project plan. Even when taking into account the smaller scale and the central location of the Pennyville development, the inclusion of a small clinic and smaller commercial sites would likely have been viable for the project and beneficial for the residents.

#### **6.1.4 Olievenhoutbosch**

The project was developed prior to the IRDP and did not follow the two stage IRDP process of site development followed by a housing development stage. The ABSA project was conceived as a whole and executed by DEVCO as a turnkey project. The project was structured as a single project but the fact of the land being owned by the developer and the relationship between the developer (ABSA DEVCO as turnkey contractor) and the municipality (as purveyor of provincially provided subsidies and provider of both bulk/link and top-up funding) created the context for a successful project.

The IRDP two phase approach makes provision for the early release of non-residential stands thus permitting the emergence of a fully functional community served by complementary mixed land uses along with the housing developed during the second phase. This did not happen in Olievenhoutbosch as despite provision being made for a variety of uses – both civic and business there has been little uptake.

The IRDP is also intended to be developed on the basis of market demand and does not require prior identification of a needy community or beneficiaries. The Olievenhoutbosch project was developed to accommodate a neighbouring informal settlement and the municipality managed the process of linking beneficiaries to newly developed housing. During this process it was found that some residents received incomes in excess of the subsidy income bands and were offered bonded housing products.

The adoption of a turnkey approach has facilitated the achievement of most of the project goals and is seen as one possible strategy in the Housing Code. Its viability appears to have been confirmed in the case of the development of Olievenhoutbosch.

The identification of Olievenhoutbosch as a Ministerial Housing Project may have assisted in

generating a can-do attitude (improved cooperation) and in persuading Tshwane council to supply top-up funding essential for the production of a better than normal level of services. This cooperative mind-set appears to extend beyond activity sequencing to include the mobilisation of additional funding and delivering such in ways that did not disturb the intended sequencing of activities.

#### **6.1.5 Findings in respect of the evaluation questions**

##### **Planning process undertaken to enable integrated residential development**

Cosmo City, Pennyville and Olievenhoutbosch were planned prior to the implementation of the IRDP programme and therefore did not follow the 2-step IRDP development process. This process proposes that all the planning and servicing of the development occur in Phase 1 and Phase 2 is when the top structures and facilities are developed. However, all of the projects broadly followed this approach. The entire area was planned upfront according to a strong brief to include a mix of housing typologies and social facilities. The planning process included the undertaking of technical studies and securing approvals, the development of the layout plan and then the township establishment process. Development was then undertaken in phases. Cosmo City was unique in that each typology was included in each phase, along with schools and parks. This project therefore achieved higher levels of integration than did the other projects.

In Zanemvula, the implementation depended on the availability of development land, timing and sequencing of the subsidy payment tranches. Development was limited to the funding obtained via the subsidy. There were many delays in making subsidy payments. Therefore implementation was piecemeal and targeted to different areas of the project. Resources were therefore not collectively focused on one area where all the elements of integration could be addressed. It has resulted in a housing project scattered over different areas rather than an integrated project rolled out logically and systematically according to a holistic project plan and cash flow for the entire area. It has also resulted in homes with basic services for the low income beneficiaries and not much else.

##### **Key contextual factors that allow for a suitable planning environment**

On the basis of the review of the case study projects the following contextual factors allow for a suitable planning environment for the IRDP:

- 1) The land for the project and the basis by which it will be implemented is identified upfront. In addition there is clarity on the amount of funding and when it is going to be provided.** This enables the planning to be undertaken within a clear framework and parameters. This approach was adopted in Cosmo City, Pennyville and Olievenhoutbosch and ensured that the projects were well integrated. Zanemvula on the other hand was undertaken on an adhoc basis and resulted in a fragmented less integrated development. The planning was influenced heavily on the availability and flow

of funds and thus was undertaken on a piecemeal basis. It is noted that the planning of each settlement making up the project was integrated, but this was less so for the project as a whole and did not translate into integrated settlements ultimately.

**2) There is a need for clear agreements that specify roles and responsibilities.**

This gives certainty to all parties and reduces risk particularly for private sector partners and increases commitment to making the project work. In Cosmo City the clear agreement with Basil Read meant that the company was willing to invest in the planning process and in overcoming the challenges during the process.

**3) Consultation with the beneficiary community if there is one.** This ensures that community needs are incorporated into the plans developed and reduces dissatisfaction once development occurs. This was applied in Cosmo City. It is acknowledged that IRDP projects do not need to identify the beneficiary community up front.

**4) Local government must be committed to and play a central role in the planning particularly in respect of securing bulk infrastructure commitments.**

**5) The use of a private sector development partner and a turnkey contracting strategy which enables the development to be planned and implemented at an arm's length from the bureaucracy of government proved to be extremely effective** in Cosmo City, Pennyville and Olievenhoutbosch. This enabled whole-project costing to be done which ensured that project roll out was integrated. It could be determined up front what the cost of all the housing typologies will be and the relative proportions or mix that would make the project viable to the private sector.

### **How projects relate to wider land use planning processes**

Cosmo City was identified in an area wide plan prior to being initiated and was undertaken so as to fulfil the requirements of this plan. Cosmo City was developed as a result of the 1996/97 Northern Metropolitan Local Councils Land Development Objectives which identified the need to provide housing for the growing informal settlements of Zevenfontein and Riverbend.

In respect of Zanemvula, the relocation projects were planned within a broader planning area of the NMBMM, however, the growth and future integrated nature of the area will rely on surrounding development nodes being attractive to investment and the whole corridor area being uplifted.

Pennyville and Olievenhoutbosch do not appear to have been developed within the context of a wider land use plan. The projects were rather a direct response to addressing conditions within an informal settlements in a specific area. The land selected for the project was an opportunistic decision whereby the land was accessible. However both projects are well located into existing areas with good transportation access to social amenities and economic opportunities.

## **6.2 Achieving integration**

This section sets out the way in which the projects achieved the key principles of integration and addresses the evaluation questions as shown in Table 2.

### 6.2.1 Cosmo City

#### Overview of what was delivered

An overview of what was delivered through the Cosmo City project is set out below.

**1) Services:** Because of its location, the Cosmo City site had access to bulk infrastructure and the main servicing requirements were for the link and connector services. Given the size of the development these link services were substantial and amounted to around R497m in value which the City of Johannesburg funded (Urban LandMark, 2011, p. 5).

At the conceptualisation of the project, it was agreed to install services to a higher standard than what is normally found in housing subsidy project areas. All roads are tarred and have storm water reticulation, however the RDP area does not have paved sidewalks. All sites have in-house water supply (pre-paid supply) and water-borne sanitation (Urban LandMark, 2011, p. 5). A new bulk water reservoir was also built by the City to supplement water supply.

Using this approach, the level of infrastructure services was comparable across all housing typology areas and no stark differentiation could be made between the infrastructure levels in the RDP houses section and the FLISP or affordable housing areas.

For electricity, the Department of Minerals and Energy (DME) was to provide funding for electrification which Eskom should have done as it was a peri-urban Eskom area. However, the City designed, installed and paid for the electrical infrastructure and handed it over to Eskom for maintenance (City of Johannesburg, 2006, p. 128).

Homes have pre-paid electricity meters. Through a pilot project, 170 homes in Extension 2 were provided with solar geysers by the City of Johannesburg (Lategan, 2012). A refuse service operates in the area by Pikitup.

Special attention was given to the storm water reticulation to ensure that it linked in with the open space and conservation areas traversing the development.

The Gauteng Department of Roads and Transport, Gautrans, upgraded Malibongwe Road to serve the development, as well as others that are planned, so this was not a direct cost to the project. Internally, Cosmo City has nearly 130 km of internal streets (Civil Designer) and similar lengths of water pipes.

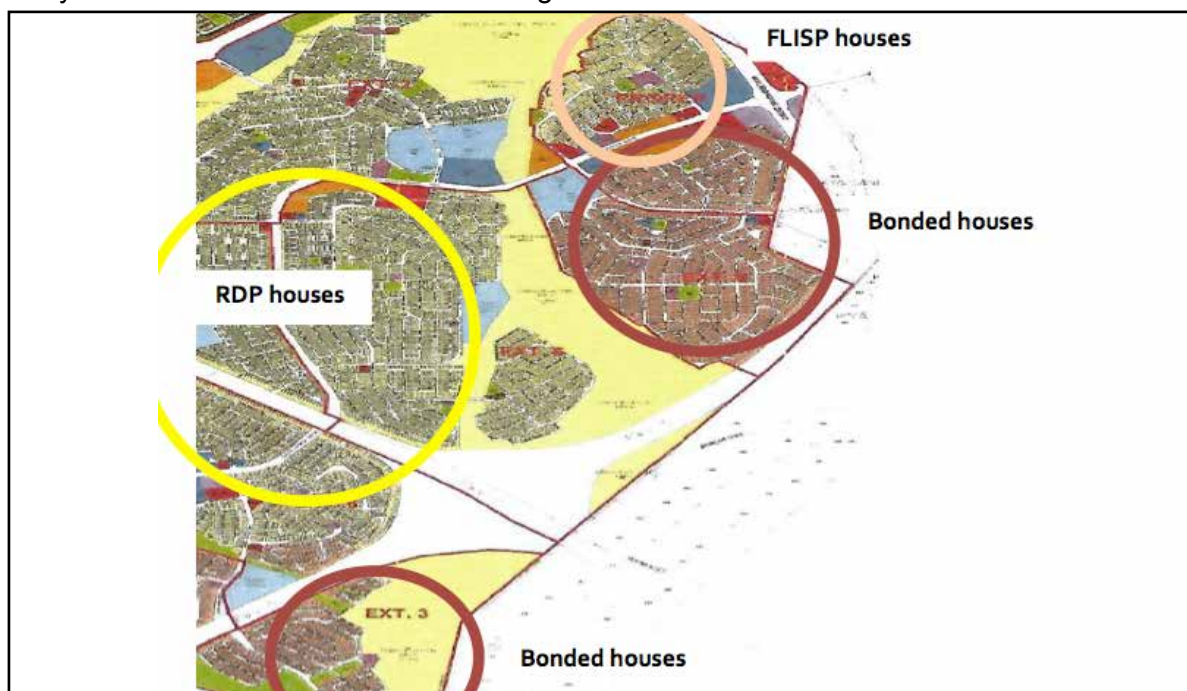
**2) Residential:** The intention from the start of the project was to provide RDP, FLISP, affordable and institutional rental homes within the development. This has been achieved and in addition, there are some sites in the affordable housing area that have gated, town house developments (and more are in the planning stages).

The residential component comprised:



- 5 000 RDP houses
- 1 000 Credit-linked houses (FLISP)
- 3 800 bonded houses
- 1 000 institutional units

Due to the scale of the project and the variation in the housing typologies it provides, and to ensure cash flow and sequential provision of services, Cosmo City was implemented in phases, with Phase 1 being Cosmo City proper, Extension 2 and 3. Within Phase 1 work began on the RDP area, the FLISP area and the bonded, affordable homes area simultaneously. Phase 1 with the 3 different housing markets is illustrated below.



The plot sizes for the RDP houses is 250m<sup>2</sup> as this was the standard promoted by the housing policy at the time it was designed. The top structure is 32m<sup>2</sup> comprising 2 bedrooms, a living area and a bathroom with a flush toilet. Tenure in the form of ownership was granted to beneficiaries.

**Figure 25: RDP houses and extension improvements.**



Source: Author's own photos

The credit - linked (FLISP) homes are larger than the RDP homes at 60m<sup>2</sup>. They were built to a different finish to distinguish them aesthetically from the RDP homes. These were built in two phase – in 2006 and 2007 and then in 2010 and 2011 (Lategan, 2012, p. 154). Some FLISP houses were built within the RDP area where there were difficult ground conditions, providing some integration of different housing typologies within the RDP area. In 2008/2009 the slump in the property market reduced the demand for FLISP units and the package had to be restructured to provide a product for the bond market. Hence, fewer than expected actual FLISP products resulted. This housing market segment is the most difficult for developers to deliver on, as a bankable product within the affordability range of partial subsidies needs to be provided that looks sufficiently different from the subsidy houses (Urban LandMark, 2011, p. 6)

The rental housing project called Hlanganani Gardens, built by the Johannesburg Housing Company (JHC), is located in the middle of the RDP area. It is a private rental scheme and did not receive government subsidies.



**Figure 26: Example of a FLISP house**

Source: Author's own photos

Bonded houses were made available on the open market and 3 300 were planned. Once the area was serviced (in phases) plots were offered to private house construction companies to build the houses and access the bonds. While banks were initially reluctant this soon changed as more bonded houses sold. Most of the bonded houses show extensive renovations and improvements.



**Figure 27: Bonded homes in Cosmo City**

Source: Author's own photos

**3) Economic land uses:** The project was planned with 30 commercial and retail sites (Lategan, 2012, p. 156). In addition, the layout included 27 hectares of industrial land. Several of the larger commercial sites have been taken up for supermarkets and hardware stores and warehousing. The smaller sites have been less successful and some are being consolidated into larger stands to meet market demand.

The industrial/business estate of Cosmo Park is located across Malibongwe Road. It is seen as part of Kya Sands industrial complex and is close to Lanseria Airport. It is seeing a steady uptake of stands and the development of new industries. It is owned by Investec and laid out as an industrial park with a gated entrance and its own electrical substation.

No planned provision was made for an informal trading market site (Lebeta, 2008, p. 43). Given the need for livelihood activities in the low income areas and that many of these residents carried out such activities when they were in informal settlements, there is a large number of informal economic activities going on in Cosmo City, especially concentrated along the central main road (South Africa Road) in the RDP section of the project. Leteba who researched the area in 2008 found that there were 206 informal land uses where 171 were in the RDP areas of the project and 11 in the credit-linked areas. These included spaza shops (60), shebeens (37) and public phone (8) (Lebeta, 2008, p. 42).

The design of the layout of the RDP section along South Africa Drive positioned single residential RDP houses along both sides of the main road and so failed to accommodate future commercial development along what has become a main activity spine through the settlement. Commercial activities have naturally developed along this route as it is a busy commuter road. Most are illegal.

**4) Schools:** In a departure from other low income housing developments and in an attempt to support integrated planning and development, some schools were constructed at the same time as the houses. Overall the planning and layout of the area made provision for 12 school sites. Two primary schools and one high school were completed and were ready to accept new learners in 2007 (Lebeta, 2008, p. 44). It is understood that Codevco and the Provincial Department of Education had an agreement to provide these schools whereby Codevco would build the schools to a high standard with modern facilities, equip the schools and the Department would provide the staff <sup>22</sup>

By 2010 there were five primary schools and two high schools that were fully functional in the area (Urban Dynamics, 2010). The schools are government non-fee paying schools providing free education to learners (Schoolhouse South Africa, 2010, p. 10). Four more primary and two more secondary schools are planned for Cosmo City (Schoolhouse South Africa, 2010, p. 11). A temporary school has also been established by the Provincial Department to cater for demand in the area.

There are also private schools in the area, including a Curros school that accepts children from Grade RR to Grade 10 (which will extend to Grade 12 in the near future) <sup>23</sup>. A new private school, Meridian Cosmo City, was opened at the beginning of 2015 and accepts learners up to Grade 10 but this will be extended to Grade 12 in future years. The schools have learners from both the low-income and the middle-income areas and as one resident commented, “My children living with me in my RDP house are going to the same school with other children from rich families living in bond houses” (Onatu, 2012, p. 10).

It is interesting to note that not only do the schools fulfil an educational function but they also have facilities the community shares. More importantly, it seems that they are a draw-card for middle-income families to move into Cosmo City and help contribute to the sustainability of the mixed-income development (Onatu, 2012, p. 11)

**5) Crèches:** There are several informal crèches in Cosmo City. According to Schoolhouse, many of the residents already operated crèches in the informal settlement they lived in previously and continued their operations in Cosmo City (Schoolhouse South Africa, 2010, p. 10). There are more crèche facilities in the RDP section of Cosmo City, many operating out of existing homes. Each crèche can care for up to 80 children and where they are established in RDP 2-roomed homes, up to 40 children are crowded into

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<sup>22</sup> As per discussion with Briana Mulherron on 5 May 2015

<sup>23</sup> Discussion with Brian Mulherron on site 18 May 2015



each room (Schoolhouse South Africa, 2010, p. 10)

**6) Parks:** Particular attention was given in the layout of the area to the inclusion of parks, open spaces and the conservation area (wetland) to create a green, sustainable and environmentally friendly living environment. The development was subject to an Environmental Management Plan which was based on several studies including an Ecological Management Plan (conservation areas) and an Environmental Impact Assessment and a Biodiversity Report (Civil Designer).

Basil Read and the City invested heavily in the play parks and created unique recreational facilities that cost in excess of R5 million each (Lategan, 2012, p. 159). There are also some informal park areas with play equipment and seating areas. In addition to the parks, during the development of Cosmo City, the developers transplanted nearly 21 000 protected and medicinal plants and the indigenous plants from Cosmo City were preserved in a Conservation Park of 300 hectares. Greening was supported by Basil Read establishing a pilot nursery where trees were propagated (Civil Designer, p. 4) and each property was given a tree with their site.

**7) Police Stations:** Cosmo City has a satellite police station, established on a large tract of land allocated for a police station. The satellite station is linked to the Honeydew police station (City of Johannesburg, 2015). The satellite station was built from containers under a single roof structure with donations raised from the private sector.

**8) Health Care Facilities:** There are no formal government hospitals or clinics in Cosmo City. However there are services that are provided by a large private clinic – the Cosmo City Medical Centre. This was funded by the Industrial Development Corporation (IDC) to the tune of R8m through its Township and Rural Hospital Scheme (Industrial Development Corporation, 2011). It was opened at the beginning of 2010 and treats between 55 and 70 patients a day and includes primary health care services and dental and mental health (City of Johannesburg, 2010). It also has a pharmacy.

A site has been allocated for a public health facility to be built in the future. In the meantime there is a mobile centre that provides eye, ear, blood, dental, and pre- and post-natal screenings and treatments. Residents complain that it is located far from their homes and there are no safe shortcuts to walk there (IOL News, 2014).

In addition to the mobile clinic, a solar powered Health Centre was opened by Oasis in Cosmo City. Their philosophy is to offer community-based care, follow up primary health care and HIV and AIDS treatment (Oasis, 2011).

**9) Community Facilities:** The City of Johannesburg constructed a multi-use community centre in Cosmo City and it was inaugurated in 2011 (Lategan, 2012, p. 157)(Urban



LandMark, 2011, p. 6). It has many sports facilities including soccer and netball. There is also a community library.

### **Ongoing Operations**

Cosmo City is now an integral suburb within the City of Johannesburg. It is still lacking in certain social (e.g. permanent clinic, own police station and more schools) and economic facilities (formal trading facilities for informal traders, taxi ranks) however there are vacant sites designated for institutional and economic use to facilitate the inclusion of them in the future.

As a developing area and part of the City, it is incumbent on the City to provide the necessary municipal services and ensure by law regulation and enforcement within the area as it would in any suburb. There appear to be two important issues relating to ongoing operations:

- **City Maintenance of services and public spaces:** the City invested substantially in parks, open spaces and environmental areas in Cosmo City. These require maintenance, mowing and cleaning. While City Parks does do limited maintenance of the parks, there is already a noticeable deterioration in these facilities. Dumping is evident in some of the environmental areas and the nature areas are not being maintained. Road and sidewalks are also showing signs of deterioration, although in the RDP areas, paved sidewalks were not provided.
- **City By-law enforcement:** The weak by-law enforcement is a recurring theme from many interest groups in Cosmo City. There is a definite development trend in Cosmo City, particularly in the RDP and FLISP areas to erect backyard rooms for rental. Most of these are being erected illegally without planning or building regulation approval. In addition, there are many illegal land uses, particularly along South Africa Drive in the RDP area. There appears to be little regard for the town planning and land use regulations by the residents and little effort by the City to enforce them.

There are concerns from residents in the bonded houses that the RDP areas will continue to be lawless and become more and more informal if the City does not play a more active role in managing the illegal land and building activities in Cosmo City.

### **Assessment of integration achieved**

**1) Regional spatial integration:** Cosmo City is well located within the sub-region, despite its peripheral location in the City of Johannesburg. It has been inserted into an area which is experiencing high levels of economic growth. The nearby expanding industrial area complex of Kya Sands and the burgeoning new industries along Malibongwe Drive are testament to growing investment along this corridor. Many townhouse complexes are being established in the area, including high income estates. The area is certainly a future growth node, being close to the Lanseria airport and only 5km from the large

Northgate shopping mall (a regional shopping mall).

Hence, Cosmo City is spatially located in a sub-region that is growing and already displaying evidence of a range of different uses, offering convenience and job opportunities to residents of Cosmo City. Transport links are also excellent in this area which has good access to Randburg, Sandton, Roodepoort and Midrand and Pretoria.

**2) Local spatial integration:** Cosmo City was planned and conceptualised prior to the IRDP programme being implemented but it certainly embodies all the principles and intents of an integrated settlement. This was driven by the City in their brief to the bidders which Codevco won. The design included a range of housing typologies, community facilities and commercial, retail and industrial uses as required in an IRDP project.

For the residential component, the design designated separate spatial areas for different housing typologies rather than inter-mingling them. This was a conscious decision and was largely informed by market considerations. The bonded houses were located on the outer edges of the area, making them close to the exits where shopping and public transport facilities were located and convenient access to the road networks.

This segregation has been questioned, for example Lategan states that “the design of Cosmo City only promotes the most basic of geographic integration” (Lategan, 2012, p. 160), but it has allowed the market to respond positively making the bonded houses very successful and generating rates income and revenue for the City and for the benefit of the whole development. The cross subsidisation of the servicing costs in the RDP areas from the bonded areas has created similar high levels of services throughout Cosmo City, making the distinction between the areas less evident. Facilities such as schools and parks too have been spread across the area and not been preferential for the bonded areas.

Within each extension or area, a range of other land uses were planned so that each sub-area would have close access to a school, parks and shops and churches. Not all the sites for institutional and economic uses have been taken up yet but when they are, each area will be more integrated.

Hence, Cosmo City does have a mix of housing typologies within the development, achieving the objectives of integrated housing development in the BNG policy and the IRDP.

### **3) Social and Economic Integration:**

The University of Cape Town together with Vibrand undertook a survey in Cosmo City recently (May 2015). While it was targeted at understanding safety and security opinions and experiences (University of Cape Town and Vibrand, 2015), it did ask questions about feeling part of a community and feeling proud to live in Cosmo City.

Most (60%) of Cosmo City residents said they felt part of the community where they lived (the neighbourhood) while 31, 5% and 41,75% said they felt strongly part or somewhat part of the wider Cosmo City development (University of Cape Town and Vibrand, 2015). In terms of pride and feeling proud to live in Cosmo City, 57% felt very proud and 28% said they were somewhat proud indicating high levels of pride in the area (University of Cape Town and Vibrand, 2015).

Toward the end of the main construction period, Basil Read commissioned Demacon to conduct a Post-Completion survey in Cosmo City (Demacon, 2008). What was interesting is that the survey was administered in the three different housing areas of Cosmo City, making it possible to establish if views and experiences were different in the different areas. Respondents from all three areas indicated that they are in Cosmo City because they could get home ownership of a house and that houses were of good quality and affordable. They all mentioned that they are happy with the area because it is secure and accessible and they liked the open spaces and the quality of the environment. This shows similar values shared by all residents. A main difference between the bonded /FLISP areas and the RDP areas was that there was less tolerance towards the informal, street traders and the illegal building construction in the non-RDP areas and the wealthier areas wanted to see more maintenance and cleaning up by the City in the area (Demacon, 2008, p. 76)

Letebe undertook some resident interviews in her study (unrepresentative) and notes that of the 10 interviews, 7 thought that there was both spatial and social integration in Cosmo City (Lebeta, 2008, p. 38).

So, while the different extensions of Cosmo City are home to different socio-economic income groups, residents share similar positive sentiments about living in Cosmo City. The increasing investment in houses across all three income group areas is also an indication of aspirational asset investment in the area.

### **Analysis of the effect on Property Markets**

An analysis was done of the housing market composition in Cosmo City and surrounds and other IRDP projects as part of this study. It illustrates that in Cosmo City, there are 3 market segments – the RDP, subsidy housing market (formal houses), the “Gap” market and bonded house market, with a noticeable component being the gap market. This is unusual for low income areas and in stark contrast to the comparative graph above it showing Zanemvula with a disproportionate concentration of informal houses.

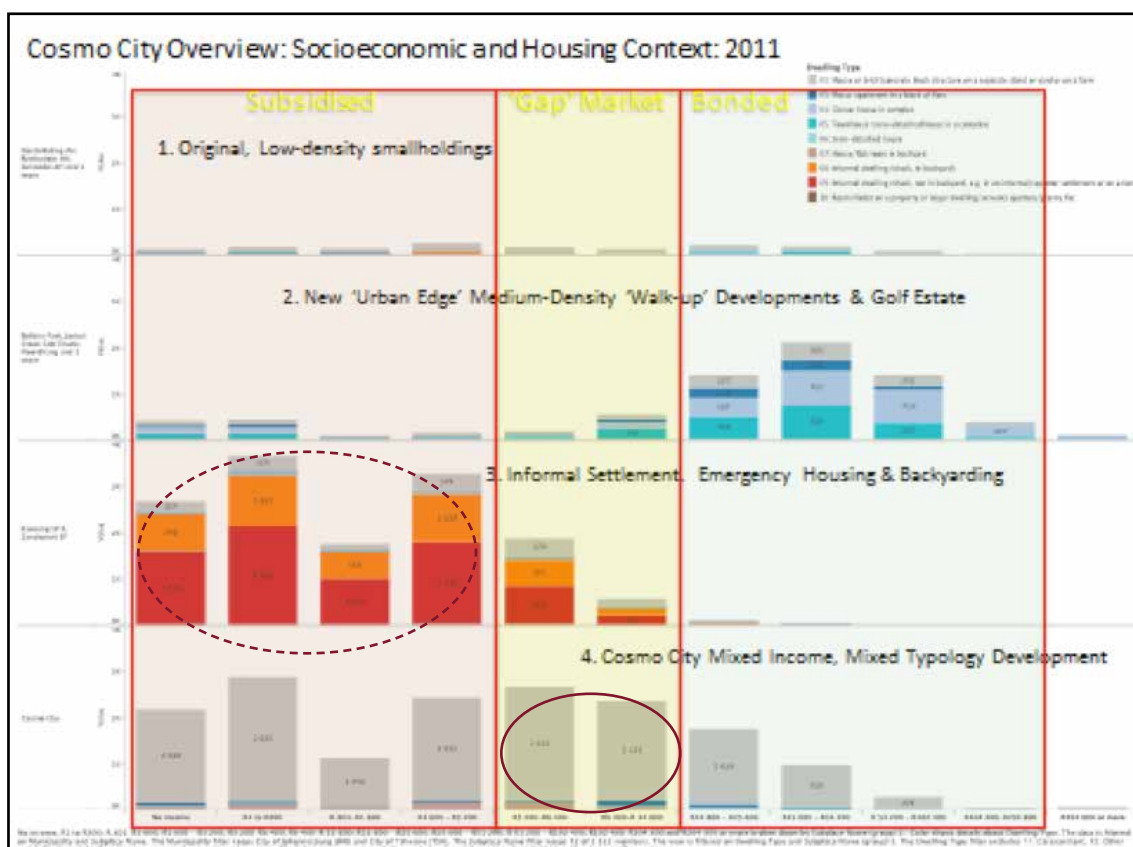


Figure 28: Market Analysis – Cosmo City compared to other projects

Source: The Rebel Group, 2015

At the start of the project, bonded homes were selling at around R250 000.00. Being a new development concept and because the area was initially 'red lined' by banks, the developers took a risk in including bonded houses. They tested the market by providing batches (started with 10 – 12 sites) of serviced sites to developers to build houses on and sell. The banks responded and the area proved desirable to qualifying buyers.

FNB Housing Finance estimates that the first 1 000 families who received finance for their homes have accumulated R100 million worth of wealth over the years (Affordable Housing, 2014, p. 20). Property values have increased in all parts of Cosmo City. There is a thriving market for the bonded homes and owners have made substantial investment in improving their homes. Not only have investments been made in bricks and mortar, most gardens have been well tendered. In the early days, Codevco ran garden competitions with garden-related prizes to winners, instilling pride in the properties and the area.

The demand for bonded houses has resulted in the un-sold Res 4 (rental housing) even being sold to developers to do townhouse developments. One development is completed (see below) while another is in the pipeline.

A cursory scan of the property sales in Cosmo City on the internet in June 2015 indicated bonded homes on the market are being advertised from R550 000 to R1m, indicating

a strong increase in market prices for improved homes. In addition, there are cluster or townhouses also being advertised for sale at an average cost of R500 000.

With respect to the subsidy houses (RDP), while these houses have an 8 year restriction on sales, the local newspaper in Cosmo City (Cosmo City Chronicle, 2015) is doing an investigation into the sale of RDP homes in the area and reported the following in January 2015,

*“An unfolding investigation reveals that houses in Cosmo City’s RDP section are being sold for as high as R200K – R345K. In some instances they are flagged as 6 bedroom houses with an asking price tag of more than some houses on mortgage bonds. The other aspect of interest is that the asking price is usually being asked to be paid in cash and will be marketed as a house ideal for an investor. Some specifications will mention that the house is close to schools, shops and Malls and therefore a great investment. Then it will ask for a “cash deal only”. In giving the details of the houses the sellers will list the property as house with no rates amount outstanding – which is obvious for an RDP house. The mortgage bond costs of such price tags would range from R2600 to R3000 per month. It is understood that rental Rooms in the RDP sections are now going for just over a R1000 and a house with 6 ‘bedrooms’ would generate just above R6000 for the so called investors.”*

In the post-occupation survey done by Demacon for Basil Read in May 2008, residents were asked their reasons for moving /buying houses in Cosmo City (Demacon, 2008). It is interesting to note that respondents in all housing areas cited that “investment value” was an important consideration. The affordable housing respondents also indicated that they liked the bigger houses and they were of good quality in addition to the quality of the environment and open spaces. This bears out the findings that higher income residents are attracted by the amenity value and that even the low income areas see potential investment value in their properties and hope it will increase in value over time.

Cosmo City does not appear to have had a negative impact on the surrounding area. This is well illustrated by the fact that a large golf/eco estate (Jakkalcreek) was built right on the edges of Cosmo City after Cosmo City had been developed. Across the road at Cosmo Creek, the development has benefitted from the high demand for affordable houses in Cosmo City and homes have sold there with relative ease. Details on these developments are as follows:

- **Jackal Creek Golf Estate:** this is a high income golfing estate abutting Cosmo City. It has apartments mostly. One bedroom apartments sell for around R650 000, two bedroomed units for around R850 000 and 3 bedroom units R1, 1m (<http://www.property24.com/for-sale/jackal-creek-golf-estate/roodepoort/gauteng/12986>.)



- **Cosmo Creek:** this is a new private development with bonded houses. It has 800 free-standing homes with full freehold title. It is opposite Cosmo City close to the shopping centre and business park. Homes here sell for around R550 000 (<http://www.property24.com/new-developments/northgate/randburg/gauteng/cosmo-creek/4457/341>)

These are similar in price and style to the entry level bonded houses in Cosmo City.

Several new housing developments are being planned close to Cosmo City and the new Lion Park development (Cosmo City Ext 20 – 25) and Malibongwe Ridge in particular are designed along the same principles as Cosmo City (Urban Dynamics, 2009, p. 21), setting a new trend for delivering mixed housing developments.

A concern relating to impact on properties is in fact one that is emerging internally in the settlement itself. Residents in all areas, but more particularly in the FLISP and bonded areas, are concerned that the RDP area is becoming increasingly informal. It began as a 'neat' development with one RDP house per stand. The stand size is large at 250m<sup>2</sup> as that was the provincial standard at the time, providing sufficient space to erect brick outrooms. Despite residents undergoing education (or induction training) on home-ownership and the regulations applicable to their sites, there are increasing numbers of transgressions of both the building regulations and the land use zoning.

The view from the Demacon and Vibrand surveys is that the City should do more to regulate the area and prevent these illegal uses. Rental backyard units are common throughout the area but the residents themselves play a regulatory role in the bonded housing areas and censure neighbours who build illegally or open spaza shops or taverns <sup>24</sup>.

In the RDP areas informal economic activities are rife as are backyard units. Homeowners derive between R800 – R1 500 a month per room and there are properties where up to 15 rooms are being let, making this a viable economic enterprise. Similarly, in the RDP areas, beneficiaries rent out their houses to shop owners, many of whom are of foreign origin and derive income in that way. While it is recognised that these activities enable residents to improve livelihoods, the overall concern of residents is that increasing informal activities could impact negatively on the value of the bonded houses causing flight from the area and a general 'slumification' of the whole area.

## 6.2.2 Zanemvula

### Overview of what was delivered

An overview of what was delivered through the Zanemvula project is set out below.

**1) Residential units:** The Zanemvula project was conceptualised as an upgrading of informal settlements project and in fact at the time of the project's establishment it was referred to as the "Zanemvula Informal Settlement Upgrading and Human Settlement

<sup>24</sup> According to discussions with Mr Brian Mulherron, Codevco.

Project” (National Department of Human Settlements, 2010, p. 10), indicative of its main purpose and type of project. It began before the IRDP, but it was always seen as a Breaking New Ground project and one that would follow the principles of Sustainable Community Planning spearheaded by the NMBMM.

While residents lived in shacks in Soweto-on-Sea, they were relocated to shacks in the Chatty areas. The NMBMM was against implementing reception areas as initially planned at the start of the project and supported the transfer of shacks to serviced sites (Smeddle-Thompson, 2012, p. 65) in the destination areas. Top structures came later in the development process in some areas and electrification also occurred much later on in a phased manner, due to Eskom’s policy of only installing electrical connections once a development area is 80% occupied. The more recent developments, (for example Zachvlakte, not part of Zanemvula) have taken a different approach and a higher level of service is now provided (tarred roads for example) and top structures are completed before beneficiaries move to site.

The number of units initially planned for Zanemvula has changed as have the implementation targets. This is due to more detailed planning, some instances of re-planning due to informal settlements on planned sites, co-ordination of the flow of the housing subsidy funds, delays in procurement and problems with contractors.

Nevertheless, since the HDA has been the implementing agent, progress has picked up and in some areas the housing component has been completed while others are close to completion.

Progress can be summarised as follows:

<b>Township</b>	<b>Sub area</b>	<b>Sites serviced</b>	<b>Units complete</b>	<b>Units handed over</b>	<b>Rectification units complete</b>
Bethelsdorp North	Phase 1	1 211	1 211	1 211	
Bethelsdorp North 6 500	Phase 3	0	0	0	
Vistarus 575		0	0	0	
Chatty 3&4	Chatty 328	328	328	328	
	Chatty 600	600	600	600	250
	Chatty 1687 (reduced to 1 601 units)	1 601	1601	1591	

Chatty 5, 12, 13, 15	Chatty 1347 (8 sites less as undevelopable)	1 339	1 339	1 231	
	Chatty 1 380	1 345	1 345	1073	
	Chatty 4301 (496/491)	491	0	0	
Joe Slovo West	JSW (4 040)	0	0	0	
Soweto-on-Sea rectification	SOS (2 500)				2034
Soweto-on-Sea rectification	SOS (460)		3	3	380
Total			6 424	6 037	

**Table 6: Progress in Zanemvula – June 2015**

Source: Compiled from: NDOHS, Priority Project Report 4th Quarter 2013/14 and HDA Summary June 2015

From the above, many of the areas are close to providing all the planned houses with Chatty 5, 12, 13 and 15 and Joe Slovo West still to be completed and Bethelsdorp and the new Vistarus still to commence. The rectification of units is still behind target. In the HDA status report at the end of 2014 (The Housing Development Agency, 2014), it was summarised that:

- 12 167 sites had been serviced
- 8 094 beneficiaries had been relocated
- 6 261 housing top structures had been completed
- 11 928 houses still need to be constructed.

In 2009, the NDHS reported to parliament that the total scale of the project may reach approximately 20 000 erven (National Department of Housing, 2009, p. 33).

The latest progress reporting by the HDA indicates that:

- 19 742 sites are planned which will yield 19 570 sites. Of these, sites have been handed over to 6 037 beneficiaries.
- 2 960 homes are to be rectified of which 2 414 have been completed.

No mention is made of the original rental housing programme for the area.

**2) Community facilities:** The one observable feature when driving around the settlements is the extent of the undeveloped sites zoned for community and business facilities. Families have been relocated to the new development areas but the facilities have not been provided. Families who relocated from Soweto-on-Sea found themselves living further away from the city and away from the facilities they had in Soweto-on-Sea. At present the following facilities are available in Zanemvula:

- **Soweto-on-Sea Multi-purpose Community Centre:** A R22-million state of the art community centre has been constructed Soweto-on-Sea. This multi-purpose centre is complete and functioning to provide a range of services to the Soweto-on-Sea community. It has secure access and while on a compact site also includes outdoor sport facilities (basketball court)

Funding for the community centre came via the National Housing Programme: Provision of Social and Economic Amenities, after a consultative process between the NMBMM and the community. Maintenance and operating costs are to be provided by the Municipality, which is in line with their sustainable community planning framework (The Housing Development Agency, 2015).

It is apparent from the site visit and interviews that this centre is not being productively used. There is no full-time manager of the centre on site and booking the facility is difficult and expensive, according to some users.

- **Chatty Community Centre:** Work has begun on a new community centre in Chatty 5, 12, 13 & 15. Through the efforts of the NMBMM, several sources of funding were amalgamated to make this facility a reality<sup>25</sup>. The HDA is managing its construction and to date it is approximately 40% complete. Work seems to have stalled more recently on this project. In addition to planned community centres, an NGO in the area also provides a range of community facilities to the community.
- **Other Community Facilities:** NMBM is responsible for municipal facilities and has built a sports field in Chatty. The large areas of open space are mostly unmaintained by the municipality and there are no local parks to speak of in Zanemvula.
- **Greening:** The EC Province had identified a project to do greening and fencing projects in Zanemvula but it was put on hold. Indications are that it may be revived.

**3) Schools:** A most notable observation on site is the lack of school facilities in Zanemvula. While the areas have been planned with school sites, these remain largely vacant. There is a school in Bethelsdorp and a temporary school in Chatty. This school is seriously overcrowded (by 10 times)<sup>26</sup> and despite there being a forum for integrated and sustainable development in Zanemvula, comprising Provincial Departments, and continued correspondence between the HDA<sup>27</sup> and the Provincial Education authorities, provision of schools is seriously lagging behind. The key constraint is that the Education Department has not been able to set aside a budget for the construction of a school in this area as it is driven by its own set of priorities, such as provision of schools in un-

<sup>25</sup> Based on discussions with Mr Schalk Potgieter, NMBMM, 4 May 2015o.

<sup>26</sup> This estimate was provided by the HDA and confirmed by the NDOHS.

<sup>27</sup> For example the HDA Progress Report on Socio-Economic Facilities in Zanemvula, February 2010 and the HDA Strategic Review 2014

derserviced rural areas of the province (The Housing Development Agency, 2014). The provincial Education Department has a programme to bus children to nearby schools as an interim measure (The Housing Development Agency, 2014).

**4) Crèches:** There are several informal crèches in the area.

**5) Economic Activities:** The area has not attracted any large retail or business or industrial investment, as indicated in the following extract, “The private sector has been slow to respond to investing in the areas mainly because of the lack of tar roads and the risk of investing in an area with a largely poor and unemployed population (Smeddle-Thompson, 2012, p. 63).”

However, site visits showed that there is evidence of small scale informal retail activities like tuckshops, spaza stores. However, these are not widespread possibly indicating a high level of poverty in the area.

**6) Clinics:** A clinic was to be allocated funding by the NMBMM back in 2009 and construction was to begin in the September of that year. This was to be constructed in the Chatty 5, 12, 13 and 15. This was delayed. The Chatty area is serviced by the clinic at Booyens Park. The HDA allocated a house to the NMBMM Health Dept. to establish a satellite clinic but this had not been taken up as a clinic at time of writing.

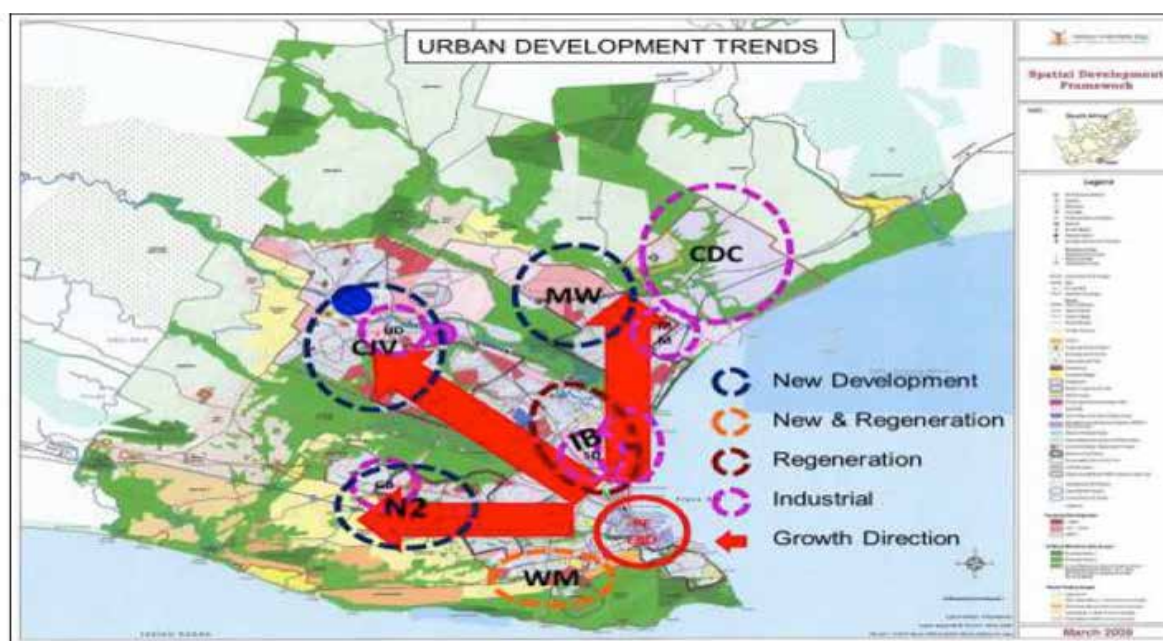
**7) Safety and Security facilities:** There is no local police station and the Chatty area is serviced by the Bethelsdorp Police Station some distance away, Joe Slovo West is serviced by the Dwezi police Station and the Zwide satellite police station provides services in Soweto-on-Sea. No funding has been allocated to build a police station, despite the high crime rates in the area (Smeddle-Thompson, 2012, p. 65) and ongoing efforts by HDA to secure a local police station. In October 2013, the project made three houses in Chatty available for a satellite police station and handed them over to the authorities (Eastern Cape Department of Human Settlements, 2013). To date no budget has been made available by this sector department to provide a police station in Zanenvula. The community has established policing forums in the area, an indication that issues of security and crime are a concern to residents.

### **Assessment of integration achieved**

**1) Regional spatial integration:** The Zanenvula project is located on land that is currently peripheral to the city centre of Port Elizabeth. It is located in a lower-income belt of residential development that includes areas such as Zwide, Bethelsdorp, Khayamandi and Kwadezi.

It is however, in an area that is in the path of expanding development trends as illustrated in diagram below extracted from the BEPP below (Nelson Mandela Bay Metropolitan Municipality, 2014, p. 35).





Source: NMBM, 2014

**Figure 29: Development Trends in the NMBMM**

Source: NMBMM BEPP (Nelson Mandela Bay Metropolitan Municipality, 2014)

Being located on a corridor between the city centre and Despatch and Uitenhage, some planners see it as the “Midrand of Port Elizabeth”<sup>28</sup>. The NMBMM does have plans to develop the surrounding area and Zanemvula is part of the future Chatty-Jachtlakte hub. This hub will be a site of catalytic interventions to unlock the development potential as it is situated at the intersection of Bloemendal and Stanford arterial roads. Suggested investments include road linkage improvements, new housing developments of Joe Slovo West, Chatty extensions to provide up to 54 000 new homes (as part of Zanemvula) and the identification of vacant land for higher density housing developments (Nelson Mandela Bay Metropolitan Municipality, 2014, p. 101).

So, while the development is currently peripheral and lacking in upgraded road and rail linkages, it is seen as part of an overall plan to bring integrated development to this part of the City.

Of concern is that much of this area is home to poor households and the surrounding developments are also characterised by either RDP houses or informal settlements. The older parts of Ibhayi township are more established as are parts of Soweto-on-Sea, Bethelsdorp and Kwadwezi where there are bonded houses but overall there is very little evidence of mixed-income areas in close proximity to the destination areas.

<sup>28</sup> Discussions with Jacko McCarthy, 6 May 2015.



**Figure 30: Lack of spatial integration to its surrounding areas**

Source: Author's own photo

Of importance spatially, is the need for the area to be planned as a whole. In fact, Zanemvula is many different township areas each with their own design logic and sequencing of development. There does not seem to be an overall spatial plan of the project and its locational and developmental context within the area. Each project is planned separately. These areas were identified because the NMBMM had planned them previously and owned the land. There is little evidence of an overall “Master spatial plan” or Precinct Plan that shows how the whole area will develop over time. There are plans for each development and there are strategic plans for corridors and hubs but a plan for the Zanemvula project as a whole, seems to have fallen between the ‘planning cracks’.

The project is therefore not driven by an overall spatial vision and plan and instead relies on the policies and statements of the BNG and IRDP to communicate the intention, and these are more confined to housing actors.

The BEPP has a strategy to provide better located housing development for the poor and this includes:

- Providing higher density developments along the major business and commuter routes;
- Intensify development around existing public open spaces where appropriate by allowing subdivision of existing properties;
- New greenfields development on identified strategic sites that are easily integrated into the city. (Nelson Mandela Bay Metropolitan Municipality, 2014, p. 59)

The intention is therefore evident in the development approach of the NMBMM to better locate low income housing. However, none of the above criteria have been realised in Zanemvula yet and part of that may be because they have not been applied and interpreted on the ground into an overall, holistic spatial plan for the destination areas.

**2) Local spatial integration:** The origin or source areas of residents in Zanemvula were characteristically informal settlements. The Zanemvula project to relocate beneficiaries from the flood plains was conceived of as an informal settlement upgrading. Beneficiaries were identified as qualifying for housing subsidies in the lowest income group. This drove the destination areas to be developed with the basic level of services and minimum top structure specifications. Chatty 3&4 only provided for low income housing (Residential 4 or informal settlement zoning) in the layout plan, indicating no initial intention to provide affordable housing, credit-linked (or FLISP) or bonded private sites. It therefore is not considered as displaying any characteristics of integration of housing typologies or a mixed-income design. It is however noted that the layout plan of this settlement was prepared in 1997, long before the BNG approach to sustainable human settlements.

Likewise, in the design of Chatty 5, 12, 13 & 15, the majority of the area is laid out and zoned as Residential 4 (Informal Settlement zone), with some Residential 1 sites (presumably for FLISP or affordable housing), located largely on the periphery of the development area. However, in an important departure to the planning, large sites have been zoned for mixed use along the future extension of Stanford Drive as well as the spine road that bisects the settlement. This mixed-use zone, which straddles the main roads is meant to offer opportunities for the location of businesses, community facilities and also for higher density rental and social housing. Hence the intention to provide a mix of housing typologies is inherent in the layout planning process (the plan was developed in 2004).

However, there has been no take-up of these sites for the development of any other housing typologies. The new community centre is being built along the spine road as is a temporary school, but no market-driven development is evident. All development is dependent on government grants, subsidies and budgets.

The most integrated layout design was that done for Joe Slovo West in 2006. It provided sites for affordable housing (Residential 1 – higher income) and included a central core where community facilities and mixed uses could locate. It also included numerous school sites and business sites and sites for local parks. In reality, the township offered serviced sites to beneficiaries and much of the area has informal top structures which is very different from what was intended in the layout plan.

Therefore, internally, each of the destination areas are characterised by either small RDP houses or serviced sites with informal, own-built shelters. This displays little evidence of integrated, mixed housing typologies or mixed income development. The internal arrangements of the development areas therefore, at present, show very little evidence of spatial integration of housing types.

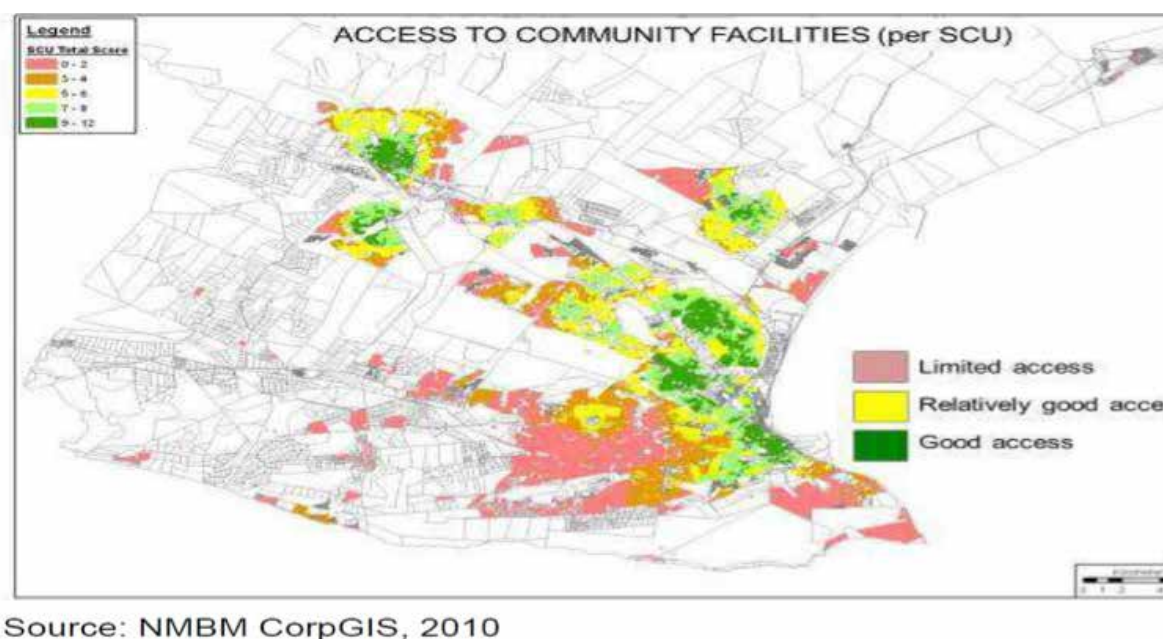
With respect to access to social facilities. The layout plans for the component townships that comprise Zанемvula do include numerous sites zoned for a range of social facilities, but few facilities have been constructed and some of the sites are being settled informally.

While the destination areas were all greenfield developments, one challenge is to co-ordinate the provision of social facilities with the construction of new houses. This has not happened. In an attempt to improve co-ordination, an Integrated Development Meeting (Co-ordination Forum) was introduced with representatives from all necessary provincial departments and the municipality and the HDA. There have been several meetings of the co-ordination forum but it would appear that officials from provincial sector departments and other stakeholders do not attend regularly or send junior officials who are unprepared and cannot progress matters, hampering progress and co-ordination and more particularly decision-making.

The resultant outcome is that the sites for social facilities remain empty and are subject to dumping and illegal settlement. Residents must still commute to attend schools in the surrounding area and they must derive their safety and security services and health care from neighbouring suburbs.

Instead of bringing facilities to the area, the provincial Education Department has provided subsidies to bus school children to nearby schools, but this is costly and unsatisfactory for the learners who must travel long distances (Smeddle-Thompson, 2012, p. 62).

The only clinic facility is an overstretched clinic and it doubles up as a day care facility. The BEPP has a map that illustrates access to facilities and it is clear that the Zанемvula area has limited access to facilities (Nelson Mandela Bay Metropolitan Municipality, 2014, p. 75)



Source: NMBM CorpGIS, 2010

**Figure 31: Access to facilities across the metropolitan area**

Source: NMBMM Built Environment\performance Plan (Nelson Mandela Bay Metropolitan Municipality, 2014, p. 75)

**3) Economic integration:** Zanemvula is approximately a 30-minute drive from the nearest economic hub. Transportation to shops and jobs is available via taxis for those who can afford them. The only visible commercial activities within the destination areas are spaza shops and shebeens (Smeddle-Thompson, 2012, p. 68). Larger commercial shops have indicated no interest in investing in this area up to now <sup>29</sup>. Economic integration is therefore not evident in Zanemvula at present and will have to rely on future development, possibly within the nearby nodes.

**4) Social integration:** It is difficult to achieve social integration in a development that comprises all low income housing subsidy beneficiaries and there has been no provision of credit-linked, bonded or social housing. Even within the subsidy beneficiary population there are social tensions within the project over the allocation of subsidy houses leading to the invasion of several homes in Chatty.

Related to social integration is social fabric and sense of place of an area. In an interesting study by Williams-Bruinders (Williams-Bruinders, 2013, p. 55) which explores the notion of social inclusion and sense of place, the conclusion is drawn that Zanemvula has a poor sense of place and few opportunities to grow social relations in the settlement (presumably Chatty area). The study indicates that this is due to the absence of social facilities which offer opportunities for community interaction (e.g. school mom's groups or church groups), no projects such as gardening clubs and the distant, isolated location. This means that there is a

<sup>29</sup> Discussions with Julie Bayat and with HD A and the NMBMM.



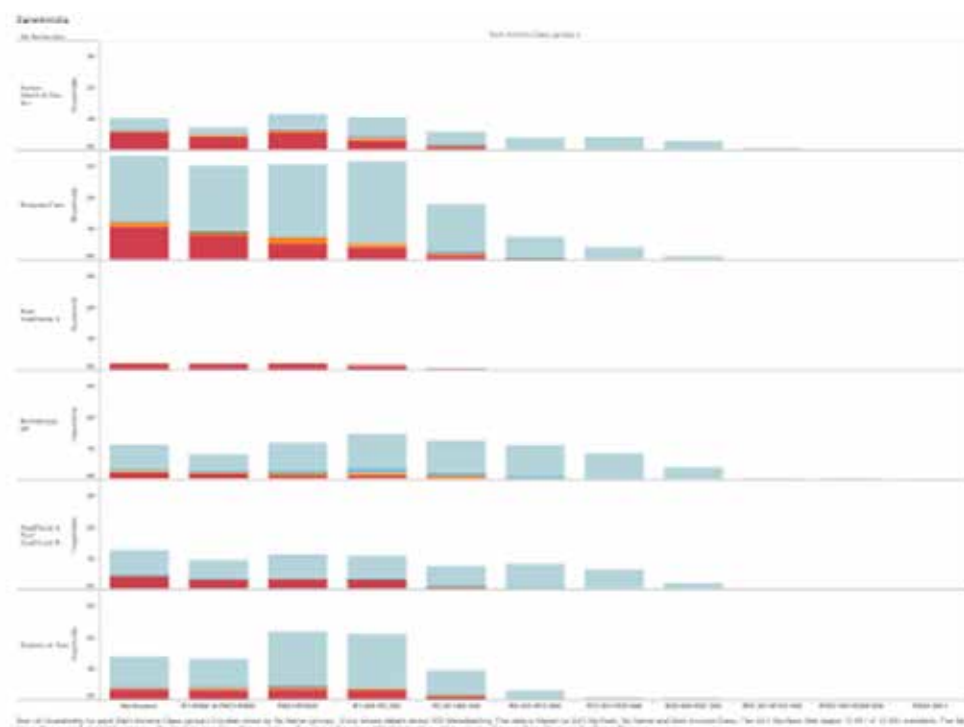
“lack of resident participation in shaping the living space. There is no communal pride in their neighbourhood and they certainly are hungry for projects that will make their settlement grow into a stronger community with networks and social bonds to strengthen their development”. (Williams-Bruinders, 2013, p. 55)

## Analysis of the effect on Property Markets

As part of this study, an analysis of the housing market was done for each case study area which compared housing typologies of the study area to surrounding areas. The results for Zanemvula are shown below:

### Dwelling Type

- 01: House or brick/concrete block structure on a separate stand or yard or on a farm
- 03: Flat or apartment in a block of flats
- 04: Cluster house in complex
- 05: Townhouse (semi-detached house in a complex)
- 06: Semi-detached house
- 07: House/flat/room in backyard
- 08: Informal dwelling (shack, in backyard)
- 09: Informal dwelling (shack, not in backyard, e.g. in an informal/squatter settlement or on a farm)
- 10: Room/flatlet on a property or larger dwelling/servants quarters/granny flat



**Figure 32: Analysis of Housing typologies indicating housing markets in the Zanemvula area**

Source: Project Team own analysis

This analysis illustrates the significant number of informal dwellings (red and orange colour)

in the area making up Zanemvula and surrounding areas. Neighbouring Booyens Park has many formal houses in addition to the informal dwellings, as does Soweto-on-Sea.

An internet search for properties for sale in the Chatty areas and Joe Slovo West revealed no properties for sale through conventional estate agencies. The wider Bethelsdorp has many private houses for sale, mostly in the R250 000 – R450 000 price bracket. See <http://www.property24.com/for-sale>

The neighbouring suburbs of Kwa Dwesi (between Joe Slovo West and Bethelsdorp) and Booyens Park (next to Chatty Ext 3 & 4) have houses for sale on the open market. Prices are low, especially in Booyens Park which is adjacent to Chatty. For example in Kwa Dwesi a 2 bedroomed house is advertised for R330 000.00 and in Booyens Park a 3 bedroomed house for R330 000.00 (August 2015).

The housing market appears more buoyant in Soweto-on-Sea and there are several former RDP houses for sale (cash sales mostly) in the R95 000.00 – R120 000.00 price range. Some have backyard rooms that earn rental income.

A cursory scan of properties for sale (6 July 2015) <sup>30</sup> in the following areas, revealed:

- Soweto-on-Sea: 2 bedroomed homes sell at around R100 000. Where backyard cottages are present, the price escalates. One property that has 7 outside rooms is on the market for R170 000 and states that rooms rent out for R600.00 per month each.
- Chatty Ext 3 & 4: A 2 bedroom, unimproved RDP house for R80 000. They indicate that the monthly instalment is R850.00 per month.
- Kwa Dwezi: bonded houses ranging from R330 000 – R550 000. Vacant residential plots selling at R110 000.
- Bethelsdorp: houses ranging from R220 000 – R450 000.

### **6.2.3 Pennyville**

#### **Overview of what was delivered**

**1) Engineering Services:** The City was insistent that the level of engineering services in Pennyville comply with certain conditions (Erasmus, 2014; Mothotoana, 2015). All aspects of the project were required to be implemented in accordance with the minimum norms and standards of the Gauteng Department of Housing and the requirements of the Project Linked Subsidy Programme. This meant that each stand had to have a metered water connection and a waterborne sewer connection with a flush toilet, and that basic residential access collectors, access streets and access strips, as well as storm water drainage infrastructure had

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<sup>30</sup> See for example: <http://www.sahometradors.co.za/property-for-sale-in-ibhayi-> Or <http://www.property24.com/for-sale> for listed properties for sale in this area

to be constructed. Consequently, the development has access to quality roads, electricity, and water, as well as appropriate storm water, sanitation and refuse removal systems. The road are tarred and electricity is delivered through a hybrid electricity system (Erasmus, 2015).

**2) Residential units:** The Pennyville settlement comprises of the following types of accommodation:

- 1 090 fully subsidised free-standing and semi-detached units
- 462 fully subsidised two-storey walk-up units
- 207 social rental family units
- 188 three-room rental units (564 rooms)
- 804 market rental units

(PDG, 2011, p.4)

The settlement thus gave rise to a variety of accommodation types and tenure options, including private ownership for very low-income households (through state provision of fully subsidized units), rental social housing for low to medium-income households (through JOSHCO's provision of rental accommodation), and market rental units for medium to high-income earners.

Accommodation Type	Number of units	Target Market	Tenure Type	Development Modality
Fully subsidised free-standing and semi-detached units	1 090	R0-R3500 p/m	Private ownership	RDP housing through CoJ
Fully subsidised multi-storey walk-up units	462	R0-R3500 p/m	Private ownership	RDP housing through CoJ
Three-room rental units	188	R3500 – R7000 p/m	Rental social housing	JOSHCO
Social rental family units	207	R3500 – R7000 p/m	Rental social housing	JOSHCO
Market rental units	804	R8000 – R14000 p/m	Rental accommodation	Diluculo Properties

**Table 7: Accommodation Types and Tenure Options**

**(Source: Author's own)**

A decision was made to construct the fully subsidised units in line with a fairly high specification, in order to increase the attractiveness of the rental units. Consequently, the fully subsidised units were constructed with tiled roofs, which added approximately R5 000 per unit to the basic cost of the minimum BNG house. Nevertheless, the units were built according to the minimum required size for subsidy units at the time of the project initiation (i.e. 36m<sup>2</sup>), on fairly small 80m<sup>2</sup> stands (PDG, 2011, p.5). The decision to construct the units upon relatively small stands was taken in order to deter future construction of informal backyard shacks (which are perceived to overload development infrastructure) (Erasmus, 2015).

The free-standing RDP units cost the same to construct as the semi-detached units, however higher densities were attained on the semi-detached units (PDG, 2011, p.5). On the other

hand, the walk-up RDP units, which were the first of their kind to be developed in Johannesburg, were more expensive to construct than the single-storey units. However, savings were made on the infrastructure required per unit, which resulted in a total package cost lower than the free-standing units (PDG, 2011, p.5). A complication arose with the walk-up units, as the Department of Energy did not consider these units to qualify for the INEP grant of R3 490. Consequently, the City had to pay for this (PDG, 2011, p.5). Although the development of walk-up RDPs gave rise to certain challenges (particularly in respect of rental payments by tenants in the rental units) they were considered to be an innovative high-density response to the high demand for RDP houses in the context of well-located land constraints (Ersamus, 2015; Mothotoana, 2015).

**Figure 33: Double and single-story RDP units in Pennyville**



(Source: Landman, 2009, p.22)

The three-room rental units are also 36m<sup>2</sup> and have essentially the same unit layout as the two bedroom fully subsidised units, but with the lounge area converted into a third rental room. The three rooms share a kitchen and bathroom (PDG, 2011, p.5). These units were sold to JOSHCO for R80 000 per unit, and the single rooms were initially rented out for R250 per month, which included contributions for electricity and water (PDG, 2011, p.5).

Over three years this rental escalated to R284 per month. These units were specifically aimed at serving those renting in the Zamimpilo informal settlement, but who still fulfilled the JOSHCO social housing criteria (PDG, 2011, p.5).

The family rental units are 43m<sup>2</sup> and include landscaping and security measures (PDG, 2011, p.5). The demand for these units was extremely high, and the units were rented out immediately. This is likely because although the units were of a high specification, they were initially rented out for only R1 500 per month. The collection rate for the JOSHCO units was initially reported to be around 65% (PDG, 2011, p.5).

Finally, the market rental units are also 43m<sup>2</sup>. However, although they were of a lower specification than the family rental units, the market rental units were R600 a month more expensive

than the social rental units (PDG, 2011, p.5). Nevertheless, the demand for the market rental units was extremely high. While the qualifying criteria for the rental of R2 100 per month was a monthly income of approximately R8 000 per month, applications were received from individuals and households earning up to R14 000 per month (PDG, 2011, p.5). Since higher income earners represent a more secure income stream, the landlord ultimately accepted the applications from the highest income earners. This strategy essentially resulted in initial collection rates of over 95%, but has led to a greater income disparity between the tenants of the market rental units and the subsidy beneficiaries (PDG, 2011, p.6). The rental cost of the units escalated to R2 300 per month over two years.

Accommodation Type	Unit Size	Original Rental Cost per Unit
<b>Fully subsidised free-standing and semi-detached units</b>	36m <sup>2</sup> (two bedrooms; lounge; kitchen; bathroom)	Fully subsidized
<b>Fully subsidised multi-storey walk-up units</b>	36m <sup>2</sup> (two bedrooms; lounge; kitchen; bathroom)	Fully Subsidized
<b>Three-room rental units</b>	36m <sup>2</sup> (three bedrooms; shared kitchen & bathroom)	R250 per month per room (services included)
<b>Social rental family units</b>	43m <sup>2</sup> (landscaping, security measure; higher specification than market rental units)	R1500 per month
<b>Market rental units</b>	43m <sup>2</sup> (two bedrooms; kitchen; lounge; built-in cupboards; landscaping)	R2100 per month

**Table 8: Unit Size and Cost**

Source: Author's own)

All top structures were required to be approved by the Local Authority and NHBRC in accordance with Gauteng Minimum Norms and Standards.

**3) Social Facilities:** Pennyville is home to a crèche which was developed and donated by PZR, as part of Calgro M3's CSI contribution, at a cost of R3, 9 million (Erasmus, 2015; CalgroM3, 2011; Dube, 2013; CoJ, 2014). Once construction of the infrastructure was complete, PZR relocated a specific crèche from the Zamipilo informal settlement to the site and handed the crèche over to the department of social development (Erasmus, 2015).

However, under the new management the crèche began experiencing financial challenges, and it was subsequently taken over by PZR again (Erasmus, 2015). PZR managed to obtain funding from Bidvest Bank and proceeded to implement a crèche curriculum in support of the City's Early Child Development Programme (Erasmus, 2015).

Additionally, a highly praised public park was developed in Pennyville by the City (Erasmus, 2015; Baloyi, 2014). The park serves as a play area for children and has become a public space for community meetings (Baloyi, 2014). There is also a satellite library service, which aims to provide the local community with much-needed books (CoJ, 2014), as well as a police station, which was upgraded during the development of the area (CalgroM3, 2011).



The crèche, park, satellite library, and police station make up the totality of social amenities which currently exist in Pennyville. Although there is a school site (Erasmus, 2015) and commitment from the provincial departments of health and education to build a school and a clinic (Baloyi, 2014, p.59), currently Pennyville is home to a limited array of social facilities (Landman in Baloyu, 2014).

**4) Economic Activities:** Besides for a petrol station, no formal economic activity takes place within Pennyville (Mothotoana, 2015). Nevertheless, the Pennyville settlement has given rise to diverse informal commercial activities, particularly in the sphere of trade (Erasmus, 2015; Baloyi, 2014). According to Baloyi (2014), many informal businesses have arisen in the lower-income housing units, with the explicit purpose of the serving the needs of the middle to high-income Pennyville residents.

### **Ongoing Operations**

After construction was completed the fully subsidized units were handed over to the City who in turn allocated them to beneficiaries. The social rental units were transferred to JOSHCO, who (with some assistance from the City) sourced appropriate tenants. Finally, the market rental units were transferred to Diluculo who were then responsible for doing their own market research and finding tenants (Erasmus, 2015; Mothotoana, 2015). According to the developer, the hand-over went well and no specific challenges arose (Erasmus, 2015). However, the city was faced with certain challenges when trying to transfer the RDP units to the beneficiaries (Mothotoana, 2015).

This was especially the case when it came to transferring the walk-up RDP units to the residents. The RDP units are located in multi-story buildings and have to be transferred according to a sectional title model, which in turn necessitates a body corporate. However, in order to sustain a body corporate, whose primary role is to maintain the common areas of the building, residents are required to pay a levy. According to such a model, residents who don't pay their levies can be evicted. This model is thus problematic as, although many of the residents who were allocated walk-up RDP units do not have the incomes to pay these levies, it goes against the government's objectives to have them evicted (Mothotoana, 2015). Indeed, if they were to be evicted they would be unable to access a housing subsidy again and would likely perpetuate the existence of informal settlements (Mothotoana, 2015). Consequently, many of the walk-up RDP units have not been transferred to the residents, and are legally still the responsibility of the City (Mothoatono, 2015). This creates a problem when it comes to the maintenance of the buildings as, although no body corporate exists and the residents are not maintaining the buildings themselves, the City does not have the resources to maintain them either (Mothotoana, 2015).

Other issues which arose during the handover came about as a result of the RDP beneficia-

ries being unhappy with the allocation process (Skosana, 2015). For one, many of the beneficiaries of the walk-up RDP units were unhappy that they were receiving flats as opposed to stand-alone units (Skosana, 2015). Additionally, beneficiaries had high expectations and were unhappy to find that not all of the units came with geysers (Skosana, 2015). Finally, there were also objections from the people of Zamipilo who began to realise that because people from other areas were also being housed in Pennyville, not all of the residents of Zamipilo would receive RDP units (Skosana, 2015).

JOSHCO is responsible for the on-going operations of the social rental units and Diluculo Properties is responsible for the on-going operations of the market rental units. These operations appear to be working relatively well and are perceived to be sustainable (Erasmus, 2015; Mothotoana, 2015). Nevertheless, they do have their challenges. Issues of non-payment have arisen, and are dealt with through a process which culminates in eviction (Skosana, 2015; Mothotoana, 2015). Another problem is that, while the market rental units have nicer finishing's than the social rental units, they were built to a similar specification as the social rental units. This gives rise to tension as the market rental unit tenants are paying much higher rental fees than the social rental unit tenants.

When it comes to the RDP units, the situation is complex. Res 1, which comprises of the single-story RDP units, has been transferred to the residents and is now private property (Mothotoana, 2015). However there are some Res 3 properties (i.e. walk-up RDP units), which haven't been transferred yet due to sectional title issues. These are not being maintained well, as although they are legally the responsibility of the City, practically the City has not been involved in any maintenance processes (Mothotoana, 2015). The residents aren't taking care of the properties either and are building illegal brick and mortar next to their RDP structures, which is resulting in issues of encroachment (Skosana, 2015).

### **Assessment of integration achieved**

**1) Regional spatial integration:** Pennyville's central location and access to multiple transport modes means that it has been well-integrated into the greater context of Johannesburg. Indeed, it is close to the Johannesburg CBD, industrial areas, and a major shopping centre. It also lies on the main BRT route as well as an important train route (Department of Housing, 2014). Spatial integration also exists in terms of the arrangement of the different housing typologies and the social amenities. More specifically, the social and market rental units are dispersed amongst the RDP units, and all of the residential units are within walking distance to the crèche and the public park (Erasmus, 2015; Skosana, 2015).

However, there are also certain aspects in which Pennyville does not exhibit spatial integration. For example, residents have noted that there is lack of public facilities such as schools and clinics, as well as social amenities such as recreation centres and sports grounds (Baloyi,

2015; Landman 2010). There is also a clear absence of formal commercial land uses within the Pennyville development. Pennyville has additionally been criticized for not including bonded or FLISP units as one of the housing typologies (Mothotoana, 2015). According to one City official, the fact that Pennyville is home only to rental units means that the integrative principles of the IRDP were not truly followed (Mothotoana, 2015). This situation possibly came about as a result of the fact that it was both the developer and the City's first time implementing an integrated development, and there was thus a lack of certainty regarding whether or not there would be a demand for bonded units with the context of such a development (Mothotoana, 2015).

**2) Social Integration:** The Pennyville development succeeded in integrating a diverse range of income groups. Indeed, while the RDP units were transferred to households earning less than R3500 per month, the social rental units and the market rental units served households earning between R3500 and R14000 a month. Moreover, when allocating units to beneficiaries, the city attempted to do so in a manner which contributed to the racial integration of the development (Skosana, 2015).

The issue of whether or not Pennyville truly constitutes a socially integrated development, however, is contested. For example, one City official suggests that Pennyville is not really socially integrated as you can see where the poor people live in contrast to where the salary-earning people live. However, another City official asserts that residents from different housing typologies do interact with one another regularly. The latter opinion is supported by interviews with residents who identify strong economic and social relationship between the residents of the different typologies (Buloyi 2014). Indeed, interviewees suggested that this relationship ranges from issues such as the sharing of washing lines, to matters such as the provision of job opportunities and trading services (Buloyi, 2014, p.75).

A slightly different approach, which was put forward by the developer, suggests that while social integration has been achieved its implications are complex. According to this point of view, the high ratio of RDP units to rental units means that social integration within the development has resulted in the "pulling down of the higher-income earnings into a sense of poverty", as opposed to the upliftment of the lower-income earners.

### **Analysis of the effect on Property Markets**

The Pennyville development consists purely of rental units and RDP units that are still within their eight year restriction period and thus cannot be sold. Consequently, no property market has emerged in Pennyville to date. The absence of such a property market is illustrated by the blue line on the x-axis in the Graphs below.



Nevertheless, it is interesting to note that the average sales price of houses within the R300 000 to R600 000 price band in the areas surrounding Pennyville have been increasing steadily since 2012. Similarly, in these areas, the average sales price of houses within the R600 000 to R1.2 million price band have been increasing steadily since 2009. This suggests that the fact that fully bonded private houses, targeting middle to high income earners, were never developed in Pennyville is potentially a lost opportunity.

#### 6.2.4 Olievenhoutbosch

Overview of what was delivered

**1) Engineering Services:** The development has been serviced to the following Standards:

- Roads: Surfaced
- Storm-water: Roadside channel with underground piped storm-water where required.
- Water supply: Individual connection to every site with water meter.
- Electricity: Individual connection (underground) to every site with meter.

These standards are above that that applies in conventional (RDP) subsidised housing

schemes and required “top up” funding as detailed in the financial section below. The rationale behind the application of better service levels lies in both the municipalities’ desire for achieving an improved product and the developers (ABSA) need to create an environment sufficiently different from a conventional RDP scheme to enable it to create market demand for its bonded housing product.

The project engineers maintain that the higher service levels, particularly in relation to the provision of surfaced roads instead of gravel and lined storm-water channels will deliver long term benefits of lower maintenance costs. The maintenance of gravel roads (a common standard in RDP housing estates and which if found within the adjacent Olievenhoutbosch township) is cited as particularly costly to maintain. (Bigen 2015)

**2) Residential units:** The Olievenhoutbosch development was planned to create an integrated housing milieu that provided for a mix of land uses, income groups and tenure options as indicated in the figure below.

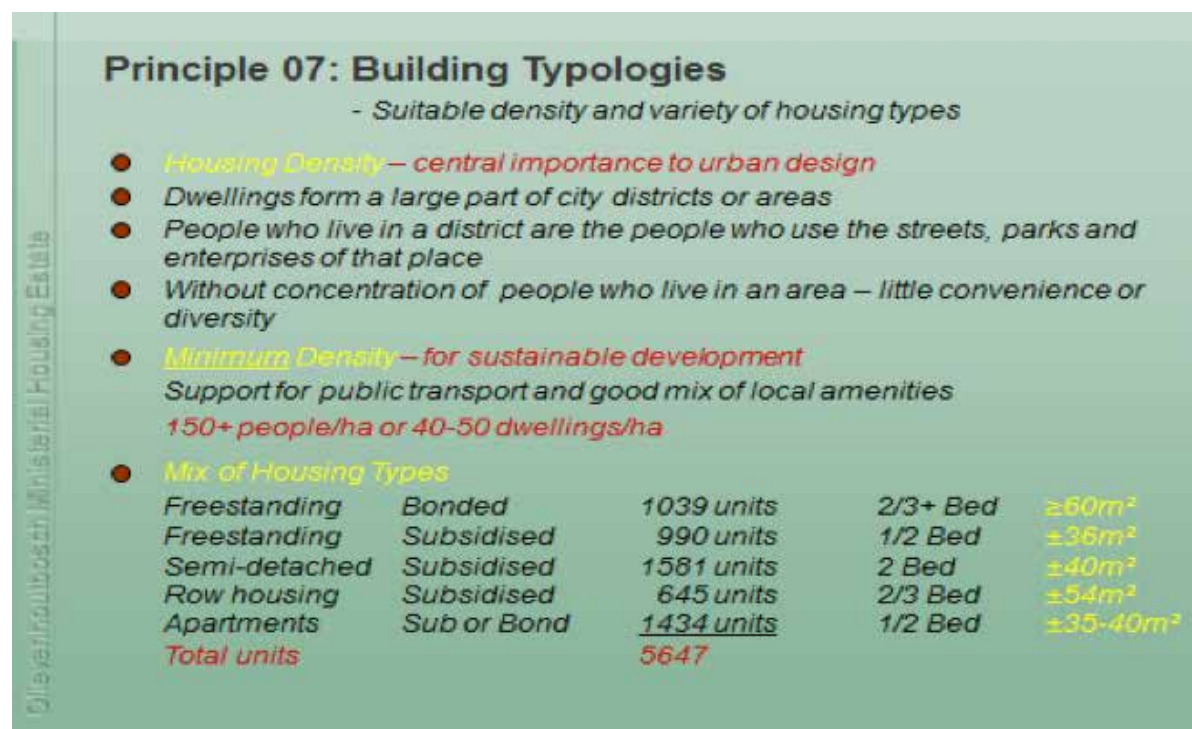


Figure 34: Initial housing mix proposals

Adjustments as a result of detailed planning resulted in the total being reduced to 4536 dwelling units distributed as follows.

- 3005 Subsidised units
- 1263 Institutional/ social housing units
- 1168 Bonded housing units

In addition the development was to promote a mix of land uses and thus the layout made provision for:

- 17 business sites



- 13 light industrial sites
- 10 Religious sites
- 2 School sites
- 6 Crèche sites
- 1 Community facility site
- 1 Site for sport or recreation
- 15 sites for parks/ POS

The final development saw minor adjustments in the number and disposition of ultimate residential development. The housing mix included the following typologies

- Residential 1 Zone:

Free standing houses (2050du)

Bonded	1026
--------	------

Subsidised	1024
------------	------

Semi- detached houses (1423du)

Subsidised	1423
------------	------

- Residential 2 Zone:

Row houses (959)

Bonded	265
--------	-----

Subsidised	694
------------	-----

- Residential 3 Zone

Institutional/Social housing (1465) (not implemented)

The division of bonded to subsidised dwelling units is thus:

Bonded	1291
--------	------

Subsidised	3141
------------	------

The 1465 institutional subsidy sites were to provide rental accommodation via social housing institutions to be created or identified by the developer. This has not occurred as existing social institutions declined involvement. The sites created for this form of development remain vacant.



**Figure 35: New Bonded House in Olievenhoutbosch**

Photo Bigen Africa

**3) Non residential sites:** In 2011 the Township Regeneration Strategy identified the following facilities within the area.

Schools	4
Crèches	6
Police Stations	1
Health Care Facilities	1 (Clinic)
Community Facilities (Multipurpose centre)	1

Of the non-residential sites only one business site and a few church sites had been developed by 2015. This may be explained in part by:

- The development's location in relation to the regional presence of a number of large commercial developments (malls) offering choice and price advantages over small scale commercial development.
- The presence of Olievenhoutbosch Retail Plaza located adjacent to Olievenhoutbos on R55 – developed in 2012.
- The fallout of the 2008 financial/economic meltdown and subsequent low rates of economic growth nationally along with slow employment growth
- The failure to develop the institutional residential sites resulting in lower than anticipated population within the development and thus lower effective demand.
- The industrial sites are small and designed to accommodate small scale service industry. Their location within the township limits their physical exposure to the wider region.

**4) Subsequent Projects and the wider area:** The Olievenhoutbosch area has seen rapid development over the last 15 years as formal housing successively replaces informal settlement. The main form has use project linked subsidies (RDP housing) without significant focus on integrated development on a project by projects basis.

A major housing role player in the Olievenhoutbosch Precinct is NU-WAY Projects with the following projects most of which are located to the east of route R55:

- Olievenhoutbosch x30 - 131 Residential 1 sites (±250 m2— each)
- Olievenhoutbosch x31 - 199 Residential 1 sites (±250 m2— each)
- Olievenhoutbosch x32 - 106 Residential 1 sites (±250 m2— each)
- Olievenhoutbosch x33 - Township application Approved: 182 Residential 1 sites (±250 m2— each)
- Olievenhoutbosch x34 - 152 Residential 1 sites (±250 m2— each)
- Olievenhoutbosch x40 - 281 Residential 1 sites (±250 m2— each)

### **Assessment of integration achieved**

**1) Regional spatial integration:** Olievenhoutbosch forms part of a contiguous township of low income households within a wider context of much higher income neighbourhoods. The location was considered marginal in the 1990's but the rapid growth of the Midrand/Centurion areas in the context of their being part of the rapidly developing Johannesburg-Tshwane corridor has changed the locational calculus of the whole region. Olievenhoutbosch as a settlement thus finds itself relatively well located and well connected regionally thus defying the conventional geography of low income settlement location.

Olievenhoutbosch as a wider development area serves as a relatively well integrated entity and is well served with supporting land uses including schools, public places, open space/parks and community facilities.

The area is integrated spatially via the road system with significant access being provided by the N14 national road which connects to Centurion and Tshwane to the north and Mogale City and the northwest of Johannesburg to the south.

At this stage of the areas development the capacity of residents to leverage such advantage depends on their ability to actually take advantage of it through accessing the better paid jobs that are emerging on the corridor. The provision of bonded housing opportunities permits those capable enough to access well-paying jobs to secure housing near to such work opportunities thus increasing the areas interaction with the region.

Over time the advantageous location may result in its transformation into a better quality housing estate. This could emerge from two processes. Downward raiding is one process. The other is more organic resulting from younger residents being exposed to neighbours

rising prosperity linked to the availability of jobs nearby creating a motivating demonstration effect.

**Figure 36: Roads in the region**

This arrangement does not concentrate income groups into ridged compartments but rather creates longer seams which increase intermingling while retaining a degree of separation required by market perceptions.

**3) Social Integration:** Income integration is only indirectly evident in that the project produced 2990 subsidised units and 1160 bonded units - representing 28% of units delivered. The current sale price of the cheapest bonded unit is about R400 000 requiring a monthly salary of about R13 000. Given the subsidised units were only available to beneficiaries earning below R3 500 by inference a reasonable measure on income integration has been achieved.

## Analysis of the effect on Property Markets

The subsidised housing produced in the project is still under the 8 year selling restriction. There is evidence of a lively trade in houses within Olievenhoutbosch judging by the number of listed properties. Asking prices range from:

- R395 000 to R450 000 for a townhouse unit to R750 000
- R395 000 to R650 000 for a two bedroom detached house.
- R680 000 to R900 000 for a two bedroom detached house

The nearest developed suburbs (as opposed to plots) are Thatchfield and Huweloord. Thatchfield is situated south of the N14 but on the eastern side of the R55 roughly opposite Olievenhoutbosch. Huweloord is to the north of the N14 on the east of R55 opposite Thatchfield.

- Asking prices in Thatchfield range from R1 500 000 to R3 000 000
- Asking prices in Huweloord range from R1 300 000 to R1 500 000

Amberfield Valley lies roughly 3km closer to Centurion and adjacent to the N14 and asking prices there range from R1 750 000 to R2 500 000

## 6.2.5 Findings in respect of the evaluation questions

### Indications that the IRDP theory of change is working

The ToC for the IRDP (see section 4) is framed by BNG which has set as its vision the utilisation of the housing programme to promote the achievement of an integrated society through the development of sustainable human settlements and quality housing. On the basis of this the IRDP should contribute towards the achievement of an integrated society. In addition the following long term outcomes are to be achieved:

- The first is the delivery of quality housing, which should include both subsidised as well as commercial housing.
- The second is sustainable human settlements, which is understood as well-functioning self-sustaining and fiscally sustainable townships which should be integrated (economically) with mixed-uses.

In order to achieve the above long term outcomes of quality housing and sustainable human settlements, three **INTERMEDIATE OUTCOMES** have to be achieved:

- Functional Housing Markets. This includes an effective secondary market.
- Integrated Communities. This is understood to be about the inclusion of a range of income demographics in the settlements area.
- Sustainable Neighbourhoods. Sustainable neighbourhoods are understood as neighbourhoods that are functional in respect of service delivery and urban management and that offer a quality life to its residents.

**As shown in the table below the evidence indicates that in respect of Cosmo City and Olievenhoutbosch the theory of change is largely being realised.**

**In respect of Zanemvula the ToC is not being achieved as the project has not resulted**



**in a mixed income and mixed use development where the residents have access to a range of social and economic facilities.** As Zanemvula stands at present, it is difficult to conclude that it is an integrated residential settlement as intended in BNG and the IRDP. Facilities have been slow to be provided and are very limited and a mix of housing typologies, including FLISP and affordable, market-related houses have not been attracted to the area yet. No medium density rental or social housing has been developed. It remains a site of RDP houses and informal shacks. In addition the fact that Zanemvula is occupied only by very low income households undermines its sustainability in that such households cannot afford to pay for engineering services and rates and are therefore likely to be an ongoing burden on the City.

**In respect of Pennyville representatives from both the City and the developer acknowledge that the Pennyville model may not be sustainable** (Erasmus, 2015; Mothotaona, 2015; Pumzile, 2015). This is largely because Pennyville has an unfavourable mix of housing typologies and, since it does not include fully bonded units, it does not cater for the full spectrum of the market (Erasmus, 2015). Rather, the majority of the units are fully subsidized, which means that the residents don't pay rates and taxes, and that they get a certain amount of water and electricity for free or at a subsidized rate. Another substantial component of the development are the partially subsidized units, whose residents do pay rates and taxes but at a discounted rate (Erasmus, 2015). The consequence of this is that, while the City is required to provide on-going services to the site, it earns limited rates and taxes (Erasmus, 2015). Consequently, the development becomes a "big black hole" which the City pumps money into on a monthly basis, but out of which it gets very little in return (Erasmus, 2015).

In particular, the RDP units are perceived as being unsustainable (Erasmus, 2015; Skosana, 2015; Mothotoana, 2015). This is because the people living in these units do not have the money necessary to maintain and invest in their properties. The walk-up RDP units, which have given rise to sectional title issues, are particularly problematic. Indeed, the RDP residents are failing to maintain the buildings, and the City insists that it doesn't have the budget to maintain them either (Mothotoana, 2015).

	Cosmo City	Zanem-vula	Penny-ville	Olieven-hout-bosch
Delivery of <u>quality housing</u> , which should include both subsidised as well as commercial housing	√	X	X	√
<u>Sustainable human settlements</u> , that are well-functioning self-sustaining and fiscally sustainable townships which should be integrated (economically) with mixed-uses	√	X	X	√

Functional Housing Markets. This includes an effective secondary market	√	X	X	√
Sustainable Neighbourhoods. Sustainable neighbourhoods are understood as neighbourhoods that are functional in respect of service delivery and urban management and that offer a quality life to its residents	√	X	√ (engineering services) X(social and community facilities )	√ (engineering services) X(social and community facilities )

**Table 9: Performance of the case study projects against the long term and intermediate outcomes of the ToC**

### **The extent to which different land uses have been integrated**

Cosmo City has been able to integrate different land uses and provides residential, commercial and retail sites (both formal and informal) within the project and an industrial/business estate in close proximity.

In Zanemvula no integration has occurred and the project provides only residential development. The project is also poorly located in the urban area with limited access to external retail and commercial developments. Given that Zanemvula is located in a development corridor this could change in the future.

In Pennyville some integration has occurred in that residential developments have been provided, with limited retail development including a petrol station and informal commercial activities. However while the development itself does not provide a high level of retail and commercial development it is centrally located with access to multiple transport modes. Accordingly the households in the settlement have access to the Johannesburg CBD, industrial areas and a major shopping centre.

In Olievenhoutbosch as is the case with Pennyville, the settlement itself predominantly provides residential development. However the project forms part of the Johannesburg – Tshwane corridor and is integrated spatially via a road system with access to retail and commercial facilities.

**Accordingly it is concluded that of the four projects only Cosmo City has achieved integration of different land uses within the project itself. Pennyville and Olievenhoutbosch provide access to the residents in the project through being well located within the regional area with access to transport networks. Zanemvula achieved the lowest level of integration of different land uses in that it is not well located and does not have easy access to commercial and retail developments.**

Evidence of better functioning urban spaces, social inclusion & spatial integration

**1) Functioning urban spaces:** Two components of functioning urban spaces are analysed.

The first is the way in which the layout plan has been structured and the extent to which this is functional. The second is the extent to which the development provides access to households to engineering, social and economic facilities and is therefore a functional urban space from the perspective of the individual household.

In terms of a functioning layout plan the following is noted:

- The Cosmo City design separates spatial areas for different housing typologies rather than inter-mingling them. This was a conscious decision and was largely informed by market considerations. The segregation has been questioned as to whether it does promote social integration, but it has allowed the market to respond positively making the bonded houses very successful and generating rates income and revenue for the City. The cross subsidisation of the costs for services making the subsidy houses (RDP) areas and bonded areas similar, thereby reducing the distinction between the different housing typologies.
- With respect to Zanemvula, the layout is fragmented as each of the developments were designed independently from each other and do not incorporate a mix of housing typologies.
- In Pennyville, according to the developer, proper town planning and urban design principles were applied, and the multi-storey units were located on the major roads for access purposes (Erasmus, 2015). Moreover, the social amenities are accessible to the residents (Erasmus, 2015).
- In Olievenhoutbosch, the layout of the settlement makes provision for a range of land use and housing typologies as well as tenure arrangements. These have been arranged physically in a very rational spatial dispensation which arranges business sites in ways which focuses buying power in the most accessible locations on the southern edge of the settlement, locates civic/community facilities (except education facilities) in clusters maximizing convenience and in relation to their scale or order and promotes non-motorised transport / pedestrian systems.

The residential component does create a level of separation between different density levels, housing typologies and tenure systems by arranging them in general into a series of bands. Thus while the settlement as a whole accommodates the variability in density, typology and tenure these are physically separated. This effect is however lessened by the arrangement into consecutive bands rather than in discrete cantons. The bonded component is situated in the most distant outer band and residents there will move through the subsidised detached, semi-detached and row housing areas to exit the area or access civic functions. The layout responds to market signals which favour income separation (or at least the separation of bonded products) in a way that lessens the impact of separation.

If functioning urban spaces are assumed to be areas which have a high level of engineering services and easy access to social and commercial facilities then this has been achieved in

respect of Cosmo City, Pennyville and Olievenhoutbosch. This has not yet been achieved in respect of Zanemvula.

The projects perform differently in this regard (see table below). This is dependent on the extent to which social and economic facilities have been provided within the settlement, as well as the extent to which the settlement itself is well located in an urban area.

Criteria	Cosmo City	Zanemvula	Pennyville	Olieven-houtbosch
High level of engineering services	√	X	√	√
Access to social services (schools, parks, community centres etc.)	√	X	X	X
Access to social/commercial facilities	√	X	√	√

**Table 10: Performance of the case study projects in respect of functioning urban spaces, social inclusion and spatial integration**

**2) Social inclusion:** There does appear to be a feeling of being included socially in all the projects. The table below sets out findings from the household's survey undertaken in each of the four project areas. The table indicates that in all four areas households get along well or very well with the people in their immediate area (above 80%) and to a lesser extent with people in other house types (between 49 and 61%).

This is corroborated by other evidence including for example:

- A survey in Cosmo City (2015) by the University of Cape Town which found that 60% residents said that they felt part of the community where they lived.
- In Pennyville research by Buloyi (2104) found that there are strong economic and social relationships between the residents of the different typologies in the settlement.

It is noted however that in Zanemvula a study undertaken in 2013 found that there is a poor sense of place and few opportunities to grow social relations in the settlement due to the absence of social facilities. This is in contrast to the findings of the household survey.

	Cosmo City	Zanem-vula	Penny-ville	Olieven-hout-bosch
% of households who want to live forever in the area	43	89	36	27
% who rate the quality of their accommodation as good or very good	68	33	49	47
% who feel they know the people in their area well or very well	65	90	78	82
% who feel that they know the people in other house types well or very well	47	73	33	46

% who feel they get along well or very well with the people in their area	80	98	91	92
% who feel they get along well or very well with the people in other house types	61	79	49	56

Table 11: Findings from the survey of households by area (Source household survey 2015)

**3) Spatial integration:** The extent of spatial integration varies in respect of the four projects:

- Cosmo City while in a seemingly peripheral location in the Johannesburg Metropolitan area is in a growth area with many expanding industrial, commercial and private housing estates all around it. It has a clear economic rationale and context.
- Zanemvula does not have this although it may develop in this way in the future if the strategic plans and BEPP proposals come to fruition and investment other than government spending is attracted to the wider area. Further it does have the potential to become an integrated settlement because the layout planning of each area promotes and accommodates this and the vacant land for mixed uses may be taken up in future when more investment in the adjacent hubs occurs. As more economic development extends towards the area and if roads are upgraded and tarred, the area may become more suitable for private investment. At worst, the vacant sites could become invaded, making it more informal than it was at the start of the project.
- Pennyville is well-located and accessible, and is therefore integrated into the fabric of Johannesburg.
- The spatial integration of Olievenhoutbosch into the wider city region is assured. It is located close to Gauteng's main and most rapidly development corridor. It is likely that Olievenhoutbosch's location will become more advantageous over time.

### Effect on local property markets

All three types of housing typologies in Cosmo City appear to be contributing to an active property market in their immediate areas. Properties appear to be formally traded at values higher than their initial establishment cost. This may also be reflective of the Demacon survey findings that indicated that all residents surveyed indicated that they understood the investment value of property. Bonded houses are being sold between R550 000 – R1m, depending on the level of improvements done to the property. RDP houses are being sold between R200 000 – R345 000 also depending on the improvements, in particular the number of additional outside rooms on the property. RDP homes are being sold for cash, presumably because of the 8-year restriction on the sale of the homes.

In Zanemvula there is a formal housing market (albeit quite 'thin') emerging and owners are using estate agents to do the sales. It would appear that the Zanemvula developments have



not impacted negatively on surrounding areas<sup>31</sup>. However, what is apparent is that bonded houses or greatly improved RDP houses are not being established in this area. Zanemvula has been unable to attract affordable housing to the area. Also, RDP beneficiaries in Zanemvula have not done significant upgrades to their homes. This is in stark contrast to the integrated development of Cosmo City, Johannesburg where it was observed that almost every RDP, FLISP and bonded house has seen private owners invest in improving their homes. This may be due to a combination of factors not least of all being the availability of disposable income of beneficiaries in Zanemvula.

The Pennyville development consists purely of rental units and RDP units that are still within their eight year restriction period and thus cannot be sold. Consequently, no property market has emerged in Pennyville to date. The property market has been enriched with the development of the project and there appears to be a lively market in the bonded products in surrounding areas. The range of house prices on offer are from about R400 000 to R900 000 indicate that considerable value has been created and that there is appetite for improvements. The market is on the up.

The neighbouring areas exhibit property values two to three times that of the Olievenhoutbosch market. However, the stand sizes there are generally three times larger than those within Olievenhoutbosch. The construction of a development targeted at the subsidised and the lower end of the bonded market does not appear to have detracted from the general pattern of residential development west of the N1. The emergence of gated estates targeted at different income groups from middle to upper ranges proceeds.

### 6.3 Funding arrangements

This section sets out the way in which funding was provided in respect of each of the case studies and addresses the evaluation questions as shown in Table 2.

#### 6.3.1 Cosmo City

##### Funding arrangements

According to the City, the financing of the project was based on 5 key principles (Ehlers & Limacher, 2008, p. 25):

- **Principle 1:** The City to subsidise the land cost for the subsidised housing areas so that more of the subsidy can be spent on the top structure;
- **Principle 2:** The City and the Province to fund the bulk and link services (which is their legal responsibility);
- **Principle 3:** The City to top up the cost of the engineering services in the subsidy housing area through the capital leveraged from land sales. All Council departments and UACs to

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<sup>31</sup> S This observation is based on a simplistic on-site observation by author in June 2015.

budget timeously to allow for upfront cash flow;

- **Principle 4:** The City, the Province and the developer should all contribute towards improving the area's environmental quality;
- **Principle 5:** The Developer must enhance the built environment, especially the housing design, finishes and typologies to be funded from end user contributions or any other means that the developer can facilitate.

The land sale price was set at fixed amounts depending on the nature of the land use. For subsidy houses, it was fixed at R2/m<sup>2</sup>; for FLISP houses it was R3/m<sup>2</sup> and for the bonded houses it was fixed at R5/m<sup>2</sup>. For institutional housing areas it was fixed at R400/unit. The intention was to recover close to R14m from this component of the development. Escalation was built in to come into effect after 5 years (Ehlers & Limacher, 2008, p. 27).

Non- residential land also had fixed sale prices and was determined at R2.50/m<sup>2</sup> where the developer and the City would have a 50:50 profit share arrangement on land sales. It was estimated that the City would accrue approximately R13m based on a market value of R20/m<sup>2</sup> for non-residential (e.g. church sites, private education sites) and R10/m<sup>2</sup> for commercial properties (Ehlers & Limacher, 2008, p. 27)

The revenue from the land sales above was collected by Codevco and handed over to the City to be used to offset the capital cost of services in Cosmo City. The agreement was that the funds are paid over to the Planning Department (responsible for bulk service contributions) into a specific vote number where it is disbursed to various service departments to spend on infrastructure in Cosmo City<sup>32</sup>.

Further agreements impacting on the financing included:

- That the land price for the subsidy portion (estimated at R2,5 million) may be offset against higher service levels for roads and storm water internal services and hence no engineering service contributions were payable to the City for the RDP portion of the development);
- The City will retain ownership of the open space land (625ha);
- The developer will be responsible for the connection fees of all 9 000 subsidy houses;
- Rates and taxes to be paid by new beneficiaries upon transfer and registration of property;
- The City is responsible for bulk and link services - water, sewer, link roads and storm water;
- Eskom, Telkom and Gautrans are responsible for electricity, telephone services and the PWV and K routes respectively;
- The City's capital contributions are restricted to budget constraints and the developer's programme must accommodate these budget restrictions;
- The City and Province is responsible for obtaining bridging finance for the bulk and link services;

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<sup>32</sup> Discussion with Mr Frik Momburg: Manager: Finance – Bulk Services, City of Johannesburg, on 27 July 2015.

- The Developer is responsible for providing the internal services to the Red Book standard for the RDP subsidy areas and the City may top-up this service level in the subsidy areas;
- No building plan fees will be charged for the RDP subsidy houses which translates into a concession of approximately R300 000.00;
- The Developer is responsible for providing higher level of services in bonded house areas and Institutional sites;
- Both the City and the Developer must find ways to top up the service levels in the credit-linked (FLISP) housing areas;
- The Developer is responsible for paying the engineering services contributions for the bonded, non-residential and commercial/industrial sites;
- The Johannesburg Roads Agency is responsible for street lighting in the subsidy areas and the Developer is responsible for the street name signage and street numbering (Ehlers & Limacher, 2008, p. 28).

### Analysis of the funding arrangements

The Cosmo City Development **value** is estimated at around R3,8b (2011 values)<sup>33</sup>. The percentage contribution to this value is:

- City of Johannesburg – 20% (land, bulk and link infrastructure and facilities)
- Gauteng Provincial Government – 19% (subsidies, schools, clinics and other provincial facilities)
- Private Sector – 61% (Gauteng Provincial Government, 2014, p. 43).
- It has been difficult to determine the actual cost of the Cosmo City development. However, based on the 2009 financial analysis (Ehlers & Limacher, 2008), the table below sets out development costs which were determined, which gives an indication of the nature of the costs and the proportional contributions. As indicated in the table, it is clear that the City provided substantial financial support, largely in the form of investment in link and internal services.

	COJ	Province	Eskom	Developer	Total
Bulk Services	R23.3m	R39.5m			R62.8m
Link services	R355.2m	R31.0m	R17.5m		R403.7m
Internal services	R83.0m	R75.5m	R59.5	R153.0m	R371.0m
Social Services	R36.3m	R203.7m		R39.0m	R279.0m
Unforeseen	R49.9m				R49.9m
Total	R547.7m	R349.7m	R77.0m	R192.0m	R1.166.4m

**Table 12: Cosmo City - Actual Expenses, 2006 - 2009.**

<sup>32</sup> Discussion with Mr Frik Momburg: Manager: Finance – Bulk Services, City of Johannesburg, on 27 July 2015.

<sup>33</sup> Other sources have estimated this as R4,6b ((Gauteng Department of Human Settlements, 2015, p. 6). This would include the value of all the private, bonded houses and so the value is much higher than the cost of development.

The above table indicates that the lion's share of the expenses were borne by the City. They spent R547,7m (47%) of the total R1.16b and the Developer contributed R192m (17%). What this illustrates is a municipality willing and determined to make Cosmo City successful and put the necessary funds into place. But additionally, they were backed up by a private developer who was also willing to contribute funding to the project, especially for topping up the social services provision (that would attract the bond market buyers).

What the above illustrates is a co-operative approach, governed by agreements, to fund the development so that it will be successful. Traditional roles underpinned the approach but innovations that allowed for cross-subsidisation were included to ensure that service levels would be of a high standard, top structures had added value and that the developer could help "smooth" the cash flow from government sources, if it experienced problems.

Cosmo City also benefitted from the subsidy arrangements at that time that allowed a portion of the subsidy to be used for services. There has since been a change in the subsidy scheme and the full amount of the subsidy is to be used for top structures and the municipality is responsible for the internal services (through the USDG funding mechanism for Metro areas). The more recently-developed, neighbouring Malibongwe Ridge development (was actually initially part of Cosmo City) does not have the benefit of subsidy funds going towards services, for example.

It is also noted that the subsidy received from the PDHS was based on the number of RDP beneficiaries as it began before the IRDP programme was implemented. It would have been impossible to deliver the high standard of services (Level 2 and not Level 1 was provided) and the higher specification homes without additional funds being added to the funding stream.

There were also operational expenses (Opex) during the implementation of Cosmo City, including relocation of beneficiaries, public participation processes and beneficiary training and an economic study. This funding was not always forthcoming and no operational budget was provided in the first year, but eventually came through after the mid-year budget review in Year 2 in an amount of R2 600 000.00. It is not clear what the total Opex on the project was as it was provided from the budgets of different service departments (The Social Housing Foundation, 2008, p. 18). There were also substantial planning costs (design, township establishment, court cases) and the land acquisition costs incurred by the City to purchase the land.

It is important to note that extensive consideration went into the packaging and financial arrangements for Cosmo City. The MOU that was signed by the parties was based on key financial principles that included important innovations such as:

- The City subsidising the land cost for the subsidised housing component and allow more

to be spent on the top structure;

- The City to top up the engineering services in the subsidy housing areas with funds generated from the sale of land;
- The City UACs (service departments) had to budget for services so that there would be cash flow up front;
- The Developer had to add value to the design and finish of the houses.

In addition, some important financial considerations were also agreed:

- The Developer paid for connection fees for all 9 000 subsidised units;
- The Developer did not have to pay for the engineering services bulk contributions for the 9 000 units (a condition in the Provincial Subsidy Agreement);
- The Developer had to accommodate the Council's restricted capital contributions and budget constraints in their development programme;
- Council and Province to obtain bridging finance for bulk and link services;
- Developer was responsible for the internal services (to Red Book standards) (Ehlers & Limacher, 2008).

These innovations allowed for cross-subsidisation that resulted in higher service levels and improved top structures. Additionally, concessions were made by the City to make the development attractive to the Developer such as not paying bulk contributions on subsidy houses (R16,5m in value) who in return installed internal services in the bonded areas at a cost of R153m (41% of total cost) and also contributed to social services, to the tune of R24, 2m (20%).

What also made this project unique is that it had a revenue stream. The City (by 2006) received R14.8 m from residential land sales, R2.4m from non-residential land sales, R19.9m from bulk contributions and R25.6m from profit share, totalling R62.7m income (Ehlers & Limacher, 2008). This income in no way off sets the cost of development of the area by the City and provides an indication of the massive investment made by the City into this area. Most recently in 2015, approximately R12m was transferred to the City from land sales, indicating the ongoing contribution land sales are making to Cosmo City.

By having a private developer as a partner and implementing agent, the financial modelling, programming and cash flow management was done along business lines. Provincial and municipal budgets had to be made available to the developer in a way that would not impede progress of the development. And where there were delays (and there were, especially with housing subsidy tranche payments), the private developer sought ways to bridge the gap in cash flow so that the project did not suffer stops and starts.

One of the problems relating to finance and cash flow is the issue of coordinating finances from the Provincial DHS and the City. They have different financial years and each also suffered with insufficient funding and was not able to meet the annual amounts applied for by



the Developer. This meant that the pace of development was slowed and the development programme had to be constantly revised. Each year in December the developer would apply to the Province for the subsidies but only later in the year could they apply to the City for servicing funds. If the correct amount was not available from the City then the funding from the province could not be productively deployed and vice versa.

Another problem that affected the finances of the project was the changing policy relating to standards, but the subsidy and funding was fixed. For example the RDP houses were 32m<sup>2</sup> and then were increased to 40m<sup>2</sup> and the City also wanted water pipe diameters increased from 650mm to 1 200mm. These changes had cost implications.

The City acknowledges that the prioritising of funds for Cosmo City may not be compliant with today's laws (MFMA for example) and Lategan observes that:

*“In reality it must be kept in mind that the success of the Cosmo City development lies in the abundant funding and partnership with non-governmental and governmental agencies it enjoyed. The amount of funding made available to improve the design and physical quality of this project, makes it an almost utopian ideal of what should be applicable to all low-cost housing developments. Sadly the minimal amount of funding and resources are generally made available for low-cost housing development under normal circumstances given South Africa's restricted resources (Lategan, 2012, p. 159).”*

### 6.3.2 Zanemvula

#### Funding arrangements

The 2006 Business Plan included a preliminary budget that made several assumptions regarding the number of units to be delivered and the quantum of the housing subsidy. It proposed a 5 year budget starting in 2006/07 and anticipating the end of the project in 2010/11. The estimated summary budget at that time is shown in the table below.

Financial period	Housing Development	Other Cost	Total
2006/07	69 888 517	5 995 000	75 883 517
2007/08	194 143 876	9 485 000	203 628 876
2008/09	177 516 992	11 480 000	188 996 992
2009/10	115 989 922	8 485 000	124 474 922
2010/2011	0	3 938 130	3 938 130
<b>TOTAL</b>	<b>557 539 307</b>	<b>39 383 130</b>	<b>596 922 437</b>

Table 13: Summary Project Budget

Source: (National Department of Human Settlements, 2010, p. 32)

The assumptions that underpinned the allocations above can be summarised as:

- In 2006/07: Re-imburse the NMBMM for the costs of servicing 2 287 erven in Chatty 3 & 4, relocate beneficiaries from the floodplains and construct 600 top structures, social surveys, project management. Socio-economic services budgets were not included. Fund-

ing was also needed for bulk electricity services but it was hoped this would come from that line department/business unit in the NMBMM.

- In 2007/08: want to complete 3 398 top structures, start with in situ upgrading of 515 units, building 323 rental units and provide electricity to 1 500 sites;
- In 2008/09: development of Joe Slovo West (2 800 sites), upgrading of informal settlements continues, electricity to 2 000 sites;
- 2009/10: greenfields developments completed, completing the upgrading units and electrification of 1 500 units;
- 2010/2011: only the electrical reticulation is left in this financial period (National Department of Human Settlements, 2010).

In 2015, the project is still ongoing making the above projections optimistic at the time. In 2007, the then Minister of Housing, Ms Lindiwe Sisulu announced in her budget speech that funds will be top-sliced from the national housing subsidy allocation to address national priority housing projects, Zanemvula having been identified that year along with N2 Gateway housing project in Cape Town. The idea was to ensure that funds are ring-fenced by National Treasury for these projects.

It was seen as a way to transform dormitory suburbs into truly integrated urban environments (National Department of Housing, 2007, p. 1), by ensuring that provinces have funds to allocate to these priorities in their province. This was explained by the Minister in her budget speech in June 2007: *“A new allocation formula that was approved by Housing MINMEC towards the end of 2005 has been implemented in phases. This funding framework includes an initiative to top slice funds in order to address national priority housing projects.*

For the current financial year, Zanemvula in the Eastern Cape and the N2 Gateway in the Western Cape have been identified as national projects. It is expected that the full implementation of this concept will take place during the 2009/10 financial year. The framework for the implementation of priority projects, including the criteria that will guide project selection, is in the process of being finalised and it reflects that funds are ring-fenced by National Treasury for priority projects. To maximise housing delivery, we would like to prioritise mega projects, such as we have done at the N2 Gateway and at Zanemvula.” (National Department of Housing, 2007, p. 1).

According to the Minister, Zanemvula is largely funded by the housing subsidy through the top-slicing of the national housing subsidy to ring-fence funding for Section 29 priority projects. It was awarded R1b over 3 years, but the later Business Plan of 2006 showed it spread out over 5 years. However, this was not spent in the three (or five) years, mainly due to snags in the handover of the budget from Thubelisha to the HDA (Smeddle-Thompson, 2012, p. 63).

Discussions with officials at provincial and municipal government and the HDA revealed that they were not aware of any top-slicing of funds and the specific allocation of such funding to Zanemvula. This was because the funds were still channelled to the PDHS and allocated in the same way as their allocated housing grant, however the provincial department had to make sure that the earmarked allocation for Zanemvula was directed towards subsidies in that project<sup>34</sup>.

The 2010 Implementation Agreement sets out the Financial Arrangements which applied once the HDA took over the management of the project as follows:

- The HDA will be paid the cost for the provision of services as the implementing agent by the PDHS;
- The HDA must submit all necessary financial cash flows, budgets or information to the PDHS so that it can budget and report in compliance with the PFMA and DORA at least 6 months before the start of a new financial year;
- The PDHS must make transfers of funds quarterly into a bank account specifically opened for Zanemvula implementation;
- The HDA must account for the expenditure of the funds transferred;
- The HDA will contract and pay contractors upon certification of their work;
- The relocation of beneficiaries will be funded in terms of the relevant national housing policies and programmes.
- The housing subsidy quantum will be reviewed annually.

In practice, the subsidy funds only flow to the HDA once they have created value (e.g. installed services or constructed a top structure). These development costs therefore must be “bridged” by the HDA. In addition, the HDA is responsible for appointing contractors who must establish themselves on site and have their work certified by the HDA before the PDHS pays them out<sup>35</sup>. These procedures are onerous and place financial risk on both the HDA and the contractors, in particular the slow payment processes by the PDHS.

By the end of 2013 there had been some challenges to the financial arrangements and the transfers from the PDHS to the HDA had stalled. This impacted on payments to contractors. However, this has since been addressed and funds began to be made to the HDA again <sup>36</sup>.

Each of the projects making up Zanemvula was budgeted for and expenditure monitored against this budget. Each project then requires a separate Funding Agreement between the PDHS and the HDA. By the fourth quarter of 2013, the quarterly report indicated that expenditure had been made in the following areas: Bethalsdorp, Joe Slovo West, Soweto-on-Sea

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<sup>34</sup> Discussion with the former Zanemvula representative from the NDOHS, 9 June 2015

<sup>35</sup> Based on discussions with the HDA financial manager on 3 August 2015

<sup>36</sup> Based on discussions with the HDA financial manager on 3 August 2015

rectification, Chatty 3&4 rectification and subsidy housing and Chatty 5, 12, 13, 15 subsidy housing.

A total of R857 136 230 had been spent of the R989 809 811 budget<sup>37</sup>, indicating an estimated underspend of around 13%. Much of the under-spend was due to the difficulties and delays with the rectification of houses in Soweto-on-Sea and Chatty.

The table below was compiled from information from the HDA (Housing Development Agency, 2015) and the NDHS<sup>38</sup> as the most recent information available. It indicates the budget allocation per project type and what has been spent. As a rough calculation, the number of units is divided into the allocated budget to arrive at a broad brush<sup>39</sup> unit cost, simply for high level, indicative comparative purposes.

This reporting then confirms that the Zanemvula project budgeted over R1b and has currently spent R900m. Only R106m is left of the budget and according to the new areas added and planned new projects, approximately half of the estimated delivery has been achieved.

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<sup>37</sup> This is based on information extracted from the 4th Quarterly Report of the NDOHS Projects of Strategic Importance reporting provided as an extract by the former Zanemvula representative of the NDOHS.

<sup>38</sup> This is as per an extract from the HSDG report by NDHS at 30 September 2014.

<sup>39</sup> It is an unsophisticated calculation and does not include for example the real land cost and any other costs incurred by the NMBMM, which would increase the unit cost if included.

ZANEMVULA COST OF DEVELOPMENT							
Project Name	township name	Budget allocated	Expenditure as of 30 September 2014 - Rands	Balance Available	number of units	number completed	high level unit cost excl land and facilitation
NMBMM pre planning	Chatty 3 & 4 and other areas		95 935 388.00				
Land Acquisition	Chatty 3 & 4 and other areas		36 855 000.00				
	total		132 790 388.00				
Chatty 328	Chatty 3&4	20 437 142.08	19 893 306.00	543 836.08	328	328	62 308.36
Chatty 1687	Chatty 3&4	94 384 563.97	90 332 255.95	4 052 308.02	1 687	1 601	55 948.17
Chatty 600	Chatty 3&4	37 961 859.65	37 961 859.65	0.00	600	600	63 269.77
Chatty 4301 (services only)	Chatty 5, 12, 13, 15	73 605 677.57	66 096 741.38	7 508 936.19	4 301	4 301	17 113.62
Chatty 1347	Chatty 5, 12, 13, 15	116 661 964.74	109 688 399.50	6 973 565.24	1 352	1 339	86 288.44
Chatty 1380	Chatty 5, 12, 13, 15	139 183 911.25	116 673 387.47	22 510 523.78	1 380	1 345	100 857.91
Chatty 1060 - new	Chatty 5, 12, 13, 15	0.00	0.00	0.00	1 060	0	
Chatty 496 - new	Chatty 5, 12, 13, 15	0.00	0.00	0.00	496	0	
Joe Slovo West 4000		103 132 769.20	99 490 709.57	3 642 059.63	4 000	0	25 783.19
Joe Slovo 950		48 581 071.66	48 581 071.66	0.00	950	0	51 137.97
Bethelsdorp North 1211		87 417 588.02	87 318 033.62	99 554.40	1 211	1 211	72 186.28
Bethelsdorp North 6 500	Social Facilitation and planning only	27 097 200.00	15 676 927.50	11 420 272.50	6 500	0	4 168.80
Soweto-on-Sea 460 rectification		29 566 389.60	24 293 106.07	5 273 283.53	460	380	64 274.76
Soweto-on-Sea 2 500 rectification		226 931 150.00	183 044 605.07	43 886 544.93	2 500	2 034	90 772.46
		1 004 961 287.74	899 050 403.44	105 910 884.30	26 825.00	13 139.00	

**Table 14: Estimated Cost of Development of Zanemvula**

Source: (Housing Development Agency, 2015) and NDHS and own analysis

From the above it is apparent that the R1b has been allocated and is close to being spent.

### Analysis of the funding arrangements

The Zanemvula project benefited from the approach of the NDHS (supported by National Treasury), to “top-slice” national housing funds and dedicate this to priority projects. This was necessary as the two projects (N2 Gateway project in Cape Town and Zanemvula) were pilot projects to demonstrate a more integrated approach to providing sustainable human settlements in terms of the BNG. It allowed the PDHS to direct housing subsidy funds exclusively to Zanemvula projects without needing to re-prioritise their provincial housing allocation. In this way, housing subsidy funds were guaranteed to Zanemvula and enabled the project to commence.



What is significant and a good lesson to draw, is that by using this approach, the project was guaranteed an identified “lump sum” and hence a flow of funds into the project that was not necessarily constrained by the pace of delivery or annual allocations. This is a positive approach and even projects that are not part of top-sliced funding, would benefit if it was clear that a lump sum (determined by accurate and full project costing models) is dedicated to the project over a certain period and cannot be re-allocated or abruptly moved to another housing priority.

An important constraint to integrated development has been the inability of provincial sector departments to co-ordinate their budgets to those of the housing budget. These sector departments did not have the benefit of top-sliced funds and had to rely on allocating funds within their existing budgets that already had been allocated to other priorities.

So, the lesson here is that the co-operation agreement was with parties within the housing sector, and not extended to important provincial sector departments making them unlikely and unable to commit their budgets (to Zanemvula) with the same level of priority as Housing could. Structurally, this put the project on a path to being simply a housing project rather than an integrated residential development.

Another key issue is the fact that Zanemvula relied almost exclusively on government funding/subsidies. Given the low income nature of the target beneficiaries and the low level of services determined by the housing subsidy, the area was unable to attract private investment. Also as the projects were undertaken on a project-by-project basis rather than having a comprehensive, holistic integrated project plan, there was no clear vision or role determined up front for the private sector to provide an incentive for them to invest. Attempts were made in a piecemeal fashion to attract individual, private enterprises into the area but were not successful.

The funding flows of the subsidy were also problematic. The practice of the PDHS only making subsidy payments once value has been created is a limitation to the smooth implementation of the project. Additionally, the HDA is therefore required to invest in the services and top structures before they are re-imbursed by the PDHS. Likewise, contractors who provide the services and top structures can only be paid by the HDA once the work is certified and these certificates are sent to the PDHS for authorisation to pay. Payment is then made to the HDA who then pay the contractors.

Consideration should be given to direct transfers of housing subsidy funds by the PDHS to the HDA at the start of a project and a commitment to do transfers upfront annually according to a sound business plan. The role of the PDHS would be to monitor the spending and for the HDA to manage the funds in an accountable way. This will enable the HDA to deliver faster,

pay contractors in time and have a smooth development process.

There was no conceptualisation of establishing a 'ring fenced' or dedicated fund for Zanemvula and money was channelled from government directly to implementation projects via the HDA<sup>40</sup>, according to the Funding Agreement. In other words, the implementation agent did not have ready access to funds and there was no ability for Zanemvula to produce a revenue stream.

In Zanemvula, the development was driven by the subsidy tranche payments and municipal contributions to services, making it difficult (but not impossible) to plan in a more holistic, programmatic, "whole project" way. The HDA worked hard to ensure the co-ordinated flow of funds but was in fact 'at the mercy' of grant streams coming in from government, to implement the project. It has no funding of its own and is structurally and contractually a vehicle for implementation for the PDHS.

The table below was extracted from the draft BEPP and is based on a study done for the municipality on the cost of social and community infrastructure <sup>41</sup> and is included here because it provides an estimate of what social facilities cost per erf (based on the backlog of 72 411 houses used in the study). In other words, if an integrated development approach was taken, the cost of the facilities per erf (effectively per household) need to be factored into the development and the overall cost.

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<sup>40</sup> Who were required to have a separate bank account for Zanemvula (Nelson Mandela Bay Metropolitan Municipality, 2006)

<sup>41</sup> Hatch Goba. (2012, Updated 2014). Estimated Cost for the Provision of Social and Community Infrastructure in Integrated Human Settlements.

Based on this estimate, where the top structure cost is R80 960, an additional R67 200 per property should be invested to provide the facilities necessary for integrated development.

<b>BACKLOGS (Informal and backyard shacks):</b>		<b>72411</b>
	<b>Delivery cost per erf</b>	<b>Total Backlog</b>
<b>1. Housing Expenditure</b>	<b>R80,960</b>	<b>R 5,862,394,560</b>
<b>Indicative First Order Summary - Social Facilities</b>		
Schools	R20,000	R1,448,220,000
Clinics	R11,200	R811,003,200
Police Stations	R4,800	R347,572,800
Sports Facilities	R1,600	R115,857,600
Community Centres	R6,400	R463,430,400
Libraries	R1,600	R115,857,600
Parks and Recreation/Greening	R1,600	R115,857,600
Private Investment - Retail	R20,000	R1,448,220,000
<b>2. Total - Social Facilities</b>	<b>R67,200</b>	<b>R4,866,019,200</b>
<b>3. NMBM Internal Reticulation</b>	<b>R23,211</b>	<b>R1,680,731,721</b>
<b>4. NMBM Bulk Reticulation (Bulk water, sewer and roads and stormwater upgrade)</b>		<b>R10,557,000,000</b>
<b>Total Housing, Social Facilities and Bulk Infrastructure</b>	<b>R194,582</b>	<b>R22,966,145,481</b>

Source: Hatch Goba, 2012 (updated 2014)

Table 15: Extract from the Draft BEPP (Nelson Mandela Bay Metropolitan Municipality, 2014, p. 52) showing unit cost per erf of providing social facilities

Source: Draft BEPP, 2014. Page 52

Using these estimates above and based on a delivery estimate of 25 000 units (excluding rectification) it would cost R1, 68 billion to develop Zanemvula into an integrated development that has the required social facilities. Should FLISP and bonded homes be included, so that the basic tenets of integrated development are included, the level of services provided by the municipality would need to be increased, adding further costs, estimated at around R575m <sup>42</sup>.

To date the expenditure in Zanemvula, for top structures and services is close to R1b and this has delivered only half of the estimated top structures (close to 11 000 units excluding the rectification of 2 500 units)<sup>43</sup> that comprise Zanemvula. So twice what has already been spent is required to produce an integrated residential development project for 25 000 residents.

<sup>42</sup> Based on the figure in Table 3 of R23 000 per erf for 25 000 erven.

<sup>43</sup> These figures are rounded off for this high level comparative illustration.

### 6.3.3 Pennyville

#### Funding arrangements

The following funding arrangements applied:

- **Land:** The site was purchased by the developer in 2006, however it could not be used for subsidised housing as a result of subsidy rules which prohibit the use of subsidies on privately-owned land (PDG, 2011, p.3-4). Subsequently, the developer and City signed a land-exchange agreement, whereby the Pennyville site was exchanged for a nearby site called Riverlea, which was owned by the City. Under the land-exchange agreement, the City paid the developer the difference in the value of the sites, while the developer paid the City in transfer fees on the commercial bonded housing units developed on the Riverlea sites (PDG, 2011, p.3-4). This arrangement ensured that the developer and the city were legally permitted to proceed with a subsidized housing development on the Pennyville site.
- **Infrastructure:** The bulk infrastructure which was required to service the site included a bulk water connection, an outfall sewer, the main bus route through Pennyville, a pedestrian bridge and some preliminary earthworks (PDG, 2011, p.3-4). The work for this came to R60 million and was paid for by the City through their MIG budget. Additionally, City Parks and some of the municipal-owned entities (MOEs) provided contributions to the landscaping and public services. Finally, the National Department of Energy funded the upgrading of an electrical substation, which was installed by City Power (PDG, p.6-7). The developer was not required to pay for any bulk infrastructure-related work (PDG, 2011, p.3-4).
- **Fully Subsidized Housing Units:** The RDP units were funded primarily from provincial housing subsidies of R68 334 per unit. These project-linked subsidies were paid by the province to the City of Johannesburg on completion of project milestones, and the City provided bridging finance in the interim (PDG, p.6-7). The City also provided a top-up on the internal services of the RDP units, which amounted to about R10000 per unit (PDG, p.6-7; Ngcobo, 2015). Some level of internal cross-subsidy was also provided through the sale of the rental units to Diluculo, the proceeds of which contributed towards the additional costs of the subsidised top structures which were not covered by the subsidies (PDG, p.6-7).
- **Social Rental Units:** The Social Housing Capital Grant (sourced from SHRA) was used to put R6 million towards the 400 JOSHCO units. The difference of the cost of the family units was paid for by JOSHCO, at a total cost of approximately R48 million, and the rental rooms were paid for by the City of Johannesburg at a cost of R80 000 per three-roomed unit. JOSHCO was fully capitalised as a City-owned company by the City of Johannesburg, and obtained an additional loan from DBSA (PDG, p.6-7).
- **Market Rental Units:** The market unit rentals were sold to Diluculo for R185 000 (excluding VAT) per unit construction cost (paid to the developer) and R9 000 per unit for the land (paid to the City), with a condition that PZR build the units to pre-determined specifications. In addition Diluculo spent approximately R6 000 per unit on landscaping and paving (PDG, 2011, p.4-5).

A summary of the funding and costs is shown in the table below.

	Source of Funding	Cost per Unit	Total Cost
Land	City of Johannesburg (Land swap agreement)		Difference of the value of the sites
Bulk infrastructure	MIG		R60 million
Fully subsidized units	Gauteng Department of Human Settlements (Project-linked funding)	R68 334	R106 million
	City of Johannesburg	+/- R10 000	R15,5 million
3 room rental units	City of Johannesburg (sold to JOSHCO)	R80 000	R15 million
Social rental family units	SHRA (Capital grant)	R30 500	R6 million
	JOSHCO (loan from DBSA)	R232 000	R48 million
Market rental units	Diluculo (ABSA)	R185 000 (construction)	R150 million
		R9 000 (land: paid to city)	R7,2 million
		R6 000 (landscaping & paving)	R4,8 million
Crèche	PZR		R3,9 million
Park	City Parks		R3 million

Table 16: Pennyville Funding and Costs

(Source: Author's own)

### Analysis of the funding arrangements

Broadly speaking, the project succeeded in being both commercially viable to the developer and affordable to the State (PDG, 2011, p.19). A key factor which contributed to this outcome was the resourceful manner in which the project was financed. Indeed, the multiple sources of funding from institutions/funds including ABSA, MIG, the City of Johannesburg, SHRA, JOSHCO, and the Gauteng Department of Human Settlements, allowed the developer to continue with the development with no bridging finance (PDG, 2011, p.19). Additionally, the process whereby the land was transferred from the developer to the City at the very beginning of the process, minimised holding costs for the developer. The development of the market rental units was also key to the project, as the sale of these units to Diluculo provided additional funds for the development of the subsidized units and also made the project more profitable for the developer.

A potential disadvantage of the financing arrangement is that the developer carried very little risk and therefore potentially could have lacked sufficient incentives to ensure the overall success of the Pennyville development. Nevertheless, this particular element is also possibly what made involvement in the development attractive to the developer.



### 6.3.4 Olievenhoutbosch

#### Funding arrangements

The project financial structure mirrors the various development agreements in that the City of Tshwane either entered into agreements to fund the subsidised portions of the project to:

- secure housing subsidies from Gauteng Department of Housing
- secure MIG funding for necessary external service upgrades
- secure DME subsidies for electrification bulk and link infrastructure
- secure DEM subsidies for electricity service to subsidised housing

In addition the City of Tshwane provided top-up funding to permit the provision of a higher level of services than is the norm for subsidised housing estates. ABSA DEVCO provided bridging finance for the project.

In February 2008 with the project in implementation the project cost was recorded as shown in the table below. This figure would be met out of the Gauteng Housing Department subsidies.

Element	Cost
Township Establishment	R10 425 672.00
Services	R47 245 280.00
Top Structures	R88 610 720.00
Geotechnical allowance 15%	R21 957 220.80
Total	R168 338 692.80

Table 17: Olievenhoutbosch Project Costs

The development of bulk and link services (subsidised proportion) was funded with MIG funding to the value of R24 917363.00. Electricity Supply bulks for the subsidised portion costed as R4210526 were split between DME – R2 456 140 and the City of Tshwane at R1 754 385. The total for subsidised portion of bulk & link services was R29 127 889 with most of this coming from MIG.

The cost of higher level/improved service levels were funded by the provision of top-up funding by the city. The costs were listed as:

Township establishment	R2 527 817
Roads & Storm-water	R23 920 000
Water supply (water meters)	R1 495 000
Electricity	R7 475 000

The main cost element was to surface roads and install storm-water channels and these cost R8000 per site. The electrical costs provided for underground connections to the houses and required an additional R2500 per subsidised site. In all the City of Tshwane contributed a total of R35 417 817 in top-up funds (excluding VAT).

Project finance was provided by ABSA DEVCO which developed the property and recouped expenditure through project funds raised to fund the subsidised portions of the development. The retention of the property meant that they retained the rights to non-residential stands as well as the bonded and institutional property.

## Analysis of the Funding Arrangements

The project sourced the following funds for bulk and link services

Municipal Infrastructure Grant (MIG)	R 24 917 363.00
Electrical Infrastructure (DME)	R 2 456 140.35
CoT Electrical infrastructure	R 1 754 385.96
<b>Total bulk &amp; link infrastructure funding</b>	<b>R 29 127 889.31</b>

Funding from Gauteng Department of Housing (subsidies)

Township establishment	R 10 425 672.00
Housing subsidies (essential services)	R 47 245 280.00
Housing subsidies (top structures)	R 88 710 520.00
Geotechnical allowance	R 21 957 220.80
<b>Total subsidies</b>	<b>R168 338 692.80</b>

Funding from DME (R4000/du)	R 11 960 000.00
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### Project top-up funding

Township establishment	R 2 527 817
Roads & Storm-water	R 23 920 000
Water supply (water meters)	R 1 495 000
Electricity	R 7 475 000
<b>Total CoT top-up funding</b>	<b>R 35 417 817.00</b>

**(R9741.77 per site)**

**Total project cost including escalation & contingencies but excluding bulk & link infrastructure costs was R294 197 251.92.** (The projected per site cost in 2008 was R98 393.73)

## Contributions per subsidised dwelling unit

Housing subsidies received from GDoH	R56 300.56 (78.0%)
Top-up funding from CoT	R11 845.42 (16.5%)
DME electrical contribution house connection	R 4 000.00 (5.5 %)
<b>Total cost (excluding bulk/link &amp; bulk electrical)</b>	<b>R72 145.98</b>

(This figure does not factor in escalation or contingencies)

The above analysis shows that the cost of producing the quality of infrastructure was considerably in excess of the norm with Tshwane top-up funding constituting an additional 20% on top of the housing subsidy supplied. Given that there is continuous disparity between demand and supply of housing subsidies it is hard to see how the expenditure patterns that characterise this IRDP project are viable in the short or long term.

## 6.3.5 Findings in respect of the evaluation questions

### Funding arrangements utilised

The table below provides an overview of the funding arrangements utilised in the projects.

	Funding arrangements	% of expenses borne by stakeholders	Key challenges
Zanemvula	<p><b>The funding was sourced from the public sector only predominantly through the national subsidy programme. The project was declared a Section 29 priority project which enabled a guaranteed allocation of funds over a specified period. No private sector gearing was achieved. Key details are as follows:</b></p> <ul style="list-style-type: none"> <li>- The project was funded entirely from subsidy funds through the top slicing of the national housing subsidy allocation and municipal contributions to services. The project was declared a Section 29 priority project. This did guarantee a subsidy allocation to the project and enabled a flow of funds that was not constrained by annual allocations.</li> <li>- Other sector departments (health, education etc.) did not have the benefit of top sliced funds and had to rely on allocating funds from their existing budgets. This resulted in extremely limited delivery of these services into the area.</li> <li>- In 2010 HDA became the implementing agent and was paid a management fee in this regard. HDA was required to deliver the internal services and top structures.</li> <li>- Each sub-project making up Zanemvula required a separate Funding Agreement between the Province and the HDA</li> <li>- It was not possible to attract private investment. This was due to the adhoc nature of the way in which development was undertaken and that there was not a clear vision up front for the project as a whole and the role of the private sector</li> </ul>	<p>National government (via province) – 100% (R1 billion)</p>	<ul style="list-style-type: none"> <li>- HDA was only paid when they had delivered value. The development costs were therefore bridged by the HDA. This was onerous and placed financial risk on both the HDA and the contractor.</li> <li>- Limited social facilities have been provided due to the service departments not allocating funding.</li> </ul>
Cosmo City	<p><b>The funding provided was a mix between public and private sector with the City and Province providing the bulk of the funding. Substantial private sector gearing occurred (17% of the expenses). The financial modelling, programming and cash flow management was done along business lines and the developer bridged gaps in funding from the public sector to ensure a smooth cash flow and roll out. Key details are as follows:</b></p> <ul style="list-style-type: none"> <li>- The City subsidised the land cost</li> <li>- The City and the Province funded the bulk and link services</li> <li>- Relevant service departments responsible for their areas of jurisdiction i.e. Eskom, Telkom, Gautrans, Johannesburg Roads Agency.</li> <li>- While the City's service departments were required to budget for services (schools, clinics) this did not occur and the developer undertook the development of the schools and parks.</li> <li>- The City topped up the cost of engineering services in the capital subsidy areas to improve the level provided using capital leveraged from land sales</li> <li>- The developer was responsible for the connection fees of all houses, internal services (Red Book Standard for RDP houses), development of all houses (subsidy and bonded FLISP houses to a higher standard), street name signage</li> <li>- No building plan or bulk contribution fees were charged for the RDP houses</li> <li>- The City, Province and Developer contributed towards environmental quality</li> <li>- Rates and taxes to be paid by home owners (including in the subsidy houses)</li> </ul>	<p>City – 47% (R548 million) Developer – 17% (R192 million) Province – 30% (R350 million) Eskom – 7% (R77 million)</p>	<ul style="list-style-type: none"> <li>- Finance and cash flow and coordinating finances from the Province and City</li> <li>- Service provision was not forthcoming as agreed in respect of education, health, parks etc. The developer funded the schools and parks. Operational funding was provided by the relevant service department.</li> </ul>

Pennyville	<p><b>The project was funded through multi sources of funding including ABSA, MIG, the City of Johannesburg, SHRA, Joshco, and the Gauteng Department of Human Settlements. The City and Developer were able to manage the flow of the funds in a manner which enabled the project to be both commercially viable to the developer and affordable to the State. Key details are as follows:</b></p> <ul style="list-style-type: none"> <li>- A land exchange agreement was signed between the Developer and the City. This minimised holding costs for the developer</li> <li>- Bulk infrastructure was funded by the City using MIG</li> <li>- City Parks provided contributions to landscaping and public services</li> <li>- RDP houses were funded by the national subsidy programme. The city provided bridging finance to ensure delivery. The City also provided a top up to improve the level of service</li> <li>- Social rental units were funded by SHRA and developed by Joshco</li> <li>- Market rental units and bonded units were funded by two separate developers</li> </ul>	No data	<ul style="list-style-type: none"> <li>- The developer carried very little risk and therefore potentially could have lacked sufficient incentives to ensure delivery. It did however also act as an incentive for the developer to participate in the project.</li> </ul>
Olievenbosch	<p><b>The project was funded through multi sources of funding including ABSA, MIG, the City of Tshwane and the Gauteng Department of Human Settlements. Key details are as follows:</b></p> <ul style="list-style-type: none"> <li>- The top structure was funded from the national subsidy programme</li> <li>- Bulk infrastructure was funded by the City using MIG and DME subsidies for electrification</li> <li>- The City provided top up funding to enable the provision of a higher level of services</li> <li>- ABSA DevCo provided bridging finance for the project</li> </ul>	No data	

Table 18: Overview of funding arrangements

### Subsidies and grant instruments used

The table below sets out the subsidies and grant instruments used in the four case studies. As is evident in the table the main subsidy used was the project linked subsidy for internal services and top structures and the Municipal Infrastructure Grant (MIG) for bulk infrastructure. In the areas where social housing was developed the Reconstruction Capital Grant was used from the SHRA. In addition top up grants were provided in Cosmo City, Pennyville and Olievenhoutbosch by the City to improve the level of service provided both in terms of the infrastructure and top structure. This did not occur in Zanemvula. In Cosmo City there was also a relaxation of the payment of connection and building plan fees.

What is evident is that there is an opportunistic use of subsidies and grants that directly respond to the unique circumstances of the project and the time frame within which it is being implemented.

	Subsidies	Grant instruments
Cosmo City	<ul style="list-style-type: none"><li>- Project linked subsidy</li><li>- FLISP</li><li>- RCG (SHRA)</li></ul>	<ul style="list-style-type: none"><li>- Top up to the project linked subsidy provided by the City</li><li>- Relaxation of the payment of connection and building plan fees by the developer</li></ul>
Zanemvula	<ul style="list-style-type: none"><li>- Top sliced from the HSDG but allocated through the Project linked subsidy</li><li>- UISP</li></ul>	
Pennyville	<ul style="list-style-type: none"><li>- MIG</li><li>- Project linked subsidy</li><li>- RCG (SHRA)</li></ul>	<ul style="list-style-type: none"><li>- Top up to the project linked subsidy provided by the City</li></ul>
Olieven-houtbosch	<ul style="list-style-type: none"><li>- MIG</li><li>- Project linked subsidy</li><li>- DME subsidies</li></ul>	<ul style="list-style-type: none"><li>- Top up to the project linked subsidy provided by the City</li></ul>

Table 19: Subsidies and grants used

### The mix of private and public funding applied

Middle and higher income suburbs in a city grow by developers identifying land and planning the area. They then raise bridging finance to install services and construct houses. The loans are recouped upon sale of the properties. In particular sites such as petrol filling stations and local shopping centres are often developed first to generate cash flow. The whole project is planned, costed and cashflow is modelled for the entire project up front. All costs are determined and phasing geared towards recouping costs as efficiently as possible. Private, bonded housing residents are attracted to such developments if facilities such as schools are



developed at the same time. So, timing and sequencing of development are important considerations. Large private developers are also able to bridge finance should there be delays in municipal servicing or they may install services in lieu of bulk contributions to ensure that holding costs and delays are minimised.

In an integrated project where affordable housing is included, this model applies to those components. There is no funding obtained up front from a municipality or other government departments for market-driven housing products. So there would be no housing subsidy that would contribute to roads and other municipal infrastructure in such areas. A developer would be taking a high risk to provide such housing in a low income area, especially if no market is found for the houses that are built. So, models of integrated housing typologies and markets need careful consideration of how to partner with the private sector and how the risks will be managed.

Of the four case studies it appears that Cosmo City achieved the greatest mix of private and public funding. This was achieved through a high commitment and investment by the City particularly in respect of providing the land, waiving building plan and development contribution fees and providing a top up to the subsidy funds to improve the level of service. In addition the financial modelling, programming and cash flow management was done along business lines. All of the above enabled the developer to take risk and bridge gaps in funding from the public sector.

In Pennyville and Olievenhoutbosch some gearing by the private sector occurred in that both developments contain a mix of public and private sector stock for different income groups. The extent of this could not be determined due to the fact that financial modelling does not appear to have occurred and the information on the extent to which public and private sector funding occurred is not available.

In Zanemvula it was not possible to attract private investment. This was due to the adhoc nature of the way in which development was undertaken and that there was not a clear vision up front for the project as a whole and the role of the private sector.

### **Cross subsidisation applied**

The cross subsidisation that occurred in the projects is based on the way in which the proceeds from selling land or units is applied as follows:

- In Cosmo City the City subsidised the cost of the land. The revenue from the land sales was collected by Codevco and handed back to the City and it in turn was used to offset the capital cost of the services. This allowed a higher level of service to be provided than what is possible using subsidy funds alone.

Further the developer provided schools, parks and a higher level of engineering services

in the subsidy and affordable houses. This was incorporated into the capital costs of the projects and included into the price of the units sold.

- In Pennyville some level of cross subsidy occurred through the sale of the rental units to Diuculo, the proceeds of which contributed towards the additional costs of the subsidised top structures.

It does not appear that there was any cross subsidisation applied in Zanemvula and Olievenhoutbosch. In respect of Zanemvula this was due to the fact that the project was driven by the subsidy tranche payments and municipal contribution to services only and this limited the ability to cross subsidise.

## **6.4 Project Partners and Institutional Arrangements**

This section sets out the institutional arrangements applied in the case study projects and addresses the evaluation questions as shown in Table 2.

### **6.4.1 Cosmo City**

#### **Overview of the institutional arrangements**

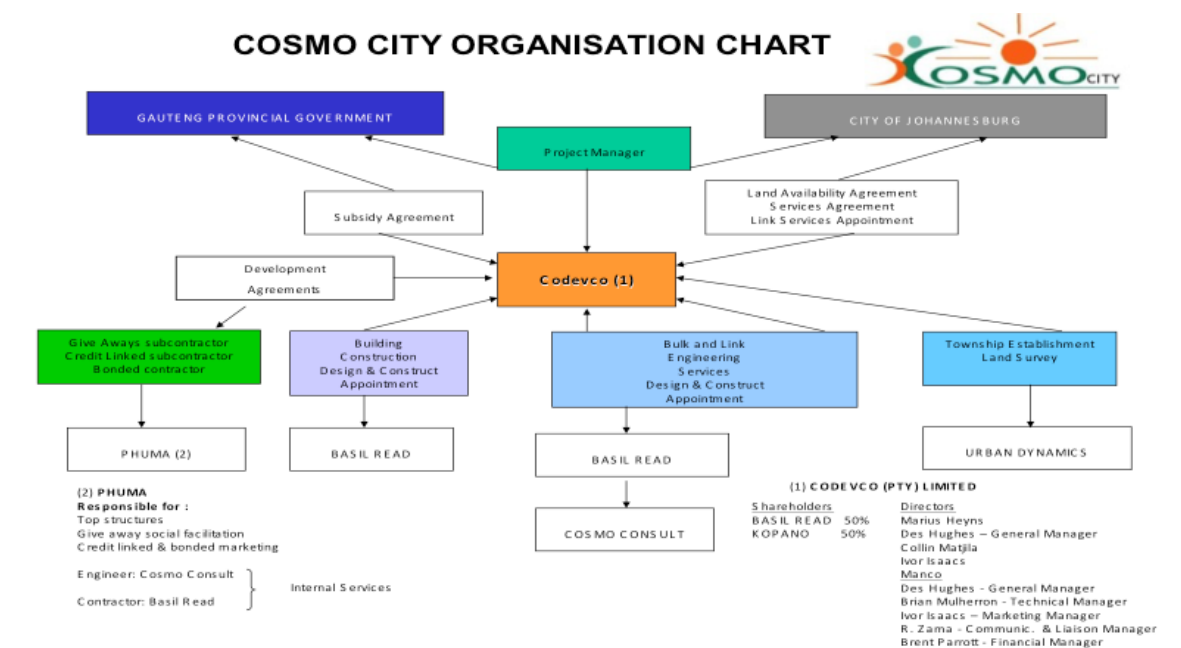
Cosmo City was developed through extensive involvement of state, private and the NGO sectors. These relationships are generally well defined by three main agreements that were put in place to govern the development of Cosmo City and the relationships and roles of the three main parties:

- **Land Availability Agreement** – entered into by the City of Johannesburg Metropolitan Municipality (land owner) and CODEVCO (Pty) Ltd (developer).
- **Service Level Agreement** – entered into by the City of Johannesburg Metropolitan Municipality and CODEVCO (Pty) Ltd which was signed on the 21 November 2001.
- **Project Subsidy Agreement** – made between the Gauteng Provincial Department of Housing and CODEVCO (Pty) Ltd which was signed on the 8 May 2001. (The Social Housing Foundation, 2008, p. 10)

These agreements set out two main aspects of the institutional arrangements – the project stakeholder structures and the project governance structures.

It is noted that none of the agreements were ‘tri-partite’ and binding on all three main actors in one agreement. Also the agreements with the City of Johannesburg were with the City Planning department and not the Housing department.

The high level overall organisational arrangements for the project are illustrated in the chart below. It shows the three main stakeholders, the agreements and the roles of each. Each is then dealt with in more detail below.

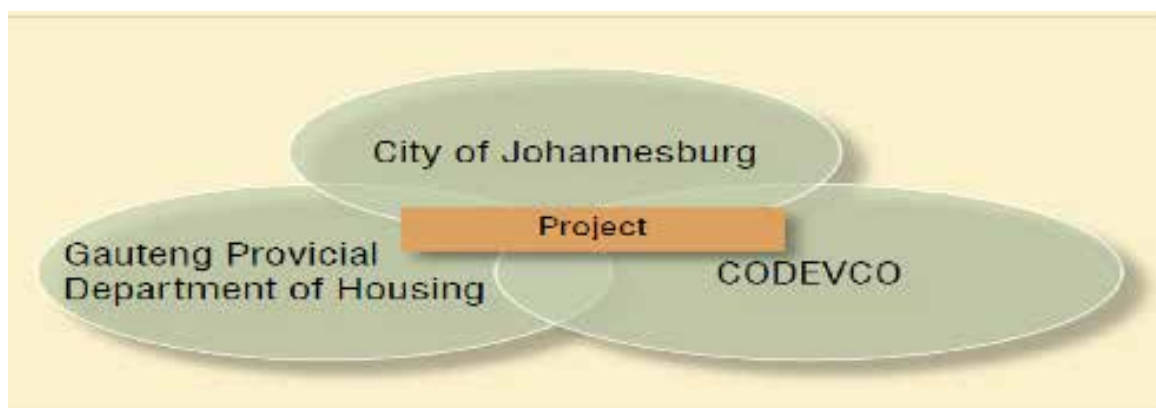


**Figure 37: Organisational Chart for Cosmo City when it was established**

Source: SALGA, from (Zack, unknown, p. 2)

### **The Stakeholders Structure**

The three stakeholders' in the project were the City of Johannesburg, The Gauteng Provincial Department of Housing and Codevco. All three had key roles and responsibilities in Cosmo City. For the overall project development, the City of Johannesburg acquired the land and has the overall responsibility for the development. However, it did this through a development partner or agent that was constituted as Codevco (a Basil Read and Kopano Ke Matla consortium). The Gauteng Department of Human Settlements provided housing subsidies for the RDP houses and the credit-linked houses.



**Figure 38: Stakeholder Structure**

Source: (The Social Housing Foundation, 2008, p. 12)

Codevco contracted Basil Read Construction to install the link services and internal infrastructure. Construction of the houses was done by Codevco contracting out blocks of serviced land to private companies including Puma, M5 Developments, JSE Projects, Kwezi V3, Basil Read, Arcus Gibb and Trinamics. (Lebeta, 2008, p. 37). According to Urban LandMark, PUMA is a joint venture between Johannesburg Financial Services (JFS) and M5 Develop-

ments. Within this consortium M5 Developments was responsible for the subsidised housing (including beneficiary administration) and the first 1 000 credit-linked houses. JFS was responsible for the remainder of the credit-linked and the bonded units.

Both companies provided the internal services to their areas and undertook to do some of the top-structure construction themselves (through subcontractors) and sold the remainder of the units to 'top-structure developers' as serviced sites on a consignment basis. Approximately 150 different top-structure developers were involved in Cosmo City (Urban LandMark, 2011, p. 4).

All the town planning and land survey aspects were undertaken by Urban Dynamics (Urban Dynamics, 2010). Codevco was responsible for contracting all the professional service providers required during the development.

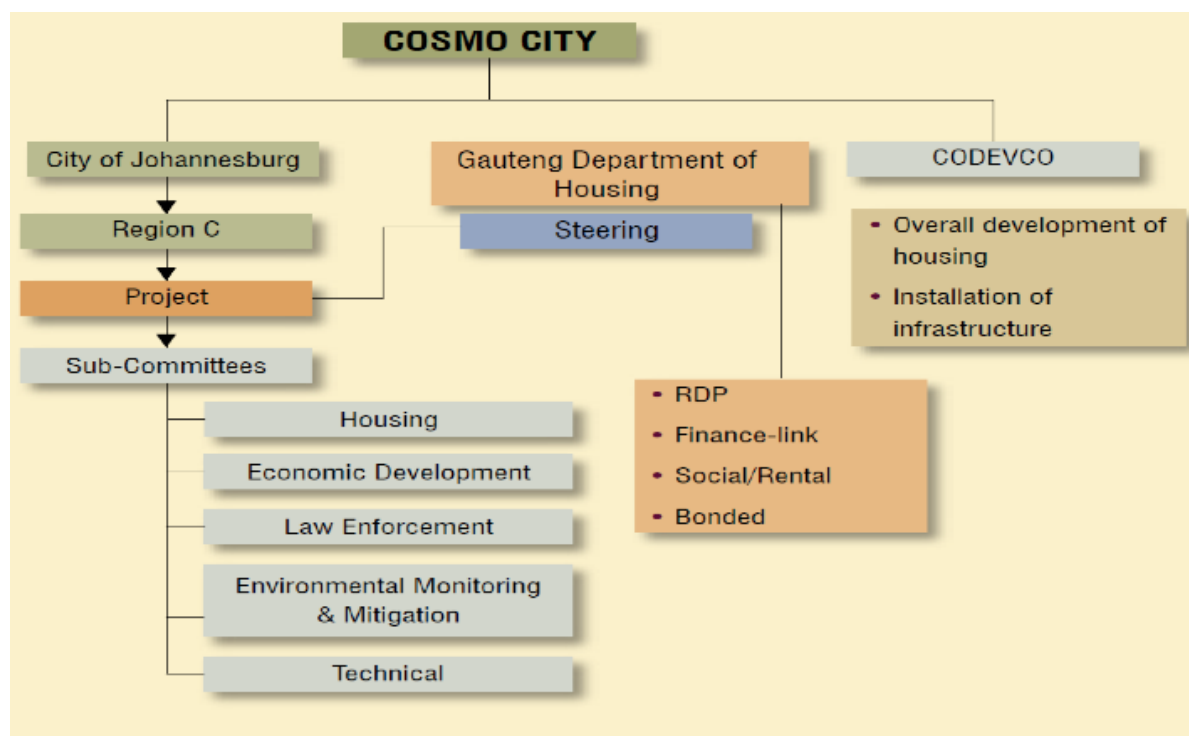
The detailed functions, roles and responsibilities of each stakeholder included:

- The City of Johannesburg
- Provision of bulk and link infrastructure;
- Inspect the completed internal services before they are handed over;
- Take over the internal services;
- The maintenance of internal services after handover;
- Assist and facilitate the township establishment process;
- Keep the property free from land invasion;
- Public participation;
- Furnish Codevco with the powers of attorney necessary to carry out their functions in terms of the three agreements;
- The management of sites zoned municipal and any legal and procedural requirements necessary for the utilisation of these sites;
- Make drawdown payments to the developer within 30 days of submission.
- Codevco (Pty)Ltd
- Develop the property as per the three agreements;
- Develop an integrated development in accordance with the agreed principles;
- Develop fully subsidised, rental and bonded housing, commercial, community and industrial properties;
- Submit and pay for the township establishment application costs;
- Installation of internal services;
- Sell, on an agency basis on behalf of the City, all residential, commercial, community facility and industrial erven in the open market;
- Pay out an agreed amount from the land sales to the City, into a specific account;
- All necessary statutory process needed for the implementation of the project;
- Provide bridging finance to the City, if required;
- Responsible for all costs of the development including professional costs;
- All costs of rezoning, survey, proclamation, registration and transfer of all erven or units

and project management

- The Provincial Department of Human Settlements
- To provide subsidies to eligible beneficiaries with regard to the RDP and FLISP housing subsidies.
- The role of the Provincial DHS was therefore limited but they were represented on the project Steering Committee and also undertook reporting to the NDHS.

The Project Governance Structure is shown in the figure below.



**Figure 39: The Project Governance Structure for Cosmo City**

Source: (The Social Housing Foundation, 2008, p. 11)

The structures were set up to ensure that all parties had open channels of communication that roles and responsibilities were clear and that implementation would proceed in a structured manner.

With respect to the institutional structures for managing the project, the City established a project structure that was approved by the Section 79 Steering Committee in March 2005 (Lebeta, 2008, p. 39). The structure comprised a number of committees including:

- A Project Management Committee (Mancomm)
- A Steering Committee – a section 79 Committee so has councillor representatives
- A Technical Committee
- An Environmental Mitigation and Management Committee – a requirement of the environmental Record of Decision
- An Interdepartmental Co-ordination Sub-Committee – chaired by the Project Manager
- A Cosmo Development Forum – chaired by the Councillor
- A Cosmo Community Development Forum – including beneficiary communities



Sub-committees were also established including:

- Housing sub-committee
- Urban Management sub-committee
- Economic Development sub-committee

From the above it is clear that the City of Johannesburg took a lead role in establishing structures to implement the development, from the highest political level through to sub-committees and community structures to involve residents. Importantly, the institutional arrangements were backed up by legal agreements so that all parties knew their respective roles and responsibilities.

### **Analysis of Institutional Arrangements**

What was important for the successful implementation of Cosmo City is that the institutional arrangements between the three stakeholders were clearly set out in agreements, prior to the start of the project. These agreements were bilateral agreements between the three main parties. In retrospect and with lessons from other similar developments, a tripartite agreement would have been a clearer way to bind all parties into one agreement.

While the roles and responsibilities of each party were clearly defined, there were no arrangements that made other provincial and national organs of state accountable to deliver on their servicing and facilities mandates. This did cause project delays and financial stresses and resulted in non delivery.

One observation on the institutional and contracting arrangements was that the agreements with the City of Johannesburg were with the Department of Planning (who were the drivers of this project) and not with the municipal Housing Department. This did lead to some friction and the PDHS indicated that they were sometimes caught in between local tensions as a result of this <sup>44</sup>.

The agreements played a role in shaping the governance structures and various committees and sub-committees to ensure that responsibilities were located within appropriate structures and could be actioned timeously. Committees had to report back monthly to ensure that momentum was kept up on the activities each were responsible for.

The strong community participatory structures were also important in ensuring beneficiary communication and education, beneficiary relocation and housing subsidy administration. The establishment of training for beneficiaries and a local newspaper were additional elements that helped foster a new Cosmo City community.

A lesson that the PDHS has noted that they only became involved in the Cosmo City process after all the planning was completed and they now insist on early involvement at the planning stages <sup>45</sup> so that they can plan their budgets in conjunction with the project plan and rollout.

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<sup>44</sup> Discussions with Ms Linda Ncgobo, Gauteng DHS, 20 August 2015

<sup>45</sup> Ibid

## 6.4.2 Zanemvula

### Overview of the institutional arrangements

While the institutional arrangements for Zanemvula have altered over time, the Implementation Agreement signed in March 2010 cemented the roles and responsibilities that remain in place today.

In order to ensure support for the project at the highest political level, an agreement <sup>46</sup> was entered into between the then Housing Minister, the provincial MEC for housing and the executive mayor of the municipality.

A Co-operation Agreement was signed in February 2006, setting out the terms of the agreement between the political heads of the National Department of Human Settlements, the Provincial Department of Housing and the NMBMM. A year later an addendum was made to appoint Thubelisha Homes as the project manager, in place of the NMBMM. This tri-partite agreement was ground-breaking and saw Thubelisha Homes being managed by three entities. The parties also agreed to the contents of the Interim Business Plan (prepared in 2006) at that time. In October 2009, the Co-operation Agreement was amended to appoint the Housing Development Agency (HDA) as the project manager to replace Thubelisha Homes<sup>47</sup>.

With the political representatives agreeing to co-operate, an Implementation Agreement was crafted to be signed by the highest ranking officials of each of the parties. The Zanemvula Implementation Agreement was drafted but only finalised after 2009 when the HDA was the implementation agent. It was signed in 2010 by the Director General of the Department of Human Settlements, the Head of Department of the Provincial Department of Human Settlements and the Municipal Manager of the NMBMM (National Department of Human Settlements, 2010).

The Interim Business Plan of 2006 saw the NMBMM as the main implementation agent of the Zanemvula project. The municipality was to be supported by the Provincial and National Departments of Housing (as they were known then). An inter-governmental Steering Committee constituted of senior officials of the municipality and provincial and national housing departments, was responsible for supervision and co-ordination. The officials of the Steering Committee were to report directly to a Technical Task Team that had members on it appointed by the NMBMM executive Mayor, the MEC of Housing, Local Government and Traditional Affairs and the Minister of Housing. The overall management of the project was the responsibility of

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<sup>46</sup> Called a Co-operation Agreement (or Memorandum of Understanding), signed on 27 February 2006 with addendums on 16 July 2007 and 20 October 2009.

<sup>47</sup> Thubelisha Homes' mandate came to an end on 31 July 2009 (National Department of Human Settlements, 2010, p. 2)

a dedicated Project Management Unit (PMU) that reported directly to the Steering Committee (Nelson Mandela Bay Metropolitan Municipality, 2006, p. 32). The PMU comprised officials and private sector consultants. The implementation of the project was to be carried out by a range of turnkey operators/contractors/professionals.

In 2007 the above arrangements changed when the Minister of Human Settlements mandated the Provincial Department of Human Settlements (PDHS) as the Developer (and funder of the development of the designated properties) and appointed the HDA as the implementing agent (National Department of Human Settlements, 2010, p. 2). The role of the NMBMM is now largely that of the provider of land and bulk services and spatial planning of the area.

Hence the Zanemvula project began by being implemented by the NMBMM. With the introduction of Breaking New Ground and the shift by the National Department of Human Settlements policy towards implementing national priority projects through special delivery vehicles, it moved out from under the responsibility of the local municipality to Thubelisha Homes and later the HDA. While the PDHS is the developer, this has meant that the municipality is now at 'arm's length' from the implementation responsibilities of the project.

The institutional responsibilities for implementing Zanemvula as set out in the Implementation Agreement of 2010 are as follows:

- **The National Department of Human Settlements (NDHS):** The roles and responsibilities of the NDHS are to:
  - Appoint a senior representative to the Technical Task Team;
  - Attend and report to the Project Steering Committee (PSC) and Technical Task Team (TTT);
  - Facilitate interaction with other relevant Departments;
  - Ensure that the Zanemvula Project is conducted in accordance with national government policies and legislation;
  - Facilitate the flow of approved funds as determined by the PDHS;
  - Facilitate policy enhancement, if necessary, to ensure that the elements of the approved Interim Business Plan and Zanemvula Implementation Plan are met;
  - Support the PDHS, the NMBMM and the HDA, where required, in its roles and responsibilities relative to the project;
  - Monitor and review the progress, successes and failures of the Project, in line with the deliverables and time-frames pertinent to the Project;
  - Report to the Minister of Human Settlements, MINMEC and Cabinet as and when required;
  - Participate in the development of a communications strategy, to be developed by all the parties;
  - Undertake the necessary measures to ensure delivery in line with the Interim Busi-

ness Plan and the Zanemvula Implementation Plan and reserving its right to do so (National Department of Human Settlements, 2010, p. 12)

- **The Provincial Department of Human Settlements (PDHS):** The roles and responsibilities for the EC PDHS in the Implementation Agreement include:
  - The handover of the project management functions to the HDA;
  - Expeditiously process applications for the approvals that are required;
  - Co-ordinate all activities relating to its other departments to assemble all the necessary resources and facilitate the approval of applications made to other provincial departments for the provision of non-residential services and facilities;
  - Make funds available to the HDA for the project within limits of its statutory mandate;
  - Facilitate the unblocking of procedural bottlenecks within departments of the NDHS, PDHS and NMBMM;
  - Appoint an official as the PDHS's prime representative in the PDOH's engagement with the HDA, NDHS and the NMBMM;
  - Attend and report to the meetings of the PSC and the TTT;
  - Establish monitoring and evaluation procedures, including monthly reports;
  - Establish a monthly financial auditing procedure;
  - Enrol the project and the units at the appropriate stage with the NHBRC;
  - Deploy an inspectorate to monitor compliance by the HDA with the approved plans, specifications and drawings of all developments and infrastructure;
  - Participate in the development of a communications strategy to be developed with all parties;
  - Beneficiary education, including beneficiary liability for the services (National Department of Human Settlements, 2010, p. 14).

**The Housing Development Agency (HDA):** (was appointed as the implementing agent but in 2007 a Memorandum of Agreement (MoA) was signed with the HDA making them the implementing agent and overall project manager. The Implementation agreement defines the following roles and responsibilities (National Department of Human Settlements, 2010, p. 17)

- Implement and project manage the Zanemvula project;
- Ensure that beneficiaries all complete subsidy application forms and send these applications to the PDHS;
- Subsidy beneficiary application forms administration and submission to the PDHS;
- Develop and manage a communications strategy in conjunction with the other parties;
- With the NMBMM take appropriate and necessary action to combat invasions or illegal occupation of the properties and inform the NMBMM of any illegal occupation of properties owned by the NMBMM;
- Manage and relocate beneficiaries to their temporary and / or permanent homes;
- Implement quality control to ensure agreed standards for units and internal ser-

- vices are complied with;
- Conclude contracts with service providers, contractors and sub-contractors;
- Consult with the NMBMM on matters affecting spatial planning to ensure integrated and sustainable development in terms of the NMBMM Sustainable Community Planning approach;
- Submit progress reports;
- Consult with the PDHS on all funding and budgetary issues and comply with the Funding Agreements;
- Engage with the NDHS, the PDHS and the NMBMM on any matters in which their intervention may facilitate the achievement of the project deliverables;
- Attend the PSC and TTT meetings and provide secretarial services for these meetings;
- Assist and cooperate with all monitoring, evaluation and auditing procedures as required by the PDHS;
- Take full and direct responsibility for the successful implementation and delivery of the project;
- Engage with the NMBMM to ensure timeous provision of bulk infrastructure;
- Ensure that beneficiaries are dealt with in accordance with the National Housing Policy;
- Confine activities to those that have a budget approved by the PDOH and ensure deliverables are timely met;
- Submit cash flows to the PDHS for approval;
- Facilitate site meetings;
- Ensure that all contractors are registered members of the NHBRC;
- Appoint and procure specialist reports as may be required;
- Assist with the education of beneficiaries.
- This wide list of responsibilities for the HDA can be summed up as embracing the following areas:
  - Construction management
  - Procurement and tender processes
  - Establishing site characteristics
  - Project design, feasibility and approval
  - Project costs and budgets
  - Health and safety
  - Communications and beneficiary administration
  - Submission of plans for statutory approvals
  - Funding applications (The Housing Development Agency, 2015, p. 2)
- **NMBMM:** While the role of the NMBMM changed from that of developer, it still retains the following functions:
  - Make all relevant information on the project available to the HDA in its possession;



- Designate the properties to be developed;
- Secure active support for the project from NMBMM departments responsible of the provision of municipal services;
- Designate a senior official as the Zanemvula liaison co-ordinator to liaise with the HDA regarding policies, legislation and regulations of the municipality and liaise with its departments to assist in identifying and unblocking potential bottlenecks;
- Attend and report to the PSC and the TTT;
- Deploy and inspectorate to enforce compliance by the HDA with approved plans, specifications and drawings of all developments and infrastructure that will vest in the NMBMM;
- Provide beneficiary information;
- Secure MIG grant funding, where applicable, and make budget provision to install bulk infrastructure as required;
- Keep the HDA informed of all changes in policies and process with the NMBMM that could impact on the project;
- Province technical assistance as when reasonably required;
- Participate with the HDA in all future planning pertaining to the project;
- Take appropriate action to combat any invasion or illegal occupation of the properties;
- Administer the disposal of the properties to beneficiaries;
- Participate in the development of a communications strategy with the other parties;
- With the HDA, interact with the community via ward councillors;
- Educate beneficiaries (National Department of Human Settlements, 2010, p. 15)

For the implementation of the Zanemvula project the following structures were established (Nelson Mandela Bay Metropolitan Municipality, 2006, p. 25):

- **A Development Forum:** comprising ward councillors and ward committee members, community leaders and technical representatives and is the main structure for community participation and in line with the NMBMM's Sustainable Community Development Approach;
- **A Project Steering Committee:** has representatives from the HDA, the three spheres of government, ward councillors, ward committee members and government sector departments (Smeddle-Thompson, 2012, p. 60);
- **A Technical Task Team:** to deal with all technical matters;
- **Project Committees:** for each sub-project of Zanemvula

At the start of the project there were regular meetings and reporting and the technical task team met almost weekly<sup>48</sup>. Discussions with the current officials of the PDHS and the HDA indicate that these have tapered off and there are in fact very few meetings with the NDOHS, particularly since the national representative retired from the Department.

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<sup>48</sup> This was confirmed by all parties at the meeting held with them on 6 May 2015 and by the former NDOHS representative on 9 June 2015.

Reporting was undertaken by all parties and the NDOHS submitted regular quarterly reports, reports to MINMEC and to Parliament <sup>49</sup>, particularly in the light of it being a S29 Priority Project. Initially there seemed to be monthly reporting and the PDOH still reports monthly on the project which is reported up to the NDOHS. The reporting focuses on reporting the number of units constructed and sites serviced<sup>50</sup> and also includes job creation.

The HDA reports quarterly to the Standing Committee. There was much enthusiasm in the wider PSC initially and even had the mayor attending but this has waned in the past two years<sup>51</sup>

### **Analysis of the Institutional Arrangements**

There are good lessons to be learnt from Zanemvula about the institutional arrangements. The three spheres of government worked well together in a committed fashion in crafting the initial tripartite agreements that were clear and instructive. The approach of separating the “political” agreement (Co-operative Agreement) from the technical implementation agreements is a best practice. It enabled each party to focus on their particular roles and gave a clear role for the political parties, separate from implementation and technical aspects. It was a ground-breaking tri-partite agreement and promoted high level political support for the project.

What was particularly positive was the strong role that the NDHS played in the early days. They attended and drove the agenda of the almost weekly meetings, providing support and energy to the project. Indications are that as this involvement has waned, there has been less impetus to drive the monthly meetings, to ensure senior decision-makers attend and to achieve tasks determined by the meetings in a timeous fashion. The fact that it was a S29 Priority Project meant that the NDHS played a strong hand in directing the project and giving it technical and political support.

A possible contributing factor affecting institutional arrangements and their ability to positively influence implementation is the repeated changing of the implementation agent. The HDA is the third implementation agent. Each time, new relationships needed to be established, not least of all with communities who need to accept the new implementation agents. Specifically, the removal of the project from under the mantle of the municipality meant that, despite the agreements, the municipality was now at ‘arms’ length’ from the implementation and the project was therefore not centrally inserted into the operations of each sector department within the municipality. It was no longer a high level priority for each internal department and led to fragmentation of budgets committed to Zanemvula. This is evident in the lack of budgets for services (no refuse collection for example) and ongoing maintenance of services, allocation of budgets for parks and recreation, for clinics and libraries that are all a municipal

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<sup>49</sup> Discussions with the former NDOHS representative for Zanemvula on 9 June 2015.

<sup>50</sup> The reporting by the NDOHS (for Priority Projects) was done in the following categories: town planning, bulk water, bulk sanitation, internal services, top structures (complete and handed over).

<sup>51</sup> According to all officials in the meeting of 6 May 2015.

responsibility.

The change-over of implementation agents also led to hiatus's in the transfer of funds and smooth handover and implementation, especially between Thubelisha Homes and the HDA. Later problems with payments to the HDA by the PDHS also affected implementation as the HDA were unable to pay contractors. In a private development, the smooth flow of funds through clear channels is usually critical to the success of the project. Stopping and starting with implementation sends negative messages to the market and indicates that this is a development that is risky to invest in. While the private sector was <sup>52</sup> not involved in Zanemvula, this is an important lesson for future endeavours to attract private investment into the area.

While the PDHS's role was to gain support for all provincial sector departments, their endeavours in this regard were thwarted. Even structures intended to foster co-operation and co-ordination were difficult to sustain. Essentially, for Zanemvula to become an integrated project it had to rely on outside departments' commitment to the project. This meant that these departments had to see Zanemvula as a priority for them and budget for facilities. While the NDHS managed to ring-fence housing funds to build houses, no other department had this benefit and had to re-allocate their existing budget allocations. To reallocate funds is difficult and has political implications as it would mean departing from policies and strategic plans that the budgeting is based on. It also means that existing areas that have been waiting for funding would have to forego "their place in the queue" while the money is directed to Zanemvula. Provincial departments of Education and Health already had their budgets committed to other areas. The Co-operation Agreement commitments probably could benefit from a "refreshing" as new government officials and politicians come on the scene and need to re-commit political support for the project.

The lesson to learn from this is that when a project of this nature relies solely on government funding and grants from government departments, the co-ordination of this funding becomes critical. There needs to be early engagement with sector departments, possibly even Memoranda of Understanding that will commit departments to allocate a funding stream according to an overall project implementation plan for the whole area. Ideally, the funds should go into a "project pot" so that economies of scale and gearing off each other's projects' funds can occur in a planned way.

In terms of capacity to implement, this was a problem, especially in the early days of the project. When the project was being implemented by the NMBMM, progress was slow even though a dedicated project unit was established. To be fair, this may have been more to do with a slow turnaround in setting up institutions within municipalities than with capacity per

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<sup>52</sup> Based on discussions with Brian Mulherron, project manager from Basil Read for Cosmo City in Johannesburg.

se. Undertaking all the supply chain requirements within a municipality, given that this was only one of many priorities for the municipality, also slowed delivery. This led the NDHS to implement the concept of a 'special purpose vehicle' for implementation. Such a mechanism would be independent and freed from the bureaucracy necessary in municipalities and hence achieve speedier delivery. When the HDA took over implementation, there was an increase in progress, due to dedicated staff being mandated to do implementation and a clear role established for the HDA through the Implementation Agreement. This arrangement has been successful as the HDA takes a more 'private sector' management approach to the implementation. One observation is that with the HDA being a body perceived to be "outside" of government, their ability to achieve traction with other provincial sector departments or municipal departments, has been a challenge, notwithstanding concerted efforts through meetings and letters to sector departments. As mentioned, these problems are structural (budgeting process and cycles in government) and less a reflection on HDA performance.

### **6.4.3 Pennyville**

#### **Overview of the institutional arrangements**

The Pennyville development arose out of a partnership between the City of Johannesburg and Pennyville Zamimpilo Relocation Pty Ltd (PZR) (Baloyi, 2014, p.55). More specifically, a land-swap agreement (initiated by Safrich) gave ownership of the Pennyville site to the City of Johannesburg, and necessitated that PZR (a Special Purpose Vehicle of Safrich and Calgro M3) would be the developer of the Pennyville project. PZR was subsequently contracted under a turnkey agreement. This implied that, although the City (with the assistance of the province) could specify the precise mix and specification of housing units to be developed, PZR was required to take responsibility for the town planning, the legal aspects of the development, the installation of the civil and electrical services, as well as the construction of the residential units (Erasmus, 2015; Skosana, 2015). PZR was also charged with finding a buyer for the market rental units. Therefore, although the City came to own the land upon which the development took place, the key driver of the project was ultimately the developer (Erasmus, 2015; Mothotaono, 2015). More specifically, the project manager of Calgro M3 at the time managed the project, and PZR as a whole implemented the project (Erasmus, 2015). There was a degree of oversight from the City's Region C officials, however they did not get involved in the details of the project (Erasmus, 2015).

Once construction was complete, additional stakeholders took on important roles. Indeed, while the City took charge of allocating the fully subsidized units to the appropriate beneficiaries, JOSHCO took over the ownership and management of the social rental units, and Diluculo properties took over the ownership and management of the market rental units. The organogram below illustrates the project structure of the Pennyville development.

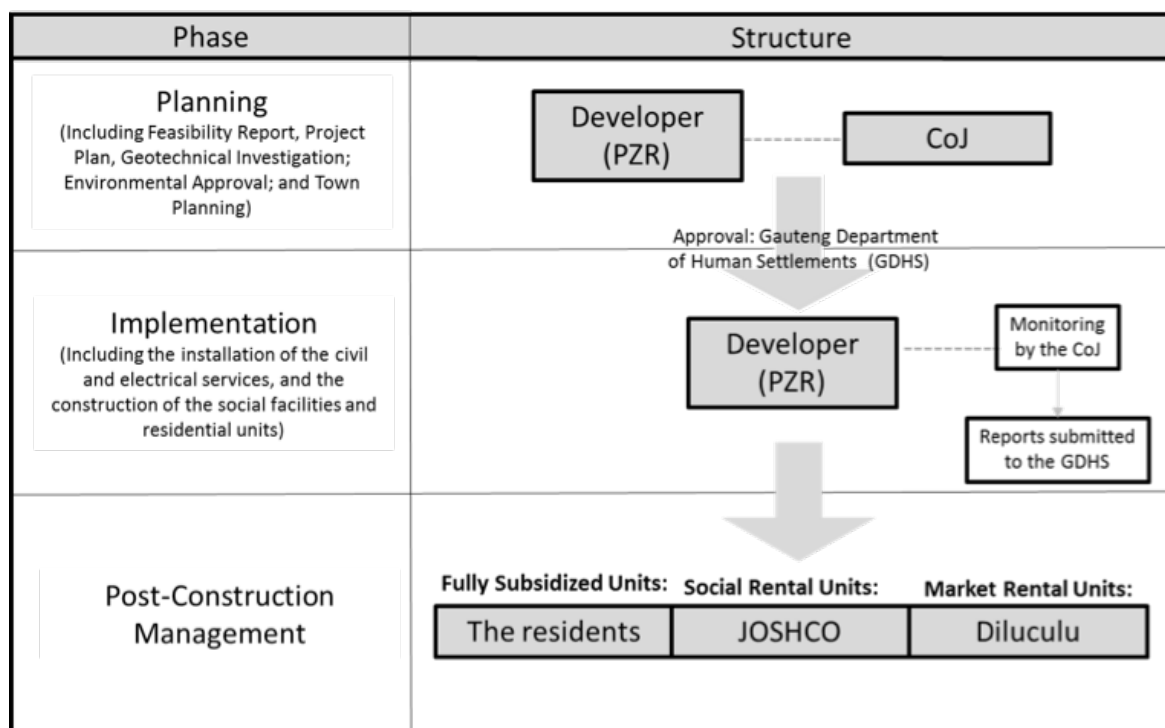


Figure 40: Project Structure

(Source: Author's Own)

Other players in the development process included the Gauteng Department of Human Settlements, who provided subsidies for the RDP units; the Social Housing Regulatory Authority (SHRA), who provided funding for the social rental units through the Restructuring Capital Grant; and ABSA bank who funded the development of the market rental units.

### Analysis of the Institutional Arrangements

When it comes to the planning phase of the development process, it has been suggested that the roles of the City, the province, JOSHCO and Diluculo should have been larger. According to one JOSHCO representative, “other stakeholders should have been involved from the start – there was a lot of consultation with the community before the development happened, but not with the other stakeholders”. Proper stakeholder consultation, in turn, would likely have enhanced the chance of decisions being made which would have contributed to the post-construction and post-handover success of the project (Ngcobo, 2015).

For example, many of the residents of the JOSHCO communal rental units feel that it is unfair that they are required to pay rent, given that their flats are of a lower specification than the fully subsidized RDP units. This tension has in turn given rise to incidents of non-payment and eviction. The fact that perceptions of “unfairness” would arise amongst the rent-paying residents of the JOSHCO units, especially if the “free” RDP units were built to a higher specification than the JOSHCO units, was not thought of or addressed by the developer. This oversight is likely due to the fact that once the units were to be handed-over, the developer would no longer be involved in the project or at risk. On the other hand, if JOSHCO had been involved from the inception of the project, as opposed to only officially entering into the project

in 2010, they would almost certainly have predicted that these issues would arise and could have suggested alternative courses of action. Similarly, the fact that Pennyville is currently lacking a school and a clinic suggests that the developer should have been engaging with senior officials from the departments of health and education right from the very beginning of the project (Ngcobo, 2015).

On the other hand, the arrangement whereby the responsibility for the implementation of the project ultimately lay with the developer seems to have been a key factor which contributed to the project's success. Indeed, one City official asserts that the developer had the management capability and the financial capacity to deliver the targets that were set for it by the city (Skosana, 2015). The developer itself believes that the project worked well precisely because the implementation of the project was left in the hands of the developer, who had the expertise and economic incentives to deliver fast and effectively, while the City's role was largely limited to oversight and monitoring (Erasmus, 2015). Additionally, according to the developer, the turnkey contracting strategy allows the developer more flexibility to adapt to market conditions (Housing in South Africa, 2011). A potential weakness of allowing the developer to lead this aspect of the project, which was cited by one City official, is that the surrounding communities experienced limited economic benefits. According to this view, if the City had been more involved in the implementation of the project, people and businesses from the surrounding communities could have been employed in the construction process and derived some benefit from the project themselves (Mothotaona, 2015).

In terms of the post-construction management arrangements, the institutional arrangements seem to have worked well too. Indeed, allowing JOSHCO and Diluculo to source their own tenants, ultimately allowed the City to focus on allocating the RDP units to the appropriate beneficiaries. Additionally, the institutional arrangement which puts the responsibility for the maintenance of the social and market rental units in the hands of JOSHCO and Diluculo respectively, has resulted in these rental units being extremely well maintained (Mothotoana, 2015; Erasmus, 2015; Skosana, 2015). Finally, allowing JOSHCO and Diluculo to implement their own management models (which include the threat of eviction in the case of non-payment), is ultimately what is ensuring the sustainability of the model (Mothotoana, 2015; Erasmus, 2015). Nevertheless, from the City's point of view, allowing JOSHCO and Diluculo to take full control of the social and market rental units respectively, did give rise to certain challenges. For example, the City originally intended for these units to house residents of the Zamimpilo Informal Settlement who earned more than R3500 per month. However, due to the fact that JOSHCO and Diluculo have their own processes, this objective was not always achieved (Mothotoana, 2015).



#### 6.4.4 Olievenhoutbosch

Overview of the institutional arrangements

The project was developed as a public private partnership that included the following participants:

- ABSA Bank
- ABSA Property Developments (DEVCO)
- The National Department of Housing (Now Human Settlements)
- The Provincial Department of Housing (Now Human Settlements)
- The City of Tshwane Metropolitan Municipality

The project was initially formalised through an agreement titled “Agreement for the implementation of a land development project known as ‘Olievenhoutbosch’”. The agreement detailed roles and responsibilities as follows:

- Gauteng Department of Housing provided subsidies for the subsidised portions to the City of Tshwane as developer
- ABSA DEVCO was appointed as turnkey contractor by the City of Tshwane to execute the complete project.
- Bulk and link infrastructure was provided by the City of Tshwane (With a funding contribution from MIG)
- Institutional housing was to be funded by Gauteng Department of Housing and managed by a social housing institution with ABSA DEVCO acting as turnkey developer
- More detailed roles of the different parties are as follows:

**ABSA Bank Limited:** As the land owner ABSA Bank was pivotal to the project and spurred on by its commitment to the Financial Services Charter was the primary initiator of the project. As a financial institution it also sought to supply mortgages to fund houses for qualifying households. It set up a branch within the development to provide banking services to residents.

**ABSA Property Developments (PTY) Limited:** ABSA Property Developments acted as the “Turnkey Contractor” to the City of Tshwane in the development of the project. As such it was the primary driver of the project although the project partners all appear to have acted in a cooperative manner as intended by the Implementation Agreement.

In the initial stages it took on responsibility for a 50% share of costs of establishing land suitability. This stage can be called prefeasibility and included establishing that the geology underlying the land development was suitable for development (in terms of stability, absence of risk and in relation to founding conditions and conditions for installing underground services). This stage also determined environmental conditions and sought environmental authority for the development.

As the Turnkey Contractor ABSA Property Developments took charge of:

- The appointment & management of the professional team
- Design layout & engineering services design

- Seeking approvals for Township establishment and the opening the township register
- The compilation of project costings
- Finalisation of necessary agreements between partners
- Managing the implementation of the programme
- Project management
- Construction of subsidised units

The professional team was led by Bigen Africa using in-house as well as contracted professionals.

ABSA Property Developers retained the ownership and development rights to non-residential properties and to those residential properties developed for bonded housing development.

In respect of the development of the institutional rental units the project envisaged that the Gauteng Department of Housing would enter into Institutional Subsidy Agreements with Social Housing Institutions and that ABSA Property Development as the Turnkey Contractor would act as the developer for the Social Housing Institution.

Given the failure of this component to be developed this arrangement will be discussed below.

- **National Department of Housing** : In fulfilling its mandate under the Constitution and the National Housing Act the National Department of Housing is identified as a party to the development to act as custodian to oversee the project and to use its powers to intervene to ensure fast track delivery. The then National Minister identified the project as being of national interest and accordingly it was termed a “Ministerial Housing Project”. The precise meaning and effect of this is difficult to determine but individuals working on the project believe that it contributed to the motivation of officials and perhaps also to the willingness of the City of Tshwane to provide top-up funding to the project.
- **Department of Housing, Gauteng**: The primary role of the Gauteng Department of Housing (now the Department of Human Settlements) was to assist the local authority (The City of Tshwane was the legal developer) to provide housing via the provision of subsidies for subsidised housing.
- **City of Tshwane Metropolitan Municipality**: The City of Tshwane was the developer of the project. It entered into an agreement with ABSA Property Developments through which it acted as a turnkey contractor (this having the same meaning as a turnkey project). The CoT as developer applied for subsidisation from the Gauteng Department of Housing. In the initial project preparation stage the CoT bore a 50% share of costs of establishing land suitability (geology & environmental). The city was responsible for arranging the provision of bulk and link infrastructure services and for sourcing funding for this from national – MIG grants. The Cot was also responsible for the provision of top-up funding to provide improved levels of service. It also took on the role of beneficiary management including:

- Managing community participation
- Identification of subsidy beneficiaries
- Managing relocation of beneficiaries to new houses
- Managing the destruction of vacated shacks

As the turnkey contractor the management of both the development programme and individual projects required to execute the production of serviced sites and subsidised houses was highly centralised. This arrangement was set up in the initial project preparation stage as the integrated nature of the project was conceptualised. It was cemented into place with the signing of the Implementation agreement early in 2005 with the recognition of ABSA DEVCO as the turnkey contractor. The summary of the joint cooperation set out in that document states (Agreement, 2005, Page 7) *“ABSA DEVCO, on its part, making the land available for the project and being responsible for the development of the Bonded Housing Component, as well as being appointed by TSHWANE METRO on a turnkey basis as a turnkey contractor for the development of the Fully Subsidised Housing Component and as turnkey contractor for the Institutional Housing Component by the Social Housing Institution;”*

The agreement clearly spells out that the three components of the project should be developed simultaneously to achieve simultaneous progression of all three components. What the document is silent on is on the need to “simultaneously” develop the associated non-residential land uses which make up a fully integrated residential development.

A turnkey contracting strategy is defined in Part 3 (IRDP) of the 2009 National Housing Code thus: *“Through the turnkey contracting strategy, a turnkey contractor is appointed by the developer through a public tender to do all work related to the successful completion of the project. This includes inter alia the planning of the approved land, the township establishment process, the design and installation of internal reticulation services to the construction of houses. The developer has a contract with only the successful tenderer and no separate contracts with any of the other participants in the development process. The successful tenderer is at risk for any financial overruns, which are not provided for in the contract and concludes agreements in own right with all the required providers of housing goods and services.”*(National Housing Code, part 3, page 39)

The responsibility for delivery of the project thus fell directly on ABSA DEVCO. ABSA DEVCO in turn relied on its professional team to implement the project and appointed Bigen Africa to this role. Bigen Africa used in-house and sub-contracted professionals to bring together the planning, environmental, geotechnical, civil and electrical engineering, land legal/conveyancing professionals as well as programme managers, project managers and site agents to create an integrated project delivery team. Bigen Africa claim that the approach was highly effective and advice on how to set it up been sought by other municipalities.

What the approach achieved was to permit the establishment of an integrated construction programme through which activities could be properly sequenced and scheduled into a logical way and permit a seamless progression of project activities.

The Programme Coordination Structures were as follows:

- **A Project Steering Committee** (Reference for this section mainly : PSC Terms of reference): The PSC was set up to steer and ensure correct implementation of the project as well as proper interaction with and involvement of the community and target beneficiaries. It was comprised of City of Tshwane officials, the Ward Councillor and committee member, ABSA's agent and a social consultant. Its main functions were to:
  - Assist in policy making
  - Ensure effective consultation and participation of the community
  - Monitor technical aspects of the project
  - Monitor physical progress
  - Assist service providers by facilitating consensus with community structures with regard to construction details
  - Manage community matters including addressing community related issues and organise public meetings
  - Monitor employment policy, labour desk effectiveness & wages and standards
  - Assist with financial matters including ensuring that funds are not misused and preventing fruitless expenditure
  - Looking after the interests of stakeholders (CTMM, GDOH, ABSA and the Community)
- **Technical Coordination:** This was managed by Bigen Africa and dealt with financial matters, the project office and coordination of project managers.
- **Professional Team meetings:** This was managed in-house as the professional team was managed by Bigen Africa.
- **Tshwane Project Structures:** Tshwane set up three committees to manage its involvement in the project
  - A technical committee to advise the Project Steering Committee in respect of matters of a technical nature referred to the Technical Committee by the PSC.
  - A legal and financial committee to advise the Project Steering Committee in respect of any matters of a legal or financial nature referred to the Legal and Finance Committee by the PSC.
  - A communication and beneficiary committee to advise the Project Steering Committee in respect of matters affecting marketing, communication and subsidy allocation.

Given ABSA DEVCO's role as turnkey contractor and the management of the relationship between it and Tshwane through the Project Steering Committee it will be noted that each of the above Tshwane structures served an advisory role to the PSC.

The management of beneficiaries was conducted by the City of Tshwane involving the:

- Identification
- Registration
- Securing subsidies for individual beneficiaries
- Allocation of houses
- Assisting the moving
- Destruction of shacks vacated

This work was conducted by a task team chaired by an official in the Housing Department of the City of Tshwane informed by the Waiting List and Beneficiary Administration Section and assisted by Informal settlement, Land Invasion and Community Liaison.

### **Analysis of the Institutional Arrangements**

The project can be described as a turnkey project with ABSA DEVCO as the production arm using Bigen Africa as its professional team leader. Programme and project management was conducted by ABSA DEVCO with the development partners performing an oversight role through the Project Steering Committee.

The use of a Turnkey Contracting approach appears to be one of the projects success factors. What this appears to have done is to centralise the programme management process permitting control of all inputs and thereby permitting effective sequencing. This resulted in the establishment of an efficient and effective delivery process, largely eliminating procurement and other delays. It also facilitated the identification, management and mitigation of risk as it permitted quick decision making.

The project also benefitted from having participants roles clearly defined and having a legible project structure. This assisted to reduce conflict which debilitates and delays many projects. Here too the turnkey approach helped to simplify the projects structure and permit those tasked with delivery to get on with the job.

## 6.4.5 Findings in Respect of the Evaluation Questions

An overview of the institutional arrangements is shown in the Figure below.

	Institutional arrangements	Cooperative governance strategies	Key challenges
Cosmo City	<p><b>Cosmo City was undertaken as a public private partnership with three key stakeholders the City of Johannesburg, the Gauteng Provincial Department of Housing and Codevco (the developer). Key agreements governed the partnership and set out the roles and responsibilities of each stakeholder.</b> Details are as follows:</p> <ul style="list-style-type: none"> <li>- Implementation was undertaken as a partnership between three stakeholders namely the City of Johannesburg, the Gauteng Provincial Department of Housing and Codevco (which was a private developer consortium comprising Basil Read and Kopano Ke Matla)</li> <li>- Institutional arrangements were specified in three signed agreements</li> <li>- Overall roles and responsibilities were : <ul style="list-style-type: none"> <li>o City of Johannesburg : Provision of bulk and link infrastructure, overall management, maintenance of internal services once developed, assist and facilitate the township establishment process and public participation</li> <li>o Codevco: Undertake the township establishment, develop the property, sell all residential, commercial and industrial even on the open market and provide bridging costs to the City.</li> <li>o Gauteng Provincial Department of Housing : Provide subsidies</li> </ul> </li> <li>- A number of institutional structures were established to oversee implementation including a Project Management Committee, a Steering Committee, Technical Committee and other sub – committees</li> <li>- There was a strong community participatory structure which ensured beneficiary communication and education, beneficiary relocation and housing subsidy administration.</li> </ul>	<ul style="list-style-type: none"> <li>- No agreements appear to have been put in place with other Departments to secure budget and a commitment to deliver social facilities.</li> <li>- The City was required to coordinate and facilitate this contribution.</li> <li>- This was a failure and resulted in the limited delivery of these facilities by these departments.</li> </ul>	<ul style="list-style-type: none"> <li>- While the roles and responsibilities were clearly set out in the agreements there was no tripartite agreement where all three parties roles is specified in one agreement. It was felt that this would have been a more clear way of establishing commitment.</li> <li>- The institutional and contracting arrangements with the City of Johannesburg was with the Department of Planning and not the municipal Housing Department. This led to tensions.</li> </ul>
Zanemvula	<p><b>Zanemvula was implemented by the three spheres of government committed through a tripartite agreement. First Thubelisha Homes and later HDA both state owned entities were appointed as the project manager. Details are as follows:</b></p> <ul style="list-style-type: none"> <li>- The project was implemented as a result of an agreement between the then Housing Minister, the provincial MEC for housing and the executive mayor of the municipality (NMBMM). The tripartite agreement was clear and instructive and separated the political agreement from the technical implementation.</li> <li>- Thubelisha Homes was appointed in 2007 as the project manager in place of NMBMM. This was due to a lack of capacity within the NMBMM. In 2009 HDA was appointed as the project manager in place of Thubelisha Homes</li> <li>- Roles and responsibilities were as follows: <ul style="list-style-type: none"> <li>o National Department of Human Settlements: Oversight and support of implementation and facilitating the flow of funds.</li> <li>o Provincial Department of Human Settlements: Coordinate activities with other departments, make funds available to the HDA, unblock bottlenecks and monitor implementation.</li> <li>o HDA : Implement and manage the project, subsidy application administration and, manage communications with stakeholders</li> <li>o NMBMM: Oversee and support the HDA and install bulk infrastructure.</li> </ul> </li> <li>- The tripartite agreement was ground breaking and promoted high level political support for the project as it gave a clear role for the political parties.</li> <li>- A number of implementing structures were established including a Development Forum, a Project Steering Committee, a Technical Task Team and Project Committees for each sub-project</li> </ul>	<ul style="list-style-type: none"> <li>- One of the roles of the Provincial Department of Human Settlements was to coordinate all activities relating to its other departments to assemble all the necessary resources and facilitate the approval of applications made to other provincial departments for the provision of non residential services and facilities</li> <li>- A Cooperation Agreement was signed however the commitment made were not delivered.</li> </ul>	<ul style="list-style-type: none"> <li>- At the start of the project there were regular meetings. However these have tapered off and enthusiasm for the implementation of the project has waned over the last two years.</li> <li>- The repeated changing of the implementing agent was problematic and disruptive.</li> <li>- The removal of the municipality from direct implementation diluted participation by the municipality and undermined the prioritisation of the project particularly in respect of the allocation of budgets for social facilities and other services such as refuse collection.</li> </ul>



Pennyville	<p><b>Pennyville was implemented as a turnkey project. The project was undertaken by the City of Johannesburg and Pennyville Zamimpilo Relocation Pty Ltd (PZR) (the developer).</b> Details are as follows:</p> <ul style="list-style-type: none"> <li>- The City of Johannesburg appointed PZR under a turnkey contract. This enabled the City to specify the precise mix and specification of the housing units to be developed.</li> <li>- The turnkey arrangements contributed to the project's success in that the developer had the authority, management and financial capability to deliver the targets set. The turnkey contract also enabled the developer flexibility to adapt to market conditions.</li> <li>- Roles and responsibilities were as follows: <ul style="list-style-type: none"> <li>o PZR was responsible for town planning, the legal aspects of the development, the installation of the internal services, the construction of the residential units and finding a buyer for the market rental units.</li> <li>o The City of Johannesburg managed PZR.</li> <li>o Gauteng Department of Human Settlements provided the subsidies for the RDP units.</li> <li>o The Social Housing Regulatory Authority provided funding for the social rental units</li> <li>o JOSHCO took over ownership of the social rental units and identified their own tenants</li> <li>o ABSA bank funded the market rental units.</li> <li>o Diluculo purchased the market rental units and identified their own tenants</li> </ul> </li> <li>- A number of institutional structures were established to oversee implementation</li> </ul>	<ul style="list-style-type: none"> <li>- No cooperation agreements with other service departments were put in place and the developer was required to secure support from these departments in respect of the implementation of social facilities. This resulted in none of these facilities being developed.</li> </ul>	<ul style="list-style-type: none"> <li>- There should have been greater involvement of stakeholders such as the Province, Joshco and Diluculo prior to development. The lack of consultation resulted in key mistakes being made for example the rental units were a lower specification than the RDP houses and so tenants objected to paying rent.</li> </ul>
Olievenhoutbosch	<p><b>Olievenhoutbosch was implemented as a turnkey project. The project was undertaken by the City of Tshwane, the then Provincial Department of Housing, the then National Department of Housing, ABSA Bank and ABSA Property Developments (DEVCO) (the developer).</b> Details are as follows:</p> <ul style="list-style-type: none"> <li>- The project was formalised through an agreement.</li> <li>- The project was identified as a Ministerial Housing Project. It is believed that this contributed to the motivation of officials and increased willingness of the City of Tshwane to provide top up funding.</li> <li>- Roles and responsibilities of the stakeholders were as follows: <ul style="list-style-type: none"> <li>o The City of Tshwane: The City was the developer but appointed ABSA DEVCO to fulfil this function on a turnkey contract. The City bore 50% of the costs of establishing land suitability, provided bulk and link infrastructure, beneficiary management and also provided top up funding to enable a higher level of service than what would normally be provided in respect of subsidy housing.</li> <li>o The then Provincial Department of Housing: The provision of subsidies</li> <li>o The then National Department of Housing: Oversee implementation and intervene to ensure fast track delivery.</li> <li>o ABSA Bank: Land owner and initiator of the project. The Bank also provided mortgages in respect of the bonded houses.</li> <li>o ABSA DEVCO: Implementation of the project. This comprised undertaking and funding the project with the exception of land suitability which it funded to an amount of 50%.</li> </ul> </li> <li>- ABSA DEVCO appointed Bigen Africa as the professional team. ABSA DEVCO also retained development rights to the bonded residential land and non residential sites.</li> <li>- A number of institutional structures were established to oversee implementation including a Project Steering Committee, Technical Coordination, Professional Team meetings and three committees set up by the City including a technical committee, legal and financial committee and communication and beneficiary committee.</li> </ul>	<ul style="list-style-type: none"> <li>- No arrangements were made or incorporated into the agreement on the need to develop social facilities and other non residential land uses.</li> </ul>	

Table 20: Overview of institutional arrangements and cooperative governance strategies applied

### **The institutional mechanisms that facilitated successful implementation**

Cosmo City, Pennyville and Olievenhoutbosch used a turnkey contract approach whereby an external private sector developer was appointed to implement the project. This was a key factor to the success of these projects. The turnkey approach centralised the programme management process permitting control of all inputs and thereby permitting effective sequencing. This resulted in the establishment of an efficient and effective delivery process, largely eliminating procurement and other delays. It also facilitated the identification, management and mitigation of risk as it permitted quick decision making.

These three projects also benefitted from having clear founding agreements with participants roles clearly defined and also the projects had a legible project structure. This assisted to reduce conflict which debilitates and delays many projects. The turnkey approach helped to simplify the projects structure and permit those tasked with delivery to get on with the job.

The management of large projects such as Cosmo City, Pennyville and Olievenhoutbosch are extremely complex and having a project structure nimble enough to respond to evolving project demands was a distinct advantage. Using a private sector developer had the advantage over the public sector as it enabled a structure that was less rule-bound and is able to structure a management response that fits the circumstances.

Zanemvula on the other had used a state owned entity as the developer. This was less successful but could have been more the result of the change from Thubelisha Homes to HDA. The project did have founding documents that set out clear roles and responsibilities. However both Thubelisha Homes and HDA were more restricted in their ability to take quick decisions and manage and mitigate risk, as well as structure finances than a private sector developer would have been. Accordingly Zanemvula was completely dependent on subsidy funds and did not achieve integration to the extent that the other projects did.

Olievenhoutbosch and Zanemvula received special status from National Government and this enhanced the profile of these projects and resulted in a higher level of resources than would have normally been the case.

The delivery channels and institutional arrangements appear to be efficient in Cosmo City, Pennyville and Olievenhoutbosch in respect of achieving a mix of typology and income. In Zanemvula the delivery channel and institutional arrangements did not achieve this (for details see section 6.1.2).

### **Intergovernmental coordination**

Where all the projects failed to achieve effective delivery of an IRDP project is in respect of social facilities and other non residential uses. It appears that no formal agreements were

put in place in respect of Cosmo City, Pennyville and Olievenhoutbosch. The City or Province was required to coordinate with the relevant departments to ensure that the relevant facilities were provided timeously. In Zanemvula a cooperation agreement appears to have been put in place. In all instances there was a high level of failure in respect of the delivery of these facilities and non residential uses.

In the case of Cosmo City the developer addressed this issue by incorporating some of these costs (schools and parks) into the capital costs of the project and developing them as part of the project.

The key fundamental challenge identified in the review of the case studies is how to achieve intergovernmental coordination in order to ensure that the social and economic facilities required to make an integrated settlement are implemented in time and as part of the development process.

### **Extent of private sector participation**

Cosmo City, Pennyville and Olievenhoutbosch were successful in securing private sector participation, particularly through the turnkey contract approach. Zanemvula was not successful and this was due to the fact that a turnkey contract approach was not applied and the role of the private sector was not conceptualised at the start of the project. The fact that the project only delivered subsidy housing also undermined private sector participation.

With respect to the turnkey contract approach, key elements to the success of the private sector participation is ensuring that there is a smooth flow of funds into the project from the public sector, that roles and responsibilities are clearly specified and that structures are established that enables the private sector developer to have full management decision making.

## **6.5 Monitoring of projects**

**This section sets out the way in which monitoring of the case studies and addresses the evaluation questions as shown in Table 2.**

### **6.5.1 Cosmo City**

#### **Overview of the monitoring undertaken**

The provincial DHS indicated that they did not do overall Cosmo City project monitoring as such <sup>53</sup>. They however, were involved in ensuring quality assurance monitoring and compliance for each project within Cosmo City and individual top structure “sign off”.

The Project Subsidy Agreement set out the terms of performance assessment of the developer (Codevco). This essentially comprised reporting to the PDHS.

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<sup>53</sup> Discussion with Ms Linda Ncgobo, Gauteng DHS on 20 August 2015

The developer submitted monthly progress reports on the status of the project in a format determined by the PDHS and these reports were consolidated quarterly by the PDHS for submission to the NDHS <sup>54</sup>. The Subsidy Agreement made provision for an annual report to the NDHS (Provincial Department of Human Settlements and Codevco, 2001).

Compliance monitoring of construction was undertaken. A professional engineer was employed by the developer to sign off the completed units. The CoJ issued occupancy certificates only after units are inspected by the Building Control department, the Provincial DHS Quality Assurance department and the NHBRC.

### **Analysis of Monitoring Aspects**

Cosmo City had strong reporting requirements but overall monitoring of the entire project seemed to be less fastidious. The strongest monitoring occurred on the top structures and the quality assurance aspects of the building works. This was done by the Provincial DHS.

Many of the reporting and performance assessment aspects were dictated by the agreements so it became a legal requirement for the developer to perform to a certain standard or be penalised. The progress payments for the subsidy component of Cosmo City were closely monitored according to the legal requirements of the Subsidy Agreement.

Hence, while the subsidy component of Cosmo City was governed by agreements, it is not clear whether the Provincial DHS or the City of Johannesburg undertook wider, full project monitoring in respect of meeting the wider intent of the IRDP.

### **6.5.2 Zanemvula**

#### **Overview of the monitoring undertaken**

Monitoring in Zanemvula appears to be limited to reporting activities. There does not seem to be overall monitoring of the entire programme over the time period of the project. The reporting was undertaken regularly. Initially all parties met once a week (and progress reports submitted each week) and later this became monthly meetings of the TTT and reports submitted by the implementation partner to the PDHS who then reported monthly and quarterly to the NDHS. The NDHS was responsible for reporting to MINMEC and Parliament at intervals as this was a Section 29 Priority Project.

Progress on the project was measured by the number of units delivered within the allocated budgets and timeframes in relation to the initial targets (Smeddle-Thompson, 2012, p. 67). This was also done for the house rectifications and in-situ upgrading elements of the project. Smeddle-Thompson confirms that “*their team was unable to identify a monitoring system which tracked project processes over time*” (Smeddle-Thompson, 2012, p. 67).

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<sup>54</sup> Ibid

### **Analysis of Monitoring Aspects**

Being a Section 29 priority project meant that Zanemvula had to report regularly to parliament. Meetings and reporting was done with zest in the early years by the NDHS and the PDHS. This has tapered off. However, the HD A does regularly report to the PDHS especially in terms of each Funding Agreement.

Smeddle-Thompson concludes that there is a need to establish and enforce monitoring and evaluation systems. This was because when asking about evaluation and monitoring systems for the Zanemvula project *“most project teams responded that they simply measure against the number of units delivered within a particular budget and timeframe”* (Smeddle-Thompson, 2012, p. 77). It is noted that while monitoring and evaluation is a foundational principle in BNG, the Monitoring, Evaluation and Impact Assessment (MEIA) Policy and Implementation Framework was only established in 2009 in the housing sector. Thus prior to 2009 there were few measures in place to hold provinces and municipalities accountable to established goals and directives (Smeddle-Thompson, 2012, p. 78).

#### **6.5.3 Pennyville**

##### **Overview of the monitoring undertaken**

While the details of the project implementation were left in the hands of the developer, the City had a project manager who was on the site on a daily basis monitoring progress and ensuring that targets were being met (Erasmus, 2015; Skosana, 2015). Based on the project manager's observations, the City was then required to submit reports to the Gauteng Department of Human Settlement's project manager specifying what had been achieved, in order to ensure that funds would continue to flow from the provincial level. The City thus had an incentive to ensure that the developer was meeting its targets. According to the City's project manager, Calgro's capacity and experience meant that the monitoring process went smoothly and no major issues arose (Skosana, 2015).

##### **Analysis of Monitoring Aspects**

During the implementation phase of the Pennyville project, the developer was monitored by the City's project manager, who in turn submitted review reports to the Gauteng Department of Human Settlements (Skosana, 2015). No major issues arose during this process and the developer succeeded in meeting the targets set by the City (Skosana, 2015). However, it would be suspect to conclude from this that the monitoring framework was effective. Indeed, it does not seem that the framework required any sort of formal submissions on behalf of the developer to the City, and it is unclear whether or not the City would have been able to have an impact on the implementation process if it had decided that this was in fact necessary.

#### 6.5.4 Olievenhoutbosch

##### Overview of the monitoring undertaken

There has been no direct monitoring of the project outside of the functions of the Project Steering Committee (and its service Committees covering Technical, Legal and Finance and Communications and Beneficiary management). This was directed to assist in maintaining the momentum of the project but its effectiveness or not has not been determined.

No evidence was found of a monitoring framework that would track project outcomes against project objectives.

However monitoring within the ambit of the contractor's operations would have been ongoing within the Turnkey Contractors operations and its professional team.

##### Analysis of Monitoring Aspects

Monitoring was conducted by the Project Steering Committee serving in primarily an advisory role. This was due to the way the project was structured around the turnkey contractor. The performance of the contractor appears to have been satisfactory thus limiting the potential for conflict and lessening the importance of the monitoring role.

#### 6.5.5 Findings in respect of the evaluation questions

On the basis of the review of the four case studies it can be concluded that monitoring of the projects in respect of the requirements of the IRDP has been poor. Monitoring when undertaken appears to have been focused on the extent to which housing units were delivered. Factors such as the extent to which mixed income integration and the provision of social facilities and other non residential uses are developed have not been monitored.

The monitoring frameworks appear to have been adequate and effective in respect of monitoring the terms of the legal agreements put in place and the extent to which subsidy funding is applied. The frameworks have not been effective in terms of the broader requirements of the IRDP.

## 7. Overall Conclusions

### 7.1 Programme relevance and design

The evaluation of the four case studies has indicated that IRDP projects **if undertaken effectively are able to deliver integrated accommodation for a mix of lower income households at scale.** The case study analysis has indicated that this form of human settlement delivery if undertaken correctly can result in **increasing private sector investment into the delivery of housing for low income households, while at the same time creating integrated sustainable settlements.** Given the increasing need for housing in South Africa it is concluded that the **IRDP programme continues to be relevant.** The four case studies delivered in excess of 29,000 units over a ten year period.



**While the overall design of the IRDP programme is logical and effective there are challenges** which undermine the extent to which its application results in achieving the overall outcome of integrated sustainable human settlements. Of the four case studies Cosmo City is the most effective and this project has best met the long term outcomes as set out in the TOC and has resulted in a sustainable human settlement and integrated development. The other projects have been less effective in achieving the outcome of creating a sustainable human settlement and integrated development, with Zanemvula being the least effective. These challenges relate to funding availability and flow, intergovernmental coordination to enable simultaneous investment in residential units and non-residential facilities and the extent to which private sector and household investment occurs.

The fundamental differences between Cosmo City and the other case study projects are:

- **Size:** Cosmo City is the largest of the four case studies.
- **Planning:** Cosmo City together with Pennyville and Olievenhoutbosch were planned upfront according to a strong brief to include a mix of housing typologies and social facilities. Cosmo City was unique in that each typology was included in each phase, along with schools and parks. This project therefore achieved higher levels of integration than did the other projects.
- **Institutional arrangements:** In Cosmo City a significant role was played by both the private sector partner (Codevco) and the public sector partner (the City of Johannesburg). Both championed the implementation of the project, investing resources and capital.
- **Flow of funds:** In Cosmo City the private sector partner enabled a smoother flow of funding than occurred in the other projects thus off-setting the problem of 'stop – start funding' (for more details see 7.6 below).

Zanemvula on the other hand clearly indicates that it is not possible to achieve the TOC of the IRDP using public sector subsidy funding alone. This restricted the basis by which the project could be implemented resulting in low levels of servicing to that provided in subsidy projects, an inability to attract private sector investment, fragmented planning and no additional investment being made in social services. In addition while a Special Purpose Vehicle such as the HDA is more effective than a local or provincial government body, it is **not as flexible as a private sector partnership**. The HDA is not able to bridge funds as effectively as the private sector and is not able to raise additional sources of funding itself. Should an entity such as the HDA be used, **then the subsidy funds should be provided upfront to be more effective.**

## 7.2 Intergovernmental coordination

All four projects clearly indicate a fundamental flaw in the TOC of the IRDP which is that Human Settlement Departments can only provide subsidies for some services and low income top structures, yet a fully integrated development needs **many sources of funding to provide facilities and non-subsidised housing**. A substantial portion of the funding required is not in the 'control' of Human Settlement Departments, who cannot compel municipalities to

top up infrastructure standards, nor dictate to provincial departments on allocating budgets for infrastructure and social facilities.

**All entities within the three spheres of government need to buy into the concept of the IRDP.** While most would not hesitate to do so in principle, if budgets are committed elsewhere or where there are competing demands, the buy-in does not happen. Further intergovernmental functions within municipalities and provinces are separated from operational and finance functions, which makes it difficult to secure commitment. So, in practice both the Inputs and Outcomes that are set out in the ToC largely rely on many other actors and only one is substantially (yet not exclusively) in the hands of Human Settlement Departments and their funding arrangements/instruments.

If an IRDP project is located within an **existing urban area** such as the case of Pennyville and Olievenhoutbosch, then **the extent to which non-residential investment is required is less**, in that the households living in the area are able to access social facilities and economic opportunities from the surrounding areas. **The key focus in respect of these projects is the extent to which the transportation network supports the integration objectives.**

In respect of large projects such as Cosmo City and Zanemvula, which are **located in peripheral areas**, if integration is to be achieved **the development of non-residential uses must occur simultaneously with the residential uses**. In respect of these projects it needs to be recognised that the projects are not **just the responsibility of the Department of Human Settlements but requires a wider municipal and provincial (and even national and parastatal) area of focus**.

All of the case studies indicated that **current methods of integration are ineffective** including coordination structures (such as interdepartmental meetings, technical team meetings etc.) and written agreements (such as Cooperation Agreements). For example:

- In Cosmo City, the City was required to coordinate and facilitate the contribution of other Departments and the Province through normal coordination processes. This did not always occur.
- In Zanemvula the Provincial Department of Human Settlements was required to coordinate the contribution of other Departments and a Cooperation Agreement was signed and commitments were made. However these commitments were not met.
- In Pennyville the developer was required to secure the support from the necessary provincial and municipal departments, but was not successful in doing so.

**Within a government sphere i.e. either provincial or municipal government, the introduction of a financial framework (the Capital Investment Framework (CIF)) to accompany the Spatial Development Framework, as prescribed in The Spatial Planning and Land**

Use Management Act 16 of 2013 (SPLUMA) and applied by the City of Johannesburg is an attempt to guarantee investment in the right places (see box). This framework specifies the process of using the spatial investment priorities, as identified in the Spatial Development Framework, as criteria to select and prioritise capital projects. The process would include: defining the weighting of the various criteria used to select and prioritise projects; identifying who makes the necessary decisions; and establishing how these decisions translate into the provinces or municipalities approval of the capital budget for inclusion in the MTEF.

### The Joburg Strategic Infrastructure Platform

The Johannesburg Metropolitan Municipality has developed an integrated decision making platform that enables integrated decision making. The Joburg Strategic Infrastructure Platform (JSIP) is based on thirteen years of development by the City of Johannesburg. It is an Internet based system that facilitates planning, prioritization, reporting and monitoring ensuring that spending and prioritization is aligned to the key strategic thrusts and context of the City of Johannesburg. It comprises a centralised database of all capital projects and provides a multidimensional understanding of the projects spatially, their strategic alignment to programmes, financial impact on financial performance (Capex and Opex) and impact in terms of jobs created, economic benefit etc. JSIP allows for prioritization of all capital projects, it is clear and transparent and it allows for tracking as well as monitoring and evaluation.

The system is very effective in enabling the City to understand the impact of investment decisions and assists with compliance of various reporting requirements. In addition because the system includes all capital projects from all departments and sources into one list and evaluates them against one set of criteria, it enables prioritisation to occur off an integrated and coordinated platform.

JSIP was developed and is managed within the City of Johannesburg by the City Transformation and Spatial Planning Unit within the Department of Planning.

The system is based on a decision tree methodology that focuses on the following:

- Overarching goals / objectives of the municipality structured in the form of a “decision-tree”
- Goals and objectives are constructed both quantitatively, qualitatively, spatially and financially
- Relevant objectives are determined for each goal
- The value function or model relies on relative preferences associated with each goal, objective or criterion i.e. PWC process

Between spheres of government alignment of capital budgets is more complex **however if legislated coordination documents such as the Spatial Development Framework, Integrated Development Plan and Built Environment Performance Plan** are developed correctly the alignment should occur as part of the process in developing these documents. All require provinces and municipalities to input into the development of the documents and align their capital budgets accordingly.

### 7.3 Enabling investment and sustainability

The case studies have shown that key to the success of an IRDP project is the extent to which it enables investment by the private sector and households into the development and the extent to which the development is sustainable. Cosmo City was extremely effective in this regard and indicated a number of factors that need to occur. The challenges experienced by Zanemvula and to a lesser extent Pennyville and Olievenhoutbosch reinforce these findings. The key factors that are necessary to enable investment include:

- **A mix of formal housing typologies is critical.** A key success factor is that bonded, private market houses, social housing or affordable rental form the core of the development. This is important as these housing typologies result in home owners who pay for services and rates.  
Developments should therefore be structured so that sufficient income is obtained from these home owners to enable the Municipality to maintain the area and ensure good urban management.
- **The level of services and facilities provided** (i.e. tarred roads, investment in parks, availability of schools etc.) does impact on the extent to which the private sector and households are prepared to invest into the area. These services and facilities must be developed simultaneously when the residential uses are developed in order for non subsidised households to want to purchase housing and for other investment to occur (such as shops, garages, but especially the presence of schools).
- **Informal development either in the form of informal settlements, backyard rental or informal retail activities does hinder formal private investment.** Private investment is sensitive to the risk of their investment losing value. Bonded private households cannot risk owning properties that are reducing in value while servicing loans over periods in the region of 20 years. While informal activity (such as backyard rental and retails services) should be encouraged it must occur in a regulated manner that does not result in a reduction of urban management and control.
- **The location of a project within the sub-regional context is critical.** Projects must be located in a growing economic area and must have access to affordable public transportation networks. A critical success factor is that the location must be attractive to the market.

The IRDP programme does not address the issue of density and the four case studies reviewed (with the exception of Pennyville) result in very low density developments. The massive explosion of backyard rooms in Cosmo City has increased the densities in this development, despite the concern that the densities are now beyond the initial level of services provided and that it brings a level of informality into the area. This form of densification also has the added benefit of providing an income to the owners of the properties, thus increasing the sustainability of the development, however it was not conceptualised as part of the design

of the IRDP programme.

#### 7.4 Institutional Aspects

**The most effective institutional arrangement appears to be a private developer that is contracted either on the basis of a Public Private Partnership or turnkey contract.** The turnkey contracting approach appears to result in high levels of success in developing an integrated settlement. The developer must be experienced and be able to access sufficient funding raised off balance sheet to invest in the project over an extended period of time (10 to 15 years). The private developer must be prepared to share the risk, which should be manageable with uncertainty reduced.

**Strong municipal commitment and drive is required whereby the municipality plays a key role in planning, managing and implementing the project.** This support should be both political and technical.

**A clear vision for the project and the specification of key roles and responsibilities is critical.** There should be binding documents and agreements that set these out.

**The establishment of Steering Committees and Technical Task Teams is a good way to separate the oversight functions from the day-to-day arrangements.** What is required is sustained commitment from representatives and participation by decision-makers so that meetings are effective.

#### 7.5 Community consultation and training aspects

While IRDP does not require beneficiaries to be identified upfront, once they are identified, **consultation and involvement from the early stages in a project is critical.** This should continue throughout the project and after its completion. In Cosmo City both Codevco and the City were involved in education initiatives with the beneficiary community including home ownership training, land use and building regulations, skills development, regular newsletters (now a local newspaper) and the establishment of a local office in the area.

#### 7.6 Funding Aspects

A key challenge in Cosmo City and Zanemvula was the stop - start provision of funding. Cosmo City was able to overcome this through the private sector partner that could **raise the funding to smooth the flow and in fact it was a condition of the agreement that Codevco have bridging funds on hand.** In Zanemvula it severely restricted the basis by which development occurred and the extent to which integration could be achieved. Zanemvula showed that integrated projects cannot be undertaken successfully on subsidy funds alone. Dedicated funding both in respect of the subsidy funding and additional funding over and above that provided through the subsidy is critical. Additional funding must be obtained not only from the public sector (municipal top-ups) but also the private sector.

**A project and cash flow management plan needs to be developed up front.** This should be agreed by all the funders together and should form the basis of the commitment of funds.

**Projects need to generate a revenue stream.** Cosmo City was very successful in achieving this through an agreement with the City to share the proceeds of the sale of land, thereby incentivising the developer to attract non-residential development and providing some income back to the City who purchased the land.

### **7.7 Mix of housing typologies**

**The right mix of units is a critical success factor.** The type of typologies can include market related bonded houses, affordable (FLISP) houses, subsidised houses and rental stock. **The mix will vary for each project and will depend, inter alia, on the location of the project.** The key criteria for formulating this mix is to contribute to the sustainability of the area. **There needs to be sufficient households that pay rates to make the provision of services viable by the municipality.** It also attracts retail and other forms of non-residential investment and contributes to the creation of a secondary market.

### **7.8 Urban management**

**It is important that there is continued and ongoing urban management of the area** including the maintenance of public spaces and ensuring that households comply with building, planning, health and other regulations. This requires the project to be integrated into the operational functions of the city and ensuring institutional and budgetary capacity to do the management

### **7.9 Understanding of the IRDP and support for implementation**

On the basis of the four case studies undertaken it appears that most provinces and municipalities understand the IRDP as it is reflected in the ToC. The challenge has been the ability to secure coordination across departments.

No special systems or processes were identified that have been put in place by national and provincial departments in order to implement IRDP projects, although some guidance on contracting arrangements is provided.

In the case of Cosmo City, Pennyville and Olievenhoutbosch it does appear that the provinces and municipalities had capacity to manage and implement the projects. In this regard the turnkey contractor arrangement proved to be extremely successful. In the case of Zanemvula neither the Province nor the Municipality had sufficient capacity hence the introduction of initially Thubelisha Homes and more recently the HDA.

## **8. Recommendations**

- 1) The review indicates that IRDP projects are an **important part of city building**. For this



reason it is **recommended that the IRDP programme is continued, but is improved upon to enhance its effectiveness (as set out below)**. The IRDP programme guidelines should be expanded in this regard.

2) **Central to this is a clear understanding and definition as to what an IRDP project is.**

The case study review indicates that IRDP projects have clear and distinct characteristics as follows:

- **Scale:** IRDP projects are large Greenfield projects that should deliver housing opportunities of more than 5,000 units at a minimum.
- **Mixed use:** IRDP projects should comprise a mix of housing typologies that respond to locational needs and market demand. Bonded private market houses and social housing or affordable rental should form the core of the development.
- **Level of services and facilities provided:** A high level of services and facilities must be provided including tarred roads, stormwater drainage, parks and recreation areas, accessibility to schools and retail facilities. Projects should be implemented in a manner where the non-residential facilities are developed simultaneously with the residential areas.
- **Funding:** Projects require extensive and coordinated funding, both public and private. Special funding arrangements are required in order to ensure committed funding over the life of the project (see below).
- **Time frame:** Projects are implemented over long time frames (10 to 20 years).
- **High market demand:** Projects should only occur in areas where there is a high market demand and the location must be attractive to the market.
- **Private partner:** Projects should be implemented as a public private partnership or turn-key contract. The private partner should have the experience and capacity to implement the project and should directly invest in the project and take risk. The public sector partner must have strong political and technical champions with delegated responsibility to plan, manage and implement the project. There must be a clear agreement that sets out roles and responsibilities.
- **Intergovernmental cooperation :** These projects need to be elevated in the decision making processes of municipalities and provinces, so as to secure the intergovernmental cooperation required to achieve integration (for more details see below).

3) **Number of projects:** Given the scale of IRDP projects, complexity, long term time frame and the need for them to be driven by a clear market demand, it is not envisaged that a large number of projects can be undertaken. This should be a limited programme of between 5 to 20 projects undertaken at any one time.

4) **Project linked subsidy:** Currently the IRDP programmes has replaced the project linked subsidy programme. However not all projects can be IRDP projects as defined in 2) above. There continues to be the need for **smaller projects that are implemented on infill sites within existing urban areas**. These projects are important for the densification and compaction of cities and to enhance the use of existing scarce non residential facilities. It is more economical to increase the usage of these facilities than to invest in new infrastructure.

These projects should be encouraged and do not need to fulfill the integration requirements of the larger IRDP projects located in peripheral areas. When undertaking these smaller projects a review should be made of the surrounding areas to determine what non residential facilities are available and based on this the extent to which they need to be provided within the project itself. A key focus should be on ensuring that transportation networks are extended or enabled so that the integration objectives are achieved. These projects should be implemented using the project linked subsidy which should be reinstated.

- 5) **Clear approval criteria:** The guidelines for the approval of an IRDP project should specify the following criteria that need to be met:
  - Projects must meet the characteristics as set out in 2) above.
  - Projects must be **specified and costed for in** the Integrated Development Plan, Built Environment Performance Plan (BEPP) or Service Delivery and Budget Implementation Plan (SDBIP) of a municipality and the Spatial Development Framework and relevant Provincial Strategic Plan.
  - Funding for a project should not be approved unless there is **clear evidence of the market need** that the project serves and the **extent to which integration is being achieved**.
  - Projects must specify the mix of typologies to be provided. The percentage of households living in subsidised houses must not be more than 40% of the total households in the development. **The decision regarding the mix of typologies needs to be based on a sound financial model that demonstrates the long term fiscal sustainability of the development.**
  - **Planning for the project must be undertaken upfront** according to a strong brief and in response to market demand. Planning must include a mix of housing typologies and social facilities and linkages to transportation routes indicated. All projects must have a project and funding plan prior to implementation commencing.
  - All projects must indicate how **ongoing urban management is going to be undertaken**. The funding plan should incorporate ongoing maintenance for a period as part of the costs of the development.
- 6) **Funding:** A new financial instrument should be established to provide funding for IRDP projects. This funding instrument should comprise the following:
  - It should enable the project to access a specified allocation per annum in terms of its project and cash flow plan. The funding allocation should be a lump sum amount that is not linked to the number of subsidised residential units being provided.
  - The finance provided should be bridging finance that will enable cash flow for the project to be implemented in terms of its plan. The finance should be used to develop both subsidised residential units, services to a higher level of specification, as well as non-residential facilities. Non subsidised residential units should only be financed by private sector funds.

- The amount of the facility should be determined on a project by project basis and on condition that it is matched by private sector investment.
  - The project will be required to access funding from the different funding streams (subsidies, project revenue etc.) as currently occurs, and will pay back the funds as and when they are accessed. This will enable the project to be implemented timeously without being delayed due to different approval and payment processes.
- 7) **Intergovernmental relations:** Currently the level of integration achieved in respect of IRDP projects is determined by the degree to which departments talk to one another and the extent to which they are able to prioritise and allocate budget within an aligned framework. This is not sufficient. What is needed is for the IRDP project to be directly linked to the budget allocations and approval process of the municipality and provincial government (and other actors like Eskom). An investigation into mechanisms that can enable this needs to be undertaken particularly in respect of improving alignment through currently planning mechanisms such as the Spatial Development Framework, Integrated Development Plans and BEPP

The introduction of a financial framework (the Capital Investment Framework (CIF)) to accompany the Spatial Development Framework, as prescribed in The Spatial Planning and Land Use Management Act 16 of 2013 (SPLUMA) and applied by the City of Johannesburg is an attempt to guarantee investment in the right places. This framework specifies the process of using the spatial investment priorities, as identified in the Spatial Development Framework, as criteria to select and prioritise capital projects. The process would include: defining the weighting of the various criteria used to select and prioritise projects; identifying who makes the necessary decisions; and establishing how these decisions translate into the provinces or municipalities approval of the capital budget for inclusion in the MTEF.

- 8) **IRDP projects and informality:** The case studies indicate that IRDP projects appear to be more successful when including a mix of formal housing typologies. The success of Cosmo City and key challenges in Zanemvula indicate that the level of services provided (i.e. tarred roads, investment in parks etc.) does impact on the extent to which the private sector and households are prepared to invest into the area. Further informal development either in the form of informal settlements, backyard rental or informal retail activities could hinder formal private investment.

Given the important role that informality plays as a generator of income for households further investigation is needed into how informality impacts on private sector investment and the extent to which it undermines IRDP projects. IRDP projects need to create a balance between an environment in which the private sector will invest and enabling lower income households to build incrementally or undertake incremental economic activities.

- 9) **Sustainable neighbourhoods:** If IRDP projects are to be successful in city building it is critical that they result in sustainable neighbourhoods where municipalities are able to collect rates and service charges so as to cover the cost of managing and supplying the area. Accordingly:
- Regardless of the mix of use that is applied all residents in an IRDP project must pay rates and service charges. This should apply to households in subsidised housing units and is justified given that such households are accessing housing at a higher standard than would normally be the case. Such households could pay a lesser rate than other households in the area.
  - Careful consideration needs to be given to the density at which a settlement is developed. Where possible higher densities should be applied. However this needs to be driven by market demand and locational considerations.
  - Projects should be designed so as to enable economic activities to be undertaken including retail, backyard rental etc.
- 10) **The following additional research should be undertaken:**
- Factors that influence social integration and cohesion.
  - How informality impacts on private sector investment in IRDP projects.
  - An investigation into how delivery by all relevant departments can be secured as and when it is required

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#### **9.1.1 Literature review**

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To be inserted

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## CITY VISIT

Not just another dormitory town

‘Inclusionary’ housing is what the developers and designers of Olievenhoutbosch have in mind. But can this ‘mini city’ deliver on its promise?

[http://www.urbangreen.co.za/13\\_4.htm#Not just another dormitory town](http://www.urbangreen.co.za/13_4.htm#Not just another dormitory town)

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Terms of Reference Technical Committee (Undated)

Terms of Reference Legal and Finance Committee (Undated)

Terms of Reference Communication and Beneficiary Committee

Ward 48 Relocation and Allocation Committee: 20 March 2007

## 9.2 Interviews undertaken

### 9.2.1 Cosmo City

Name	Position	cell	email
Brian Mulherron	Basil Read – project developer/manager	082 555 6919	bm@cosmo.co.za
Linda Ngcobo and Edward Makwarela	Gauteng DoHS – Regional Head Johannesburg  GDHS - Project manager - Johannesburg	011 6305093  011 630 5090	linden@hla.gpg.gov.za  Edward.Makwarela@gauteng.gov.za
Paddy Quinn	City of Johannesburg – project manager	083 400 3718	paddyq@joburg.org.za

### 9.2.2 Zanemvula

Name	Position	cell	email
Jacko McCarthy	HDA	082 557 9412	jacko.mccarthy@thehda.co.za
Schalk Potgieter	NMBMM	082 374 1233	spotgiet@mandelametro.gov.za

Ms Mpho Ndoni	EC PDHS (was regional director when I did interviews)	041 404 0782	mphn@ecdhs.gov.za
Mr Khaya Panyizo	Chief Project Manager	079 515 4086	khaya@ecdhs.gov.za

### 9.2.3 Pennyville

Name	Designation	Organization
Phumzile Skosana	Project Manager	City of Johannesburg
Sello Mothotoana	Assistant Director of Projects	City of Johannesburg
Tinus Erasmus	Project Manager	CalgroM3
Linda Ngcobo	Head of GDHS	Gauteng Dept of Human Settlements
James Maluleke	Development Manager	JOSHCO
Cheryl Holmes	Housing Manager	JOSHCO
Ingrid Van Biljon	Manager	Zelri Properties

### 9.2.3 Olievenhoutbosch

Name	Designation	Organization
Ms. M. Harrilal	Deputy Director Department of Human settlements	City of Tshwane
Mr. K. Viljoen	Engineer	Bigen Africa

## This image shows a full page of a handwriting practice worksheet. It consists of numerous horizontal rows, each defined by two parallel dashed lines. The lines are evenly spaced and extend across the entire width of the page, providing a guide for letter height and placement. There is no text or other markings on the page.



This image shows a full page of white paper with horizontal dotted lines. The lines are evenly spaced and run across the width of the page, providing a guide for handwriting or typing. There are no margins, text, or other markings on the page.

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