

SOUTH AFRICAN AFFORDABLE RESIDENTIAL DEVELOPERS ASSOCIATION (SAARDA)

Developer and Contractor Workshop
Hosted by The Minister for Human Settlements

3 September 2015

Premier Hotel, OR Tambo International Airport





**SAARDA
represents nearly 80%
of all affordable
housing developers in
Gauteng**

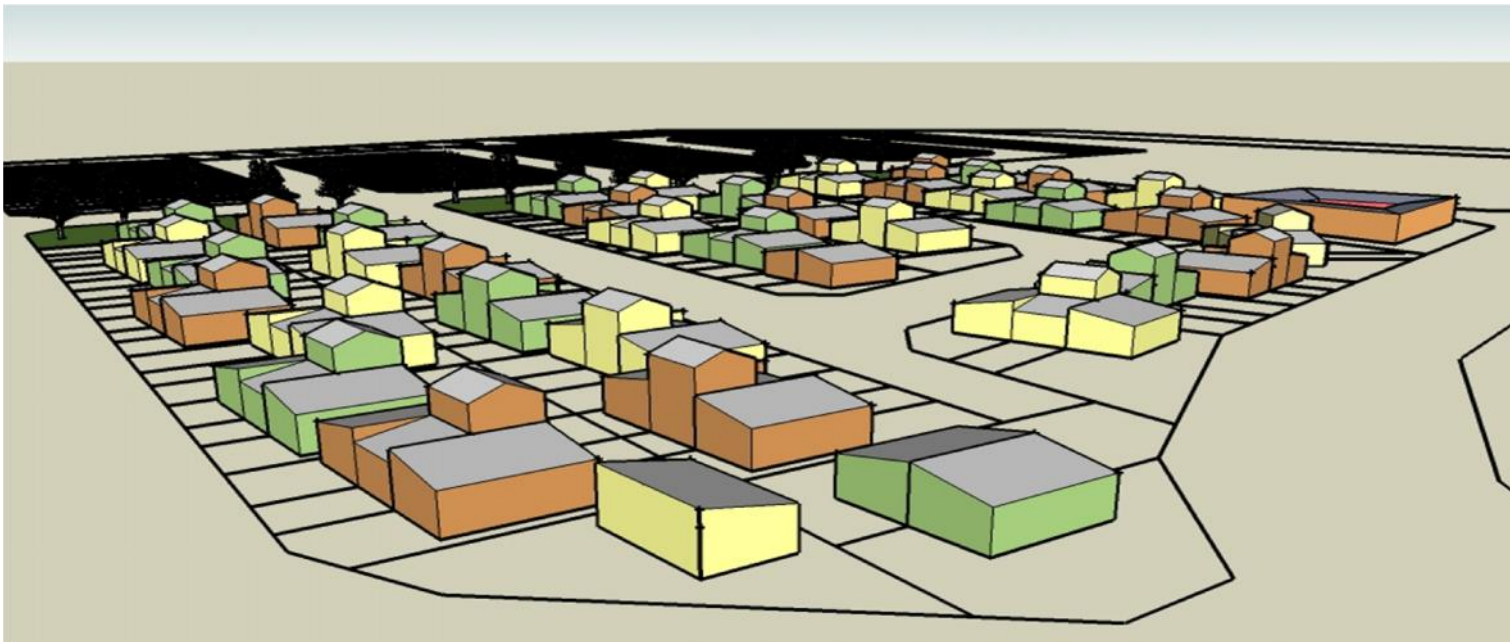
“SAARDA is dedicated to provide affordable housing to the people of South Africa and to improve and to assist in the delivery of affordable housing in the residential sector for all its members and to promote the common interest of affordable residential developers in South Africa”

South African Affordable Residential Developers Association



Affordable Housing can be a Game Changer for our Country (Job Creation & Spatial Transformation) - SAARDA can:

- Support Government to achieve housing delivery targets
- Link municipalities with affordable housing developer issues
- Be a platform for Government to engage with the sector
- Promote common agenda to keep housing accessible (Pricing)



SAARDA – 5 Year Plan

- To be positioned as a National proactive driver in the affordable housing market working with government:
 - Establish innovation work groups to activate the necessary conducive environment for attracting massive funding and investment in the affordable housing sector, including the proper and better use of the large amount of existing public resources flowing into the housing sector.
 - Have an actively managed project tracking and unblocking system that is regularly updated and discussed with the Minister for Human Settlements, including working with a national Human Settlements team to engage with provinces and municipalities on policy and practical project related matters.



Developer Opportunities

- Significant housing demand standing between **2-3 million** units in the GAP market
- The **affordable housing target market** - about **5,8 million households** (30% earn between R3200-00 and R12 800 per month; 10% earn between R12 800-00 and R25 600-00)
- Urbanisation pressure and need for improving **urban living** environments
- **Government commitment** and support (policies, targets, subsidies, infrastructure provision)
- **Mega-scale catalytic projects**; partnering HDA
- Inner city revitalisation, corridor and transit node densification
- Growing and aspirational middle-class



SAARDA - Developer Delivery Targets

Below is a list of Affordable housing delivery targets from 1/2014 to 31/2018:

1/1 to 31/12	Affordable <R700k	FLISP
2014	4406	440
2015	8859	2214
2016	17883	4470
2017	21901	5475
2018	19280	4820
Totals	72329	17419

We are still gathering information on this table



SAARDA – Interventions

- **National Department of Human Settlements**
 - Signing of Pledge by SAARDA end of 2014
- **NHBRC**
 - Established a working relationship with NHBRC to explain developer frustrations
- **City of Joburg Development & Planning**
 - Intervention meeting with Joburg Executive Committee on the house plan approval process April 2015
- **Ekurhuleni METRO**
 - Process set up to address overall challenges with processing applications on affordable housing delivery.
 - Discussions on **SANS 10400** – Requires 50% Energy saving with solar geysers – not resolved
- **JHB Metro - Bulk Contributions for Affordable Housing**
 - Discussions ongoing
- **WULA**
 - Introductory meeting held on 2/9/2015
- **HOD Gauteng Human Settlements**
 - Meeting to support Gauteng contributions to National housing targets
 - **FLISP** – Working group to raise volumes and fast track process – ongoing monthly meetings.



MEGA PROJECT - Approvals

Un-answered calls for project requests

- Late in 2014 SAARDA Members submitted list of potential 'Mega Projects' to National Department of Human Settlements.
- Earlier this year the HDA requested that Developers submit more detailed applications for consideration as 'Mega Projects' to be supported by NDHS.
- Recently the Gauteng Province called for Developers to submit applications for 'Mega Projects' to be supported by Gauteng DHS.
- **Members are awaiting feedback on these three submissions, please can we be given clarity today:**
 - Who is processing the applications
 - What will the private developers benefit from a 'Mega Project' status



Practical Challenges

- SAARDA wishes to state that we are highlighting Developer challenges to this forum, in next few slides
- We are **not** saying that the various Acts, By-laws and or processes must be abolished.
- We are **suggesting** that the various Acts, By-laws and processes be scrutinised in order to meet the demand for housing timeously and also affordable to the end-user.
 - e.g. Bulk contributions payable in R300k housing estate should not be equal to that of a R4M housing estate with a higher utility consumption.

DEVELOPER CHALLENGES contd.

➤ Time Frame for Environmental Approvals

- Record of Decision (ROD) for a development EIA takes on average 12 to 24 months
- ROD amendments: All amendments require an application which now takes 4 to 6 months, e.g. Change of title of owner
- National Environmental Management Act (107/1998)(NEMA)
 - The new amendments (Dec 2014) have increased the work load of the department considerably due to the following;
 - Submission of a BASIC ASSESSMENT is now required for a development of 1 ha or more of indigenous vegetation
 - Previously the regulation allowed 5 ha in urban areas without a BA application
 - This in effect is moving backwards, since there are many small areas in the city with indigenous vegetation that can be developed .
 - a BA application must include all three the designated areas thus increasing the areas requiring BA applications from 40 % to 70 % of Gauteng.

DEVELOPER CHALLENGES contd.

➤ WULA

➤ Water Use Licence Applications - 12 to 36 months

Challenge	Solution
- Approved ROD to be submitted as part of the WULA application – 12 to 24 months delay prior to WULA submission	- Parallel process to be implemented of ROD and WULA
- Issue of WULA license – 12 to 36 months	- Working group to be set-up to workshop processes and obstacles in the assessment process.
- Any development (structures, pipelines, roads, etc.) within a 500m radius from the boundary of a wetland also constitutes a Section 21(c) & (i) water use and as such requires a water use license.	- Increased work load on staff needs attention

- Inter Ministerial Intervention required
- Establish working groups to fast track applications
- Quality of Applications by Developers
- Address staff capacity

DEVELOPER CHALLENGES contd.

➤ Roads and Transport

- e.g. GAUTRANS Traffic Planning Department
- Traffic Impact Assessment Approval process (TIA) 12-18 months
 - Some Metros require GAUTRANS Approval for Town Planning Approval
- TIA Approval Budget constraints (**No Budget – Developer to Install - Cost up to R10 000 per erf**)
- Wayleaves (Reasonably efficient Department)

➤ METRO/Municipal Waste Water Treatment Plants

- e.g. East Rand Water Care Company (ERWAT)
 - Lack of WWT processing capacity for new developments
 - Conflicting data between WWT Authority and Development Approval Authority
 - High Bulk Contributions for low income housing (e.g. 0,8lt capacity = R7285 contribution)

➤ Engineering Services Agreements

- Uncertainty in Metros as to who must draft and sign documentation
- Time consuming exercise

➤ Standard of Services

- A standard level of services should be imposed on Affordable and Lower Income Housing developments as similar to the “Red Book” – NDoHS/CSIR currently reviewing Red Book
- Metros often implement new standards without sufficient consultation, resulting in higher costs

DEVELOPER CHALLENGES contd.

➤ Typical BULK Contributions (Avg. 250m² Erf)

Utility	Joburg	Tshwane	Ekurhuleni
ERWAT	-	-	R7 300
Sewer	R4 000	R3 300	R2 200
Water	R3 000	R2 100	R3 500
Roads & Stormwater	R11 000	R4 400	R4 500
Electricity	R10 000	R7 700	R7 700
Total	±R28 000	±R17 500	±R25 200

Bulk Contributions: Usage Example

- Lower contributions should apply to affordable housing developments compared with up-market housing

Water Usage Comparison

High Income Household	Affordable Housing
3 Kl/day	0,5 Kl/day

Bulk Contributions Impact

Selling Price	VAT	Top Structure	Internal	LPFM	Available for Bulk
R400 000	R56 000	R175 000	R60 000	R60 000	R49 000
R400 000	R56 000	R200 000	R60 000	R60 000	R24 000
R350 000	R49 000	R175 000	R60 000	R60 000	R6 000
R350 000	R49 000	R200 000	R60 000	R60 000	-R19 000

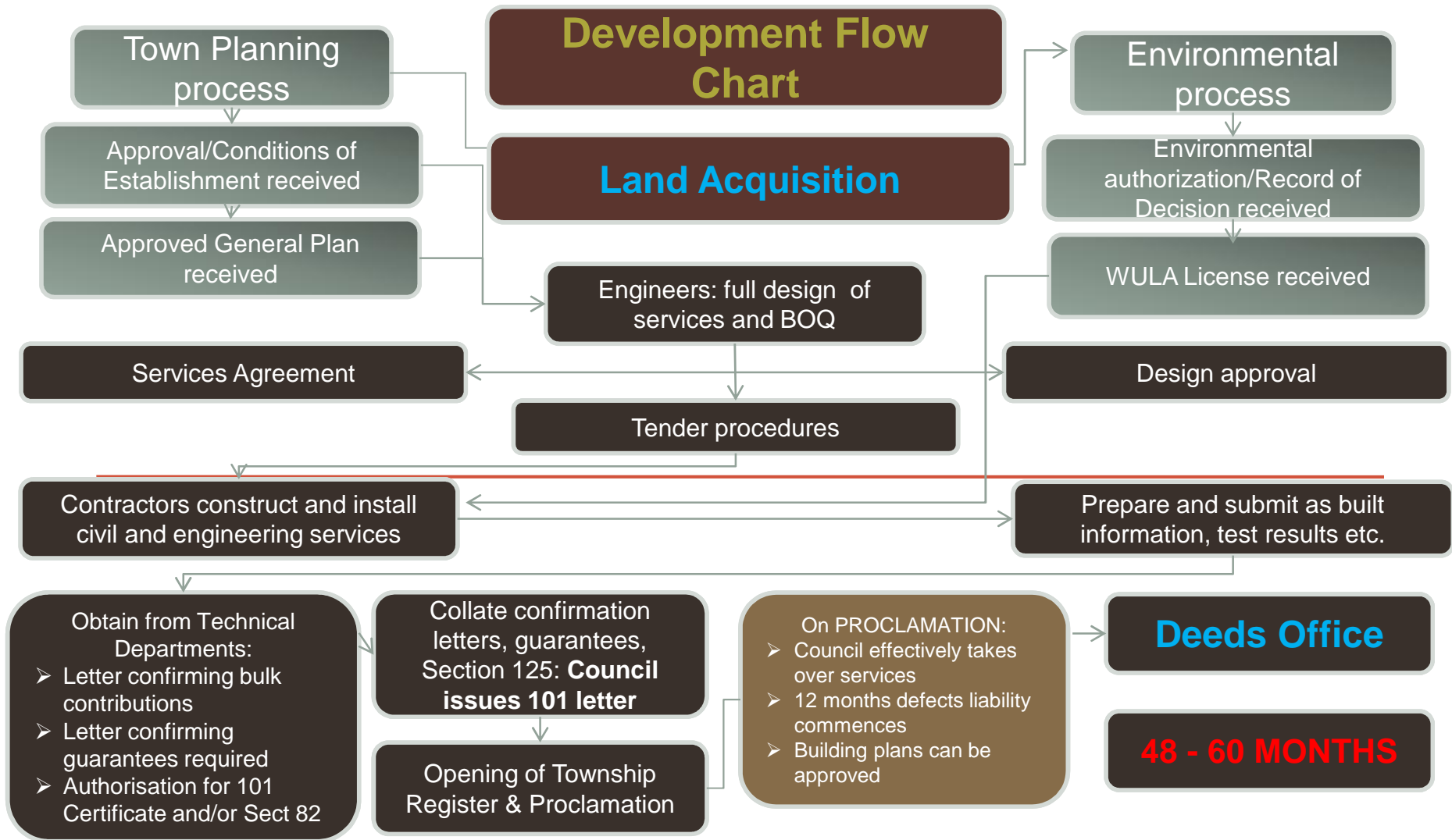
Illustration:

- 50m² house
- Building rate: (1) R3500/m²; (2) R4000/m²
- LPFM: Land, Pre-development costs, Finance cost, Marketing costs

Bulk Contribution Challenges

- **Planning challenge:**
 - Lack of certainty regarding the availability of bulk
- **Policy challenge:**
 - Uncertain bulk service contribution framework
- **Cost challenge:**
 - High and rising bulk service contribution costs





Common Agenda

- Developers require a platform with government to fast-track affordable housing delivery and promote sustainable human settlements
- SAARDA is an organisation that was revived to fulfill this role
- SAARDA wants to be an enabler with government in addressing delivery challenges and finding solutions



Statement

- In order for the majority of South Africans who are lower income earners to access good quality housing, both the public and private sector investment mix has to be appropriate and aimed at containing costs



Concluding Remarks

- **Inter-Ministerial Interventions Required**
 - Provincial Departments (Roads & Environment)
 - WULA
 - SANS
- **Ministry to implement 'Mega Project' policy in Metros**
 - Filtering of information to Metro and Municipal Departments
 - Prioritize project applications
- **Who do the Private Developers approach to resolve blockages?**
- **Give Feed Back to Developers and Forums**



Concluding Remarkscontd..

- **Make it simple**
 - It is not all about allocating money to projects
 - It is about sorting out the bottlenecks in all departments
 - Give us dedicated staff members in each Department of Government to work with to which will adhere to dedicated time frames
 - Define Affordable and Low income Housing and make it known to all that this is to be treated as 'Priority'
 - Make Affordable housing a definition in the new SPLUMA Act and all Ordinances and Provincial and National Acts



SAARDA Member Commitment

- **SAARDA Members remain committed to deliver housing in accordance with the Ministers goals and objectives.**
- **This will be in the form of:**
 - **Single dwelling units**
 - **Bonded affordable, GAP and FLISP**
 - **High density apartments**
 - **Rental accommodation &**
 - **Social Housing**
- **Honorable Minister we are up for your challenge!!!!**





Thank You

