

Working together – Our partners in housing delivery

The Department of Human Settlements' success in delivering 3,7-million houses and serviced sites is the result of working together with a range of housing institutions that have been established over the past 20 years. These institutions not only play an invaluable role in making sure that housing products are in line with prescribed norms and standards but, most of all, they ensure that South Africans have access to housing finance in the first place. As it was difficult to get banks and the private sector on board when it came to sourcing housing finance for the poor, the Department established these institutions to share the risk. These housing entities help to implement housing policies that provide much-needed shelter for South Africans.

The housing institutions are:

- National Home Builders Registration Council (NHBRC)
- National Urban Reconstruction and Housing Agency (NURCHA)
- National Housing Finance Corporation (NHFC)
- Rural Housing Loan Fund (RHLF)
- Housing Development Agency (HDA)
- Social Housing Regulatory Authority (SHRA)
- Estate Agency Affairs Board (EAAB)

The following pages provide a story of what these entities have achieved since they were formed to help create sustainable human settlements so beneficiaries could live life to the fullest. It's worth noting that these housing institutions were formed with no precedent. Their only guiding ideal was to improve the lives of ordinary South Africans through the creation of human settlements products. We salute them for their commitment, vision and dedication.

From Charter To Life

National Home Builders Registration Council: Last line of defence for homeowners

When Mongezi Mnyani, CEO of the National Home Builders Registration Council (NHBRC), looks back on the past 20 years of providing decent human settlements to the vast majority of South Africans, he can't help but be satisfied. A lot has happened, and a lot of lessons have been learned. Particularly striking for him has been the steady improvement of the size of Government-subsidised low-cost houses, commonly known as RDP houses. 'We moved first from a small 15-square-metre RDP house to an 18- and then a 30-square-metre one. Now we are between 40- and 45-square metres. That speaks volumes about what has been achieved in the past 20 years of providing houses to South Africans,' Mnyani says.

The second change over the years was the improvement of the quality of the RDP houses when the NHBRC began monitoring their construction. Such monitoring was crucial to avoid later problems for occupants. That is precisely why the NHBRC exists — to regulate and monitor the construction industry. With Government pressed to provide one million low-cost houses in the first five years of democracy, the initial affordable houses were built in great haste, and left much to be desired in terms of quality. Shoddy workmanship was common, as builders cut corners to make a profit. As a result, structural defects were rife, many costing hundreds of thousands of rands to fix. Unhappiness mounted. There was, therefore, a need for strict regulation of the built industry. Norms and standards of construction had to be set and adhered to. This is the overarching mandate of the NHBRC, which was established in 1998 in accordance

with the provisions of the Housing Consumers Protection Measures Act (Act No. 95 of 1998). The legislation gives the NHBRC the mandate to protect the interests of housing consumers and to ensure compliance by contractors with regulated building industry standards. For advice, the newly formed NHBRC turned to the

of society could live side by side, doing away with the age-old system of segregated communities that saw the majority of South Africans being housed far from where they worked. The initiative, called Breaking New Ground, also sought to create employment opportunities for people near to where they lived, and to phase out informal

Mnyani. 'By 2015, we aim to employ between 400 and 450 home inspectors so we can do inspections a lot more thoroughly. Normally, we inspect building projects up to four times before construction is finished. Ideally, it ought to be between four and eight inspections.'

The NHBRC has also begun monitoring non-subsidised houses built by homeowners in their private capacity. In some instances this new direction has not always gone down too well with non-subsidised homeowners. 'People could not understand why Government would get involved in the building of their private homes. To them such construction is a private matter, needing no outside interference. But they are wrong. At the end of the day, constitutionally speaking, we have a responsibility to protect each and every homeowner at all costs, even non-subsidy consumers. That is why we, as the NHBRC, exist. It's not interference.'

In terms of operation, the NHBRC engages with both home builders and prospective homeowners to find and reach an agreement before building starts. Then, crucially, the organisation involves the banking sector. 'Before banks give a bond, they always want to know if the builder is registered with the NHBRC — whether the builder is properly qualified in the first place. That is reassuring to banks. Moreover, banks feel easier if a house is enrolled with us, since we are responsible for fixing any structural defects in the first five years after construction. We underwrite those costs by offering a warranty against defects. In effect, we put our heads on the block. That is why we stress so much that building must be done according

Ever since our emergence there has been considerable change within the industry.

National House Building Council (NHBC), an organisation founded in 1936 to raise building standards in Britain in order to protect homeowners. 'A lot of the work we do as the NHBRC we learned from the NHBC,' Mnyani says. 'We took a number of their strategies and modified them to suit our conditions here in South Africa.'

With the formation of the NHBRC, all houses benefitting from Government subsidies around the country were enrolled with the organisation for scrutiny — not just low-cost houses. Quality instantly improved. Constructors knew they were being closely monitored. Complaints from homeowners dwindled. Homeowners had found a champion of their interests.

The NHBRC reached another milestone in 2004 when RDP houses came onto its radar. That year was also significant in that the (then) Minister of Housing, Lindiwe Sisulu, began introducing a new concept of sustainable human settlements that would see all housing developments being integrated. This meant that people from all levels

settlements. It was a new chapter in housing, a new way of thinking. The importance of building durable, quality homes came to the fore and formed a large part of the NHBRC's mandate. The organisation partnered with Government, working closely with every successive national housing Minister to provide homeowners with quality homes they could be proud of. 'Ever since the NHBRC's emergence, there has been considerable change within the industry,' says Mnyani with a glint in his eye.

But how does the NHBRC go about fulfilling its mandate? Firstly, all builders in the country are compelled to register with the organisation. The NHBRC certifies builders who meet regulated industry criteria for technical, construction and financial capabilities. Secondly, to enforce correct building practices, the NHBRC dispatches home inspectors to building sites, long before houses are handed over to expectant homeowners. Currently, the NHBRC has recruited 145 inspectors who have undergone vigorous training. 'We've designed a specific training programme for them which will be ongoing,' says



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to the correct standards, and according to plans approved by the municipality. That is why we are so relentless with our monitoring,' says Mnyani.

But it's not all doom and gloom. Mnyani acknowledges that the NHBRC does work with many good and honest constructors. 'That is why in this financial year we are rolling out a new grading system to reward good work. There will be four grades: A, B, C and D. Homeowners can see the expertise and track record of the builder they are contracting upfront. It will eliminate chancers. If you build a R2-million house, you certainly won't want to go for a builder with no track record of building in that price range, nor would you want someone with a poor ranking,' he says. The grading system will take into account any past wrongdoings levelled against a builder or the number and type of complaints against him or her. The NHBRC hopes that the grading system will jolt builders out of complacency. Every builder will be interested in acquiring and maintaining the best possible grade. For that to happen, quality work must be delivered. So, honest and reliable builders would rise to the top and the unscrupulous ones will be weeded out. Consequently, there will be a greater number of homeowners who are happy with their houses. 'We believe that this grading system is going to revolutionise the sector as a whole,' says Mnyani.

Enrolling one's home with the NHBRC is hassle-free for homeowners. It's advisable that this is done from the start, although the NHBRC accommodates – at a nominal fee – those who come to it with complaints later on. In their eagerness to have a roof over their heads, some homeowners overlook the need for the protection the NHBRC offers, and only come afterwards when there are problems with the builder or the quality of their homes. 'When you enrol with us as a homeowner, you are already saying: "Protect me at

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all costs". And we *will* protect you by making sure that there is compliance by the home builder,' says Mnyani. 'One thing people don't know is that the first three months after taking occupation of your new home are critical. Naturally you'll be excited about moving into your new home, but remember too that you are going to be servicing a bond for 20 years. So you must be completely satisfied. During those first three months, look around your house. Check the door frames, window frames, electric plugs and taps. If any of these small things has faults, note them down on a snag list. Then call the builder and discuss the list. If you don't get any joy from the builder, come to us for remedial action. By law, constructors have to come back to fix any problems spotted within the first three months of a house being completed.' As part of remedial action the NHBRC has the power to fine errant builders or revoke their licence. It all depends on how they handle homeowners' complaints. 'As we celebrate 20 years of democracy, let's make sure that homeowners can also celebrate the assets they have worked so hard for. In the end, they need to know that they're paying for assets that are worth paying for,' says Mnyani.

As the country looks back on the past 20 years of providing decent homes to millions of South Africans and vanquishing the dreadful apartheid legacy of neglect, the NHBRC is proud of the role it has played. 'It has been an interesting journey not only for the NHBRC, but also for everyone involved in the human settlements sector,' acknowledges Mnyani. 'The journey has come with a lot of experience; a lot of challenges. It has been a learning curve. The challenge now is to learn from our mistakes and move forward. We need to

revive the sector and make sure that it becomes one of the best in Africa.'

Mnyani foresees the next few years continuing to be filled with the same determination to solve the housing challenges in the country — both in the subsidy and non-subsidy markets. He sees greater emergence of women builders, a gender gap the NHBRC has begun to close by creating an enterprise development programme targeted at emerging women-owned construction businesses. The idea is to augment the leadership and operational skills of women entrepreneurs. The NHBRC knows that small businesses, whether headed by men or women, are creators of jobs in our country.

In the coming years, quality construction will continue to be the NHBRC's guiding principle. Homeowners can rest assured that the organisation will always be there as a barrier against mediocrity in construction. For that to happen, the NHBRC needs to calibrate how it functions. 'The next five to 10 years will be the major area of investment in terms of our capabilities as the NHBRC. It's going to be critical to develop the skills of our employees, our engineers, our quantity surveyors, architects and our inspectors. We want to see houses that would stand for 25 years and beyond,' says Mnyani.

He acknowledges, though, that external factors over which the NHBRC has no control could come into the picture in the coming years. One such vexing issue is climate change. In the past few years the NHBRC has experimented with alternative building techniques and looked closely at green technologies. The organisation works

closely with the Council for Scientific and Industrial Research in Pretoria in testing alternative, eco-friendly building materials. However, the jury is still out on their possible adoption in the local building industry. This is because any new material introduced must conform to the NHBRC's norms and standards. At the moment there are pilot projects in Gauteng, the Eastern Cape and the Western Cape that the NHBRC is following closely. 'The issue of green technology must not be seen as only affecting houses the Government builds for the poor. It also touches on how wealthier people build their own houses. I have seen outstanding houses built using alternative materials. Going forward, we want to showcase these houses so that we can mix building technologies in South Africa, and not limit ourselves to only building with bricks and mortar,' says Mnyani.

Whatever the outcome of scientific testing of new building materials, one thing is certain: in the coming years the NHBRC will continue to be the last line of defence between home builders and homeowners so they can enjoy their homes as assets and as places to live in peace. ✨





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National Urban Reconstruction and Housing Agency: Putting small contractors on solid ground

The story is all too familiar. An enterprising contractor gets a contract to build Government houses. Lacking finance to get the project off the ground, she goes to the bank to borrow money. Due to a lack of collateral, she is turned down. To the banks the contractor is a risky case. With nowhere else to go, she loses out on an opportunity. It's a dispiriting scenario.

To help small contractors who were needed in the urgent task of building 1,5 million houses in the early phase of our democracy, Government looked around for a solution. The George Soros-backed Open Society Foundation, whose Southern African head at the time was the late Frederick van Zyl Slabbert, recommended that the South African Government start an organisation that could help to fast-track the building of houses by making it easier for constructors to access finance for projects and help them manage construction. In December 1994, the Government and the Open Society Foundation contributed \$5-million each, and the Soros Economic Development Fund injected \$50-million into creating the National Urban Reconstruction and Housing Agency (NURCHA).

NURCHA initiates programmes and takes considered risks to ensure a sustainable flow of finance for the construction of low-income and affordable housing, community facilities and infrastructure. 'We work in partnership with all role-players in these markets to maximise the development of sustainable human settlements,' says Viwe Gqwetha, NURCHA's Managing Director.

The organisation offers certificate lending whereby, on receiving a valid payment certificate, it will bridge-finance the payment certificate until the employer makes an agreed payment towards the certificate. Contractors can apply for bridging finance from NURCHA if a recognised public or private employer has awarded them a valid and viable contract.

NURCHA assesses the needs of the contractor as well as the risk associated with the project, and then structures the loan accordingly. The Agency places a high premium on the viability of projects, and only finances projects which, in NURCHA's assessment, are viable and profitable for the contractor.

The Agency offers bridging finance to contractors in the subsidy and infrastructure markets, and to developers in the affordable and gap housing markets. Gap housing is for households with a joint income of between R3 501 and R15 000 a month, with housing packages for up to R300 000. Affordable housing is stock that is between R350 000 and R500 000, and which caters for the R10 000 to R16 000 income-earners. There are an estimated 2,7-million households in this category. The Affordable Housing Programme has financed more than R4,8-billion worth of projects across the country.

NURCHA can look back on its early years with pride. Gqwetha says when the country first transitioned into democracy, local banks were reluctant to invest in the gap-housing projects or to back up contractors who did not have capital, but who wanted to build Government houses. NURCHA turned

to international investors — but now, 19 years after numerous successful projects, local investors are more willing to invest. 'What was exciting was that after that first generation of funds ... we started to see local banks and fund managers such as Futuregrowth and Cadiz Financial Services Group willing to invest in developmental activities. We also work with institutions such as the Public Investment Corporation. When it comes to the private sector, we develop products that mitigate risk. In our structures we often take a junior lender role, so that if there are losses and risks, we are the first to feel the pinch. The fact that the private sector is warming up to this category of the market shows that we

is there to back them with the required resources. So, NURCHA helps them get a chance to compete in the construction industry.

'If the amount applied for is under R10-million, we're able to finance contractors based on personal suretyship and other controls we put in place. Jointly with the contractor, we control the cash flows between the Departments and the contractor. If the amount is more than R10-million, we require collateral on the part of contractors. The other scenario is that of affordable housing. In this case, developers will have a piece of land or an arrangement to buy a piece of land. They will come to us with a plan to build houses for the bond market or

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are fulfilling our role as a Development Finance Institution. We are a catalyst to normalise the lower end of the housing market, which for so long was regarded as risky,' says Gqwetha.

Most of the contractors who approach NURCHA for funding are those with Government tenders to build houses, but who do not have money to finance the project. NURCHA helps finance salaries and material while the contractor waits for Government payment. That way the small contractor does not have to go out of business due to late payment. Crucially, small contractors get a chance to work on a given project knowing that NURCHA

sectional title units on a piece of land they own; land that has been rezoned and approved for housing. If they come to us and we approve the application for finance, we are able to finance the servicing of that piece of land, roads, electricity and so on. And we will finance the top structure of the housing,' says Gqwetha.

NURCHA staff members monitor the projects to ensure that the loans are used appropriately. The results have been phenomenal. From 1995 to 2013, NURCHA has helped build 247 025 subsidised and 28 175 affordable houses. One of the bigger gap housing market projects is Gem Valley in Mamelodi.



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On completion, the Gem Valley project will have 1 400 bonded stands. The houses are next to major transport hubs and schools. The affordable housing programme has been in operation and is a significant contributor towards Government's Outcome 8 targets. It also acts as a major catalyst for stimulating housing delivery. The loan book has grown by 85% since March 2012; from R94-million to R174-million in March 2013. Developments in Gauteng make up 54% of the approved loans, but the Western Cape (8%), Limpopo (8%), KwaZulu-Natal (12%) and Mpumalanga (14%) are starting to pick up on affordable housing too.

Through the Overseas Private Investment Corporation lending facility for the Subsidy Housing Programme, which lends to small and medium contractors, NURCHA was able to provide bridging finance and successfully complete 247 025 houses, which improved the lives of an estimated 1 235 125 people (assuming a household size of five people) in the last 19 years.

While financing is NURCHA's core mandate, the organisation also assists Provincial Human Settlements Departments with improving and managing programmes. One such initiative is the Eastern Cape Rural Development Programme that seeks to test innovative technological solutions and best practices in the construction of housing units in rural areas. For the project, which will be rolled out in three municipalities, 36 local village builders will be trained to build 500 houses by the end of the contract.

NURCHA has also been involved in the largest single People's Housing Process – R2,1-billion for 25 000 houses over five years at Vulindlela in Msunduzi Municipality, KwaZulu-Natal. Construction started in August 2011. By the end of March 2013, 4 290 slabs were constructed, 3 077 top-structures were built and 2 361 houses

had been completed. After delays, a large construction company has been appointed, and the aim is now to build 500 houses a month.

As a result of NURCHA's involvement with the Free State Department of Human Settlements to help improve performance, the Department has been able to eliminate the employment of ineffective consultants and contractors and to redesign contracts with service providers. The new contract is more robust, and places clear obligations on both the contractor and the Department. This financial year, NURCHA is helping the provincial Department map their projects on a Geographical Information System database that will eventually be linked to a mobile and computerised application. Besides providing real-time data, the application is expected to feature prominently in other operations of the Department, such as beneficiary applications and capturing of claims.

Over the past few years, NURCHA has also been involved in other priority Government projects, such as the sanitation programme to eradicate the bucket toilet system in various human settlements around the country. The Agency has also helped the KwaZulu-Natal Government with payment administration 'on some of their programmes to help speed up payment to contractors,' which enhances service delivery.

After 19 years in the industry, NURCHA is an undisputed expert in financing in the human settlements sector, and has definite views about the type of human settlements the country ought to strive for in the future. In line with the National Development Plan (NDP), the Agency supports the idea of high-density human settlements as opposed to stand-alone units, and feels that developers need to modify their views. 'If the NDP has a vision of dense and efficient cities, then our political leaders need to engage with developers and

champion the idea of settlements and residential developments that are high-density instead of stand-alone houses. There is a lot of opportunity in building upwards instead of creating sprawling human settlements. Those conversations can improve how the public sector collaborates with the private sector to achieve goals outlined in the NDP,' says Gqwetha.

NURCHA also feels strongly that the location of human settlements needs to help improve the quality of life for beneficiaries, meaning that people need to be housed near amenities such as schools and workplaces. 'Look at a teacher or policeman who, for example, lives in Kraalkop, North West. Their housing options are limited to nearby rural areas. If they want a bonded house, they will have to go to the next bigger town. As a result, you find the sprawl of peri-urban areas outside these bigger towns because there is no adequate provision of houses people are looking for. Those are the types of challenges we have to address. We should, for example, be able to deliver houses in Tzaneen, Limpopo, because there are people and professionals staying in Tzaneen.'

Gqwetha is heartened by early indications that the next generation of homeowners are more open to different living options, such as renting and social housing. 'I see a younger population that is urbanised in a true sense of the word, and that provides better ground for diverse housing solutions. We are moving to a generation that needs to accept that you could have a comfortable home in a rented space. You don't necessarily have to have a title deed. If we are starting to have that growing open-mindedness about housing options, then the policy needs to reflect those aspirations. Rental housing, social housing and back yard rental are a reality for many people in our country. These facets of housing must be supported to make them viable housing options and not a source of shame.'

As for the future of human settlements, Gqwetha sees opportunity for innovative construction. 'I see cities that are much more enabling in terms of densification, where you have older suburbs with bigger spaces, creating regulations that allow subdivisions. This will mean that cities continue to densify the built-up area instead of growing on the periphery,' he says. 'I see opportunities for wider acceptability of various products by the population and, therefore, diversification. I see opportunities where we can go back to the old townships and use those opportunities to develop places of work, amenities and decent accommodation. There are young professionals who are keen to go back to Soweto, because that environment is starting to redefine itself. Indeed, people define the places they live in. I see a more racially open society, where a white person can opt to stay in Soweto because it makes economic sense ... a society where it's not about people moving from the township to the suburbs.'

It's a future in which small contractors will continue to get support from NURCHA, as the Agency continues to support Government's mission of providing homes to many more South Africans. ✨

1995

NURCHA is founded to help emerging contractors and residential developers with finance and project management

R4,8 billion

worth of projects financed across the country by NURCHA's Affordable Housing

National Housing Finance Corporation: Making home ownership easier for low-income earners

When the first democratically elected Government began addressing the legacy of apartheid's degrading housing policies, the main focus was on the most vulnerable element of our population — the poorest of the poor. They qualified for a Government-subsidised home. But other South Africans fall within the so-called 'gap market'. They earn too much to qualify for an RDP home, but at the same time are too poor to afford the cheapest new house on the market and don't qualify for a mortgage. The National Housing Finance Corporation (NHFC) is one of several Development Finance Institutions (DFIs) established by the South African Government, under the auspices of the Department of Human Settlements, to help citizens in the gap market improve their housing situation.

Since its inception in 1996, the NHFC has been the major catalyst in making affordable housing available to low-to-middle-income households — those with a monthly income between R3 501 and R15 000. From its initial Government grant, the NHFC has dispersed about R6-billion into the affordable housing space. Since 2009 it has been able to source funding of a further R5,8-billion externally, and has created 430 000 housing opportunities to date. The Institution affords low-to-middle income households a choice of renting, owning or building incrementally.

The NHFC was set up as a wholesale finance intermediary. 'When we were set up, our mandate was to search for new and better ways to mobilise finance for South Africans with low incomes. In partnership with a broad range of

institutions, we had to mobilise funding into the human settlements space on a sustainable basis. This funding had to come from outside of the State, which has limited resources,' says Samson Moraba, CEO of the NHFC. Because of difficulties in finding external funders, the large part of the NHFC's portfolio during the first five years was incremental housing development.

For Moraba, there are several highlights in the institution's history: 'The NHFC opened up a new market that had been underserved. More than that, we also began to pioneer what we call social rental housing today,' he says. People who did not want to build their houses on an incremental basis, but preferred to rent, also needed to be subsidised. The NHFC began working with local authorities and provinces to promote the establishment of social housing institutions. In 1997, through the NHFC, the (then) Ministry of Housing set up an entity called the Social Housing Foundation (SHF). The SHF was meant to help the NHFC capacitate and enable new social housing institutions to receive loans from the NHFC. 'That was the beginning of the social housing sector,' says Moraba.

At the time, the NHFC not only became the sole funder, but also supported the SHF in establishing the social housing sector. People qualifying for support had to earn at least R3 500 a month, which meant that they paid a rental of between R500 and R800. The local authority, city or province contributed subsidies, which were then topped up by the NHFC with loan finance for the development of social housing stock that would be managed by the social housing institution. The NHFC was thus

invaluable in establishing a number of social housing institutions. By 2002, more than 30 institutions had emerged in various provinces. Moraba points out that the NHFC was the only institution providing loan financing for these initiatives, since banks, fearing risk, were hesitant to get involved. However, impressed by the credibility the NHFC had built in the market, one bank started to co-finance with the NHFC from 2002 onwards. Foreign funders, such as the Netherlands, then also began co-financing with the institution.

Moraba proudly highlights that despite the reluctance of the private sector, the institution has contributed

securitisation model through which housing loans were bought and funded. Banks were asked to originate the loans, which would then be bought and securitised by the NHFC as secondary mortgage loans in order to raise money on the capital market. Initially, all major South African banks agreed to come on board. The objective of a two-year pilot project, from 1999 to 2001, was to provide 20 000 housing units. But with interest rates then as high as 25% in the aftermath of the Asian economic crisis and with global banking sector consolidation taking place, the banks withdrew from their initial commitments. That was a huge setback for Gateway, which ended up

The NHFC has been the major catalyst in making affordable housing available to low-to-middle income households.

more than R1,2-billion in the social housing sector. But private funders remain scarce in social housing. Today, Government contributes about 75% of the grant funding, while the NHFC provides between 25% and 35%. The institution continues to recruit outside funders, and has succeeded with the European Investment Bank (EIB) and the French Development Bank (ADF). In 2010, for instance, the NHFC signed an agreement with the ADF worth £20-million.

In 1999 Gateway Home Loans was established as a subsidiary of the NHFC. It intended to ensure the delivery of housing finance on a large scale to the low-income market through a local

not achieving its target of providing 20 000 houses. From that experience, the NHFC learned a key lesson: 'You cannot have secondary mortgage loans unless you have a vibrant primary market. In South Africa, the four big banks dominate 90% of the market. If they don't come in, you don't have scale. They've got the biggest branch networks. They've got deep pockets. If you don't leverage them, you're not going to make it. That's one of the lessons we have learned,' says Moraba.

The NHFC had to come to terms with the banks' unwillingness to cooperate once again in 2002, when the National Presidential Pilot Project on Rental Housing brought the NHFC on board



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to try and convince the banks to 'come to the party'. The NHFC was given a capital grant by Government to leverage private-sector funding. Again, the initiative did not turn out as well as initially envisaged when the banks refused to participate.

The NHFC then formed a company called the Trust for Urban Housing Finance (TUHF) in 2003. TUHF was set up as a private entity with a mandate to deliver affordable rental housing in inner cities, especially in the City of Johannesburg. The NHFC gave equity and provided loan financing. Today, TUHF is a R1,8-billion company. In total, the NHFC has provided the Trust with loan financing of R400-million, while R1,4-billion came from the private sector. Moraba is proud to say that 'in terms of inner-city regeneration, TUHF has delivered up to 18 000 affordable rental units in Gauteng, mainly in Johannesburg (Berea and Hillbrow),

Partnership Fund as well, in some of the developments. For me, that's a significant highlight for the NHFC,' says Moraba.

When the Department of Human Settlements introduced the Breaking New Ground initiative in 2004, the NHFC became one of its foremost champions. As part of the Minister's priority agenda, it established a retail arm called Home Front Finance (HFF). 'Part of that initiative was to ensure that we broadened access to housing and deepened it at the same time,' says Moraba. The NHFC, therefore, undertook a pilot project, the Boitekong Project, and entered into a Public Private Partnership with Impala Platinum Mine in Rustenburg (Implats). The goal was to deliver about 10 000 housing units over a period of 10 years to Impala Platinum employees living in the Rustenburg area. 'In about 18 months we have done about 2000. And even today we still collect

that this model can work,' Moraba says. The project won the 2009 SA Housing Foundation Project Award.

Since its inception, the NHFC has proved its commitment to keep finding innovative solutions to the growing demand for houses in the lower-middle income segment. In 2008, the NHFC partnered with Old Mutual to set up an intermediary called Housing Investment Partners. 'We are pioneering an alternative to mortgage repayment that is not linked to the interest rate, but to a person's salary. Repayment of the loan is based on a percentage of salary rather than the notoriously volatile interest market,' Moraba explains.

The NHFC has also apportioned its funding to the International Housing Solutions Fund, putting in about R300-million, which will leverage equity of about R3-billion in the affordable housing sector and some R10-billion in terms of loans which will be made available in the sector. Moraba is proud to say that this will deliver about 43 000 housing units throughout the country. 'This is a specific venture for the NHFC, and I think it does warrant being spelled out as it is. It will create about 158 000 jobs, deliver 43 000 housing units and benefit about 163 000 recipients ... That's the sort of scale I'm talking about. That is key to NHFC's delivery; the whole issue of scale is very important.'

Moreover, the NHFC has championed a subsidy that allows low-income earners who do not qualify for an RDP house to become first-time homeowners. The Finance Linked Individual Subsidy (FLISP) provides a once-off down payment to households that have secured mortgage finance to acquire a residential property for the first time. This is the so-called 'gap market'. To qualify, households have to earn between R3 501 and R15 000 a month. 'There is great opportunity going forward to bring the banks on board,' says Moraba.

Moraba's journey with the NHFC has given him the opportunity for cross-country comparison during numerous visits to developed and developing countries. 'We have come to the conclusion that housing or human settlements solutions for every country are country-specific. Models cannot be transported wholesale. Yes, you can learn from the experience of others, so you don't make the same mistakes. But the endowments of the country can actually dictate the kinds of solutions that you can bring there.' The NHFC is committed to finding South Africa-specific housing finance solutions.

'Government's pockets aren't getting any bigger,' says Moraba. 'That's why the NHFC catalyses the creation of what we call affordable space, where the money we lend out must be paid back so that we can lend it out again. That's a sustainable model. We are trying to communicate this message to Government. Provision of free housing had its role earlier, but now you may want to see something where people may have something to contribute themselves. It must be a three-way partnership involving Government, the individual and the private sector. It cannot only be the Government putting in money all the time.'

We are pioneering an alternative to mortgage repayment that is not linked to the interest rate, but to a person's salary.

Tshwane and the East Rand. And it has also started to expand as far as Durban and to Port Elizabeth.'

Another success story the NHFC looks back on with pride is the provision of funding to a group called Affordable Housing Company (AFHCO) from 2000 to 2002. Today, AFHCO is worth R1,6-billion and has delivered about 940 affordable rental units in the inner city. 'As far as inner-city regeneration is concerned, NHFC can take the credit for significantly affecting that segment of the market ... from the pioneering stage of entities such as TUHF and AFHCO, for example. In the past two years we have partnered with the Gauteng

those loans,' says Moraba.

But he admits that 'we realised that to go retail, you always need affordable funding to sustain it. The reason why banks can do retail is because they are deposit-takers. They use clients' deposited money to fund even the long-term loans for mortgages. Not being a deposit-taking institution, it was difficult for the NHFC to sustain the project.' Nevertheless, the project proved to the market that an employer-based partnership could work. 'Today, after Marikana, everybody is asking: "Where are the mining houses? Let's put in infrastructure." We have a test case even prior to that ... I think we proved

R6 billion
dispersed into the affordable
housing space sector

2012
launch of the Finance Linked
Individual Subsidy Programme
(FLISP)



Since inception in 1996, the NHFC has been a chief catalyst in making available affordable housing to lower-middle income households in the country.

Rural Housing Loan Fund: Helping rural citizens build their own homes

By coming into being in 1996, the Rural Housing Loan Fund (RHLF) championed a new home loan lending practice. Small loans were given to low-income earners living in rural areas so that they could build their homes incrementally. These are chiefly areas in tribal lands, or at least outside metropolitan areas. The idea was novel, in that collateral was never demanded as a prerequisite for the granting of a loan — a standard practice among banks which has, until now, disadvantaged low-income earners in rural areas. It allowed ordinary people to borrow money as and when they needed it, to extend their homes or incrementally build new houses, fence their homes or make some improvement that would make their lives more comfortable.

The RHLF came at a time when South Africans desperately needed to make the most of their infant democracy. Housing millions of people was one of the key priorities of Government. But access to housing finance was a stumbling-block. Being businesses, banks would not go near low-income earners. It was simply too risky for them. At the time, banks were closing branches in rural areas. ‘The Government started the RHLF with the mandate to facilitate access to housing finance for low-income earners who want to improve their housing conditions in rural areas, which were built incrementally,’ Fakazi says. ‘We were started as a pilot project, since there was no evidence that an incremental housing finance market existed. In that regard, Government showed great foresight.’

Unlike people living in urban areas who can access mortgage bonds if they qualify, those in rural areas face

challenges when it comes to accessing finance,’ Fakazi explains. ‘In rural areas there is no title to land, so a mortgage is not an option. But we’re targeting low-income earners because even if they do have title to a piece of land, their small income will in most instances not help them to access mortgage finance,’ he says.

Borrowers include people who have received a Government-subsidised house and now wish to improve it, or extend it, one room at a time. In most cases, borrowers come back for further loans once they have paid off an earlier one.

To deliver on its mandate, the RHLF works with intermediary companies that lend directly to low-income earners. The RHLF has various categories of interest for intermediaries. ‘These are mainly commercial intermediaries who are registered with the National Credit Regulator, so that they comply with the law. So, when they do credit assessment, it is not because they want to discriminate against anyone, but because they want to comply with the law. They need to make sure that they grant loans to people who qualify and who can afford to repay those loans. The idea is not to saddle people with debt,’ says Fakazi.

Because the RHLF is not a commercial entity, it does not charge intermediaries exorbitant rates to make a profit. The organisation charges just enough to sustain itself. ‘Our mandate requires that we have to find ways of making credit affordable to the market. So what we do in terms of pricing policy is that we have various categories of interest rates we charge our intermediaries.

If an intermediary is willing to give the market credit at a much lower interest rate, then as the RHLF we give a concession to that lender. But this is unsecured lending. If a borrower does not repay, there is no recourse. That’s why it’s so important that when you do credit assessment, you have to be very thorough and prudent.’

But is not wishing to make super-profits contradictory since the RHLF is not flush with resources, and in fact needs even more resources to operate? Fakazi admits that it’s like walking on a tightrope. But, ultimately, they are a Government-linked entity. ‘All development finance institutions face the tensions of having to achieve a mandate, make an impact, and also be

we have received in the context of the huge market we have to service, you can see that there is that big gap. Because in as much as we want to touch each and every household that wants to access a loan, we are restricted by the capital that we have,’ says Fakazi.

Granted, the RHLF has done well to stay afloat financially after being created from an initial R150-million grant from the German Development Bank, called KfW, and the South African Government. The RHLF subsequently borrowed R136-million from KfW in order to respond to market demand for its product. Over the years, more funding was pumped into the RHLF by the South African Government: R99-million, in two tranches of R49,5-

We were started as a pilot project. In that regard, Government showed great foresight.

financially sustainable. We won’t behave like commercial entities who are mainly driven by profit ... we can be financially stable if we are able to get a return on our investments. So in giving out loans we have to get something in return. Otherwise, we will go under. But as long as we carry our mandate to serve the low-end market at all costs, such a tension between our mandate and practical experience will always exist,’ he says.

Indeed, the issue of funds is a constant headache for the RHLF, as it seeks to accommodate the nearly 40% of the South African population who live in rural areas. ‘If you look at the funding

million and R31,75-million between 2009 and 2012. The rest of the revenue to keep the RHLF going comes from the interest it charges intermediaries who deal directly with consumers. The entity’s resources are limited, and it needs more to achieve its mandate. ‘So to have significant impact and scale, up-market penetration means two things: one, we need additional funding, whether from Government or from other sources. But, two, we have to have a loan distribution infrastructure.’

Fakazi admits that serving a low-income market could be tricky, and that it has a bearing on whether loans given out return or not. ‘In an economic



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If an intermediary is willing to give credit at a much lower interest rate to the market, as the RHLF we give a concession to that lender.

1996

The RHLF was started by the National Department of Housing with initial grant funding from German Development Bank (KfW)



415 134

Loans disbursed since RHLF's inception

recession, these are the people who are most likely to be the first in line to be retrenched. That's the major challenge in our business because when lenders take decisions to grant loans, people are working ... and then all of a sudden you have a huge number of people who have lost jobs.' He says a second challenge is the fact that there's no collateral put down. 'When people default it's a challenge because you don't have any recourse. That is the nature of unsecured lending. That's why the interest rate on loans is rather higher than for secured products. It's meant to cover the cost of capital and associated risks. When people default, it harms intermediaries and shrinks our margins as well,' says Fakazi.

Another challenge facing the industry is the phenomenon of leakage of loans that intermediaries give to applicants. 'People would take a loan, and say they've built a house. But when you actually go there, you find that the money was not used for housing. We are a mandate-driven organisation. If we don't stop this practice of people taking loans and not actually building houses, our reason for existence will be called into question.'

To solve the leakage problem, the RHLF encourages its intermediaries to work through building merchants. 'Our experience has shown that intermediaries who use building merchants as loan-distribution partners achieve high impact and high compliance in terms of how funds are used. The RHLF is not averse to visiting end-users of loans – 'to follow our

money' – and to make sure it is used for housing as intended. 'If an intermediary cannot come up with a concrete and credible plan to limit leakage, we are left with no choice but to pull back,' says Fakazi.

Sometimes it's intermediaries who flounder as businesses, as the recent economic recession has shown. When intermediaries cannot pay back the money originally borrowed, the RHLF reserves the right to take their books and to collect money from beneficiaries directly. Obviously the plan is not to have things degenerate to that point, so it is highly important that intermediaries do a thorough credit rating before granting loans.

The RHLF has had many significant achievements. Since its formation about 415 134 loans have been granted, meaning that 406 000 households have better housing than before. 'There is still a huge gap, which is the downside of it, but we've been able to meet or exceed our targets, each year,' Fakazi says.

The organisation is also proud to have created an environment that has seen the emergence of new intermediary companies as players in the home loan industry, particularly those serving the lower end of the market.

The RHLF also makes provision for those who are self- or informally-employed, and who have difficulty accessing loans from commercial intermediaries. 'What we are trying to do now is to identify community-based organisations whose members are mainly informally- and self-employed people. We then work with these organisations to provide a facility to the organisation, and the organisation can then, in turn, lend to its members only,' says Fakazi.

Instead of people waiting for the Government to build them low-cost houses, the RHLF is a welcome alternative for many who wish to get better housing and improve their quality of living. 'We have worked with a number of low-income people who'd actually qualify for RDP houses – some of them will tell you they have been on the waiting list for so long that they can't wait any more. From my experience, people always achieve better-quality houses if they drive the process of building their own houses.'

In the next 20 years, will the RHLF still be around to fulfil its mandate? 'It depends. Remember that in this country there are people who still can't get title deeds. That's the market that we still want to serve. So it depends on what kind of policies come up to change the situation.'

Overall, Fakazi believes the RHLF is a useful model for the future of home provision in South Africa. 'With the National Development Plan calling for an active citizenry, it is important for the RHLF to meet the needs of the people half way, and to enable them to drive their own process of building homes rather than always waiting for Government to deliver houses for them. So, going forward, I think our Government should look at various models that can actually enable people to drive their own improvement of living conditions, with support where it is justifiable.'

With its pioneering spirit and commitment to its mandate of providing much-needed housing finance to rural households, the RHLF is a shining example of the kind of creative solution that could be embarked upon to solve the vexed issue of inadequate housing in rural areas. 🏡



Zanele Mthethwa is one the satisfied beneficiaries of home loan funding made possible by the RHLF. Here she is seen standing in front of her refurbished house at KwaHlomendlini, Mandeni, in KwaZulu-Natal.

Housing Development Agency: Making land available for human settlements

Taffy Adler, CEO of the Housing Development Agency (HDA), has good reason to be proud of the achievements of the entity he heads. Despite operating for only five years, the HDA is now the biggest developer in Cape Town and Port Elizabeth, and has facilitated major land releases, exceeding its target set in the 'Outcome 8' objectives.

The HDA was established as a National Public Development Agency by an Act of Parliament (Act 23 of 2008). Its mandate is to fast-track the acquisition and release of vacant State land in well-located areas for the development of sustainable human settlements. The institution also provides project management services to local authorities where it operates. Through its board, the HDA is accountable to the Minister of Human Settlements. 'The HDA was founded on three premises — land, infrastructure provision and project management services — to support provincial and local authorities,' says Adler. Able to boast more than 30 years' experience of activism and leadership in the labour, communications, urban development and human settlement fields, Adler has been adviser to housing Ministers dating back to the first Minister in the democratic dispensation, Joe Slovo. With his intimate knowledge of the housing sector, Adler is well suited to head an important institution such as the HDA.

One of HDA's first moves after being formed was taking over two mega-housing projects — the N2 Gateway project in Cape Town and Zanemvula in Port Elizabeth — which had previously been the responsibility of Thubelisha Homes, who were

floundering. Both these projects were stuck in a bureaucratic swamp. Under the management of the HDA, these projects, became success stories. They succeeded because the HDA focused on three main things that had been glaringly absent. The Agency first 're-established the governance relationships at national, provincial and local level and managed to set up and administer steering committees that controlled the development in both areas,' says Adler. Secondly, it set up a budgeting programme and, lastly, introduced professional project management.

The HDA was founded on three premises – land, infrastructure provision and project management services – to support provincial and local authorities.

'With those three ingredients we have managed to resuscitate those projects, which are now delivering quite successfully,' he adds.

In 2012, all the hard work the HDA put in the two ambitious human settlements projects paid off when the N2 Gateway Project won the 'Best National Priority Project' at the Govan Mbeki Human Settlements Awards, while Zanemvula was recognised as the 'Best Provincial Priority Project' in the Eastern Cape division of the awards.

Zanemvula will deliver about 13 500 houses. The first phase of the N2 Gateway Project, which comprises six semi-autonomous projects, is almost complete. This initial phase aims to deliver 15 000 houses. By January 2014, 11 183 houses had been handed over to

beneficiaries, most of whom had been living in squalid conditions in informal settlements in Langa, near Cape Town.

The second key focus area for the HDA is land identification and transfer. Here, the agency's major mandate is to initiate the release of land owned by different State Departments, mainly Public Works, Public Enterprises and Rural Development. 'Any local authority will tell you about the long delays in getting land out of these three Departments,' says Adler. With the support of the Department of Human Settlements,

the HDA set up a Joint Coordinating Committee (JCC) on State Land Release which is chaired by the Department, and includes senior representatives of the three other sister Departments. The committee has been successful in drawing up a policy outlining the criteria for identifying land. A procedure for the transfer of State-owned land to the HDA has been finalised with all the three Departments. Ultimately, this will become part of Cabinet policy. Adler emphasises that the HDA's success in advocating for consensus on a land release process would not have been possible without first fostering good working relations with these three Departments.

The HDA has played a leading role in ensuring the implementation of a range of Outcome 8 objectives, the Agency's

main target being the release of 6 250 hectares of land in five-years. 'I think we are the only entity that has achieved its target. In fact, we have exceeded it. We achieved it about two years ago. It's now at about 7 000 hectares; probably more than that. So there has been major success in releasing the land. But we don't think it's fast and seamless enough yet. We are looking forward to a much more consolidated process,' says Adler.

Adler believes it is important to distinguish between land owned by State Departments and land owned by State-owned enterprises (SOEs), such as Transnet, Denel and Eskom. Whereas land release from Departments is not a problem, it becomes more difficult when one comes to State-owned entities because their land has to be purchased in a market-related transaction. That requires funding. For Adler, 'this is counter to making housing available for the poor. And it also doesn't seem to make a huge amount of sense, as what is essentially one Government Department is paying another Government Department.' While Adler understands that SOEs have a balance sheet to consider for their transactions, he thinks that 'there is room for talking about social value. We'd like to see a policy in which fair value substitutes market value for land that is going to be released to the low-income market.' The JCC is currently exploring policy options for the compensation of SOEs for land released for human settlements.

The HDA also supports provincial and local authorities through a range of support mechanisms. 'We started out as a national operation. When we started, we had two members of staff, and now



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The HDA has played a leading role in ensuring the implementation of a range of Outcome 8 objectives, the Agency's main target being the release of 6 250 hectares of land in five-years.

we have 115. We have five offices around the country — in Johannesburg, Cape Town, Polokwane, Port Elizabeth and Bloemfontein — and we are evolving all the time. We are decentralising too, as the work is in the provinces, cities, towns, metros and local authorities,’ Adler says.

The Institution has also begun to indicate development needs in informal settlements, assisting local and provincial authorities with putting planning processes in place. The HDA has recently started working on a sanitation programme that the former Minister of Human Settlements, Connie September made a priority during her tenure. The HDA is responsible for the sanitation programme in the Western Cape, and is part of the drive to eradicate the bucket-toilet system.

Going forward, the HDA wishes to become more involved in assisting local Government with the planning process. ‘We are trying to get people think about a five- to ten-year planning process, which is probably the crucial and first big change that needs to happen. People need to start thinking about what’s happening in our local authorities. This is where people are coming, this is where jobs are, and so this is where we need land. From land to stand, if you like,’ Adler says.

The HDA will, therefore, continue in its role of helping with demographic and land planning. The Agency’s geospatial mapping system has been invaluable in assisting with the planning process. The HDA has developed spatial analysis systems and capabilities: LAPSIS (Land and Property Spatial Information System) and NaHSLI (National Human Settlements Land Index). LAPSIS, which stores all land and landed property data, helps the HDA discover gaps in the land identification and acquisition process. The NaHSLI helps with the

We’d like to see a policy in which fair value substitutes market value for land that is going to be released to the low-income market.

identification of land best suited for human settlements.

While the HDA has delivered on its mandate when it comes to mega-project management, Adler believes the Agency can still do better when it comes to land release. ‘So if we talk about the land issue, we see the HDA establishing itself as a serious acquirer of land on behalf of local and provincial authorities. We may have exceeded our target, but we have yet to come to a satisfactory solution to the issue of well-located land and how to deal with the compensation of State-owned enterprises,’ Adler says. Since these issues involve more than one Department, they will be best dealt with at Cabinet level. Adler hopes that a policy process will be initiated in the current term which will at least foster debate and discussion, moving closer to finding solutions for these prominent issues. ‘That’s really the crucial contribution we can make,’ he says.

Adler is proud to say that the HDA has managed to diversify its income from the initial grant from the national Department to funds coming in from provincial and local Government. ‘If I were to look back on five years, I would say that it’s the end of the beginning. I think we have a successful conclusion to the beginning. We have established ourselves, and we have established a track record. We’ve got good skills, a reputation for competency, skills, delivery on time and within budget,’ Adler says. ‘We have established a platform from where we can move into the post-adolescence phase, if you like, towards a more mature phase.’

Adler stresses that he’d firstly like to see improvement in two particular areas. He strongly advocates that more land is released, and that it is released in the right places, where integrated human settlements are possible. Secondly, he emphasises that the land release process should be part of a broader plan to create human settlements, and should not lie idle for years. He’d like the HDA to help with the provision of bulk services at a municipal level, even though that is not, strictly speaking, part of the Agency’s mandate, but a need that has been identified in practice.

Adler notes that the HDA has achieved unqualified audits every year since inception. He is grateful for the two sets of board members the institution has had thus far: ‘an excellent board; highly experienced, very supportive.’ While he has no complaints from a governance point of view, Adler acknowledges that the need for the institution has been in existence for much longer than the five years it has been in operation. ‘It’s a learning process, and I would have liked to learn a lot quicker. Certainly you need a dedicated land agency; you need it to be much more involved and linked to the land-holding Departments. It’s important to note that, because the Department of Human Settlements is not a land-holding Department. We need to have much closer links.’

But Adler is optimistic. He sees three key areas as the future focus of the HDA: ‘Land assembly, bulk infrastructure division and planning. If we get those right, I think that we will justify the promise that the first five years have shown.’ 🌱



Social Housing Regulatory Authority: Bringing decent city dwellings to more people

One of the lasting legacies of South Africa's past is people, who earn very little, living far away from the towns and cities where they work. As a result, they have to spend most of their meagre earnings on transport, and never get a chance to sample amenities in their urban space. This greatly affects the quality of life of these people and their families, as most of the time has to be spent commuting to and from home. If they insist on being closer to work, they almost inevitably find themselves dwelling in informal settlements on the outskirts of the city, on the margins of socio-economic life.

To help reduce the spread of informal settlements and integrate people more into city life, in 1997 the Department of Human Settlements — then known as the Department of Housing — began exploring the idea of social housing. There was the realisation that, for various reasons, not everyone would own a house; that those wishing to rent needed decent and affordable rental. This necessitated a mind-shift from an individual to a project-based subsidy; and such housing had to be provided by not-for-profit companies. Government would subsidise development of the estate through a grant, and subsidise the rent by setting a limit for rentals. Those who qualified could rent high-quality dwellings without feeling it in their pockets. This is the essence of social housing.

Thus was born the Social Housing Foundation (SHF), for the purpose of investing in the social housing sector. Social housing institutions emerged and helped municipalities and local government to provide decent,

integrated rental accommodation for many people who otherwise would not be able to afford to rent well-located and well-designed dwellings in the centre of economic hubs. Social housing formed part of a larger move to dismantle the apartheid-centred geo-spatial planning that had fostered separation, rather than integration. This human settlements model found greater traction when the Comprehensive Plan for the Development of Sustainable Human Settlements, also known as Breaking New Ground, was launched in 2004. The plan advocated integrating people into cities, bringing them closer to their

**We want people to come closer to the cities,
closer to work, to schools, to all amenities of life and
have a good quality of life like everyone else.**

places of work and other amenities such as transport, schools, hospitals and recreational facilities.

However, the SHF was later dissolved and replaced with the Social Housing Regulatory Authority (SHRA) in August 2010, following the promulgation of the Social Housing Act No 16 of 2008. The SHRA was given a mandate not only to invest in the sector, but to regulate it as well.

One such area of regulation for the SHRA is income and rental. 'We regulate social housing institutions to lease out units to people who can afford them, people who belong to the correct earnings bracket, so that they

are not charged an exorbitant rental that leads to them being crammed into their apartments,' explains acting SHRA CEO Advocate Seeng Ntsaba-Letele. 'Our main targets in social housing are income bands, and we limit the rentals that occupants can pay. We stipulate that the maximum monthly rental a person can pay is 33.3% of their gross earnings. The SHRA has to strike a balance between ensuring that the beneficiaries pay an affordable rental and still making sure that social housing institutions remain financially viable. To achieve this, the SHRA ensures that the split of the units rented is 30:70 — the 30%

representing rental for people earning less than R3 500 and 70% representing rental for people earning between R3 501 and R7 500.

The SHRA cares about people's living conditions for the simple reason that the units beneficiaries occupy are, in effect, private property owned by accredited social housing institutions. However, the SHRA has ring-fenced the asset to ensure that it always serves its intended purpose of housing low- to middle-income earners and never degenerates into squalor due to overcrowding because tenants cannot afford rent.

For the SHRA, these government funded assets must be properly

maintained for many years to come. The dignity and privacy of the tenants must be protected by providing them with a clean, healthy and safe environment.

The accredited social housing institutions receive 60% of their restructuring capital grant from the SHRA. 'The National Housing Finance Corporation (NHFC) adds a small soft loan, and municipalities also contribute,' says Ntsaba-Letele. Because of this financial help, developers do not incur major construction costs, which makes rent in the city affordable. 'We want to restructure the cities by providing low- and middle-income earners with accommodation closer to the cities, closer to work, schools and the amenities of life, and to have a good quality of life like everyone else. They must not spend all their money on transport going to and from townships far away from cities. Cities must not only be spaces for the rich.'

While the SHRA is a Government entity, it is mandated to raise resources for social housing outside of Government. That is why the institution works closely with funders from the Netherlands, such as Dutch International Guarantees for Housing. It's also a chance for the SHRA to learn from a nation that has been in the social housing field for many decades. 'We chose to work with the Dutch because their concept of social housing was one of the best. We also interact with Canada and Australia,' says Ntsaba-Letele.

Despite being around for a short time, the SHRA has had a significant impact on the social housing sector. 'Since 1997, the Social Housing Programme has



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developed approximately 30 000 units, with only 18 000 under regulation. Processes to ensure that all the units developed before the promulgation of the Social Housing Act in 2009 are accounted for are in place. In the period between 2010 and today, we have invested approximately R899-million, which has yielded some 19 616 units, 4 535 of which are completed and tenanted, while 15 081 are still under construction,' says Ntsaba-Letele. At the moment, the SHRA regulates 47 social housing institutions.

In practice, social housing institutions access funding from the SHRA if they are properly accredited, and after municipalities have given them the go-ahead for restructured zones where they can build sustainable human settlements for the upper end of the low-income market.

With Government coffers limited, the idea of social housing is innovative. Government ceases to be the sole provider of rental houses for the disadvantaged. By offering funding to the SHRA, which has a mandate to work with other institutions, including local Government, banks and overseas investors, national Government is able to devote its slender resources to other types of human settlements. By leaning on its regulatory mandate, the SHRA ensures in turn that it invests in the sector by supporting social housing institutions and ensuring that the sector survives. Every quarter, the SHRA reports progress of its work to the Department. 'The Department sets our targets, and we have to report where we are,' says Ntsaba-Letele. 'We also attend meetings with the Department, where we are updated about what is happening through various structures in the human settlements sector. The Department is part of the relationship we have with the Dutch.'

While its operations may be

smooth and its relationship with the Department warm and fruitful, the SHRA nevertheless had teething problems. For starters, not everyone in the social housing sector rushed out to embrace the newly-formed entity. 'After the Social Housing Act was passed in 2008, we asked all social housing institutions and cooperatives that had received funding from Government to come forward, so that, as a regulator, we would know who was out there. Some did, but others didn't. Maybe they don't want to be regulated. But we are busy tracking Government funding that was given out before our existence, so that every social housing institution complies with regulations,' says Ntsaba-Letele.

Another problem is the refusal of tenants to pay rent. 'The challenges in the social housing sector have been about rent boycotts. Even though rent is being offered at such affordable rates,' says Ntsaba-Letele. Rent boycotts happen when buildings are hijacked and the landlord cannot gain access. They also happen when tenants learn that Government has subsidised the units. 'The feeling is: "This is a Government asset, so why should we pay?" They forget that Government has already met them half way to help them get good accommodation. Lastly, boycotts happen through sheer criminality, when criminals force tenants to pay them and not the landlord. This frustrates the whole purpose of social housing. We need to create a culture where people pay for where they stay and for things they get. People can't always expect things for free,' says Ntsaba-Letele.

Despite initial glitches, the SHRA has great plans for its future operations. One of them is working with social housing cooperatives, as the law stipulates. 'We are going to accredit a cooperative for the first time. It has been a bit of a challenge to work with them, because of the very nature of

cooperatives. We have found a way of seeing how they could comply with the Social Housing Act. But they have to comply with everything else required of social housing institutions too,' adds Ntsaba-Letele.

While the SHRA's main mandate is to restructure existing cities by refurbishing old buildings within the cities and building new investments in restructuring zones, Ntsaba-Letele sees a potential for the entity to support social housing institutions that wish to rejuvenate a city like Johannesburg. 'They could identify old and dilapidated buildings owned by the city in places such as Hillbrow, and help revamp them for social housing. Johannesburg is an old city, anyway. We are certainly willing to look into this option,' she says.

The Authority is also willing to revise the current income bands of tenants. Currently, the ceiling is R7 500. The income band and the rental bands have not been revised since the beginning of the social housing programme, and this has contributed to accredited social housing institutions not being financially sustainable, because costs have increased faster than revenues. 'We're looking at increasing the income band to R14 500. We are aware that there could be young graduates out there who earn around R14 500, and are not able to afford good accommodation in cities. That is something the SHRA is considering,' she says, adding that mining towns could also benefit from social housing because 'there are mine workers who earn R15 000 a month and need good accommodation.' The SHRA acknowledges that a decision to revise the income and rental bands cannot be taken unilaterally, without also revising the bands of the Department's other products.

The SHRA remains a lean and mean operation. Its only office is in Johannesburg. When visiting projects

around the country, the SHRA staff use the offices of local municipalities, private sector and housing institutions.

Ntsaba-Letele needs no convincing about the merit of the social housing model to create sustainable human settlements in the country. 'We hope to see social housing rolled out to more cities because even in smaller cities government is expanding and bringing services to the people. More people are getting jobs there, and it would be great to give them decent rental spaces. Social housing must not be confined to big cities such as Johannesburg, Cape Town and Durban. Focusing on smaller cities will also allow us to prevent the mushrooming of informal settlements where people find themselves in cities with work, but no accommodation. Rolling out social housing will create nicer-looking cities.' 

2010
SHRA is formed in terms of
the Social Housing Act,
No. 16 of 2008

2010 – target income band
for rental tenants
R1 500 & R7 500

47
The number of social housing
institutions regulated by SHRA



The SHRA regulates social housing institutions to lease out units to people who can afford them.

Estate Agency Affairs Board: Controlling activities of estate agents to benefit consumers

The Estate Agency Affairs Board (EAAB) fits well within the goals of creating a dynamic and responsible human settlements sector that resolves the housing needs of South Africa at large, as propagated by the Department of Human Settlements. The EAAB's mandate is the regulation of the real estate sector by ensuring that all estate agents, nationally, operating in the real estate sector are registered and in possession of a valid fidelity fund certificate, which is renewable each year. They further have to adhere to the Code of Conduct and Regulations when selling or renting out property, whether for residential or commercial use. They also have to be certificated in accordance with the South African Qualifications Authority NQF qualification requirement.

The EAAB fell under the wing of the Department of Human Settlements mid-2012, having previously operated under the Department of Trade and Industry. So it's a fairly new move, but one that makes enormous sense. 'If you look at human settlements holistically, the EAAB completes the human settlements value chain puzzle,' says Bryan Chaplog, CEO of the EAAB. 'It starts with the Housing Development Agency (HDA) acquiring land to build on. Then comes the National Home Builders Registration Council (NHBRC), which registers builders before any structures are erected. There is also the Social Housing Regulatory Authority (SHRA), which deals with issues of social housing. At the end of this process a house is built and it can either be sold or leased to someone. An estate agent gets involved, and we regulate that estate agent.' Chaplog stresses that regulating the real

estate sector is done for the benefit of the consumer, both buyers and sellers. 'Property ownership should be the pride and joy of everyone in our country. Our Constitution affords everyone the right to own a house. Moreover, property is a valuable inheritance for future generations. Owning a home is an achievement, and provides a sense of accomplishment. Often it's the most expensive transaction you will ever make. Bond repayments take a huge part of a salary. Even if you rent your accommodation, rental often consumes a large chunk of one's financial resources,' says Chaplog. 'So it's important to regulate these transactions to offer consumers peace of mind.'

The EAAB draws its mandate from the Estate Agency Affairs Act 112 of 1976. When estate agents are involved in sale and leasing of property transactions, they earn a commission. The EAAB monitors that consumers get the

in terms of buying property, or assist a seller of a property, or deal with the rental of property, be it for residential or commercial purposes, and then take the liberty of earning a commission without registering with the EAAB,' Chaplog says. 'Registration with the EAAB means that consumers can deal with estate agents secure in the knowledge that the estate agents know what they are doing, that they have been professionally trained and that they are registered and licensed to operate in the property space.'

In the past, to become an estate agent, a person would write what Chaplog calls, a 'monkey-puzzle examination.' They would then undergo an internship with a registered estate agency company, and, two years later, they would be qualified to open up their own business. This picture is changing. The EAAB now instills more rigour in the qualification process. 'We have gone

Chartered Practitioner in Real Estate,' says Chaplog.

As in the past, the qualifying route as a new estate agent is still through a two-year internship. Applicants need to have matric, or an equivalent level of education. 'If you don't have a matric there are foundation courses you can do,' says Chaplog. 'Then you do a 12-month internship, while completing your National Qualifications Framework (NQF) Level 4 for unit standards which we have registered with SAQA. You then go to a training service provider, who will take you through the course, and you write the examination through them. They would offer you a certificate recognised by the EAAB. The intern would then be required to write the Professional Designation Examination. If you pass and have been certificated against the qualifications, you qualify as a Professional Practitioner in Real Estate.'

Those wishing to start their own business move on to NQF Level 5. Chaplog says older estate agents will not be disadvantaged by the new qualification regime. Their rich experience and knowledge of the industry stands to benefit younger estate agents. Older estate agents with a Fidelity Fund Certificate, and who have practised continuously between 15 July 2003 and 15 July 2008, are exempted from writing the Professional Designation Examination (PDE), and only have to acquire the base qualification of either NQF Level 4 or NQF Level 5.

But aren't such new qualification measures a tad too strict in the first

If you look at human settlements holistically, the EAAB completes the human settlements puzzle as it concludes the value chain.

properties they want, without any defects, and that they are not tricked into signing agreements that are legally complicated and costly to get out of. In other words, the EAAB advocates transparency of information given to consumers, and proper conduct on the part of estate agents. By law, all estate agents have to register with the EAAB to obtain a fidelity fund certificate. 'No person should advise a consumer

to the South African Qualifications Authority (SAQA), and have come up with registered designations. In future, an estate agent will be called a Property Practitioner in Real Estate, and this will be printed next to their names on their business cards. That person can still study further, and go onto the next level, where they become a Master Practitioner in Real Estate. If they go to the highest level, they can become a



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place? Chaplog says the rigour is necessary to professionalise the industry and sharpen the skills of practitioners. 'As an estate agent, you give advice to buyers. That advice needs to be informed. Also, you need to be skilled at doing a needs analysis. If someone is in a wheelchair, you need to assess whether the property you are selling will be easy to access and if there are enough exits, otherwise it will be unsafe to inhabit. With some clients, you need to carefully evaluate the investment needs behind buying, the security of the place where they want to buy property, or whether the property will meet the needs of a family of a certain size,' says Chaplog. 'We give a lot of advice, so it's important that estate agents are properly trained to be exceptionally knowledgeable and diligent. They need to be aware that some clients could be money-laundering, a scourge in this industry. There are a lot of intricacies.'

Consumers still have to be vigilant about the contracts they sign. While the EAAB intervenes in disputes brought to its attention, it does not automatically take sides. 'It's not a case of saying you are guilty until proven innocent,' emphasises Chaplog. 'We will still conduct a hearing to examine all the facts and communication between parties. We also examine and scrutinise what the consumer did on their part. If an estate agent does something seriously wrong, we take them to task. They can be fined after a disciplinary hearing chaired by an independent lawyer or advocate.' Luckily, says Chaplog, most estate agents would rather settle grievances quietly than let bad publicity tarnish their reputations.

Under Chaplog's leadership, the EAAB continues to gain the respect of its peers globally. The organisation has been awarded the vice-presidency of District 5, the largest geographical area in the world in terms of real

estate regulators. District 5 represents the entire international real estate regulator community — all jurisdictions excluding the US. Chaplog ascribes the EAAB's stellar record on governance, its auditing standards of good practice and organised infrastructure. The EAAB was also awarded an international award for the best education material — Professional Designation Examination (PDE) 4 in 2010 and PDE 5 in 2013. This is a huge accomplishment for the EAAB as it is benchmarked against other regulators' educational study material.

Chaplog, a Chartered Accountant by profession who ascended to the helm of the EAAB in 2013, believes the EAAB could play a huge role in transforming the sector in the coming years. The idea is to make it more diverse in terms of race and age. It's one of the goals he wishes to accomplish as CEO. 'The average age of an estate agent is 58. It is a profession you retire into. People would take early retirement money, go down to the coast and become estate agents. Or it would be housewives with time on their hands during the day; they often do not need a monthly income, as their husbands are breadwinners, and they can afford to wait many months before getting commission from sales concluded. That explains why the sector is 90% white and 60% female.'

He acknowledges that it would be hard for a young person to start on their own in the estate agency industry, due to a lack of resources. 'One of the shameful things about this sector is that even after 20 years of democracy, it is untransformed to an unacceptable level. It is something we believe the DHS is not pleased about. Neither is the DTI, nor the EAAB. Maybe the transformation interventions we had thought of were not implementable,' says Chaplog.

To effect change, various industry players, including the EAAB, held a summit in 2012 in which they 'debated the ills of the industry'. At the summit 'everyone agreed that transformation of both race and youth was an urgent imperative in the real estate sector.' The industry came up with the 'One Learner - One Estate Agency' Programme, which former Minister of Human Settlements Connie September launched on 24 April 2014. The programme encourages 10 000 estate agencies to take at least one learner on as an intern, to assist them through a mentorship programme and ensure they acquire NQF Level 4 to become a Property Practitioner in Real Estate. Chaplog believes the results will be both radical and instant. 'We will see 10 000 new interns coming into the sector, taking the numbers on transformation from 10% black to between 20% and 25%,' he says.

In terms of entrepreneurship, graduates could be guided towards starting their own businesses. 'The estate agency sector is designed for someone to become their own business owner. From day one, you are responsible for your own commission. You have to sell in order to make money. There is no basic salary. You are responsible for your own pay cheque. You have to be exceptional,' says Chaplog. To make it, graduates can count on help from the top 20 estate agencies who have pledged to be part of the programme. These agencies have undertaken to provide them with initial stock. 'You can't be a one-man show and get market penetration,' says Chaplog. These graduates will not be limited to selling in townships, but could aim for golf estates and other upmarket areas where buyers are increasingly black, and where their presence would be a good image for the real estate industry. 'Overall, transformation is crucial, since 51% of home buyers in South Africa are black, and that dynamic is going to grow,' says Chaplog.

Future plans on Chaplog's radar are to empower the EAAB's own employees by offering them subsidised homes through the Finance Linked Individual Subsidy (FLISP) grants offered by the DHS. Employees who will benefit from the scheme are those earning between R3 500 and R15 000 a month.

Chaplog stresses that South Africans need to take property seriously as an investment, instead of focusing on expensive cars. 'Every South African should own their own house. It's a good investment. It's sad if you have worked for, say, five years, and you don't own a house. It happens. We have to change that mentality. The EAAB wants to play a consumer awareness role. We are starting with young people who have just started their first jobs. My other wish is to see South Africans able to invest in property abroad,' he says.

While the Estate Agency Affairs Act 112 of 1976 is responsible for the EAAB's establishment, Chaplog feels strongly that it's time for this law to be repealed, as it does not respond adequately to current needs. He longs for new legislation that will, among other things, allow for home inspectors within the real estate industry. Such inspections will assess the conditions of private and industrial property at the time of sale. He hopes the current act will be rescinded sometime this year.

In the past decade the EAAB had its share of 'highs and lows', and has found itself under scrutiny, but Chaplog believes the ongoing support and guidance it receives from the DHS and the co-operation of the real estate sector will help it continue to go from strength to strength in the execution of its statutory mandate for the benefit of the real estate sector at large. 🏃



The Estate Agency Affairs Board regulates the conduct of estate agents to ensure that homeowners are protected.