



SECTION

REVISITING HOUSING ALLOCATION



1. Introduction

Government has established several pieces of legislation, policies, guidelines, strategies and frameworks to respond to the challenge of a high and growing housing demand in South Africa. In Gauteng, the GDHS along with accredited municipalities are tasked with ensuring progressive provision of adequate housing in the province, in line with the stipulations of the Constitution. However, as is the case nationally, the housing needs within the province are significant, while the resources to accommodate these needs are limited.

The Gauteng Housing Demand Database and Allocations Policy of 2011 was developed in response to the fact that there has been no effective housing allocation mechanism in the province. Prior to the adoption of the policy there was no uniform allocations standards and procedures to perform this task, and the Department, municipalities, contractors and community-based organisation carried out the housing allocations function in a fragmented manner. The Housing Demand Database and Allocations Policy was therefore developed to fill this gap, and was centred on how best to address the respective needs of beneficiaries and housing challenges in Gauteng.

The development of the demand database and allocation policy was based on the premise that it would be an effective tool for addressing the housing challenges within the province by accurately capturing housing demand and assisting with the process of allocation. As a result, the provincial government would be able to know and understand how many people require housing per region and the types of housing required in terms of the typologies and the manner through which these should be best allocated to promote and maintain the principles of equity and transparency. This has, however, not been the case, and the province is still plagued with issues of corruption and maladministration, and still struggling to understand housing demand.

With the recent move of the GDHS to the National Housing Needs Register (NHNR) it was important that the Gauteng Housing Demand Database and Allocations Policy be reviewed to identify the gaps in the system and with allocation, and to make sure that these are not replicated in the implementation of the NHNR.

This is critically important, since housing access has been a contested terrain for both the government in meeting the housing demand and for potential beneficiaries in accessing opportunities created by the government in an equitable manner. Despite the large-scale delivery of housing units and housing opportunities, the housing challenge is far from over – there is still an estimated backlog of over two million housing units.

The process has been further tainted by allegations of corruption in the allocation of houses by government officials who are accused of manipulating the process and interference by politicians to influence who should qualify and the requirements criteria.

In addition, despite the existence of the Provincial Housing Demand Database and Allocations Policy, there is a lack of clarity and uniform understanding of how housing allocation actually happens. Notwithstanding this, the GDHS has had to implement the NHNR as a new national housing needs identification and analysis tool, as required by the national Department of Human Settlements. The department therefore undertook a review of the Housing Demand Database and Allocations Policy; based on the findings of the study, the new policy on allocations seeks to:

- Ensure that the housing allocation process is implemented across all the housing programmes of the province (including municipalities) in a fair, equitable and transparent manner.
- Ensure that the housing allocation process promotes sustainability and good governance within various communities in the province.
- Promote and foster spatial equity and efficiencies by promoting the right of beneficiaries to make a choice on where to access their housing opportunity.
- Address the disconnect between where people live and work.
- Promote and give effect to the National Allocations Policy.
- Ensure that a uniform and consistent approach is adhered to when allocating houses to intended beneficiaries

2.

Understanding the systems used in Gauteng

2.1 C-FORMS AND WAITING LISTS

C-forms were the first tools used to deal with the application and allocation for subsidy housing opportunities in the province. Applicants were required to fill in application forms to capture their details during the registration process and were given the C-form receipt as proof of registration. The waiting lists which were developed were intended to capture the housing demand in the various regions of the province through a computerized database system. In theory the allocation of housing opportunities to people registered on the waiting list was to be based on a 'first come first serve' basis, thus the (misguided) conception of the 'housing queue.' However, location became an important factor which led to the department to take a project-based approach in allocating housing opportunities to people. The waiting list has received much criticism for failing to accommodate all the programmes and individuals' respective needs

2.2 THE HOUSING DEMAND DATABASE

The Housing Demand Database (HDD) was essentially a re-engineering of the waiting list. It captured people's housing needs in terms of, inter alia, typology and preferred location. The objectives of the HDD were to:

- Obtain relevant and accurate data for housing planning purposes through verification and updating of an applicant's information.
- Formulate a comprehensive allocation framework that accommodates previously disadvantaged groups and special needs categories.
- Help prioritise beneficiaries with special needs.
- Ensure that the housing allocation process is implemented in a fair, standardised and transparent manner.

WHAT WAS THE PROBLEM WITH THE HOUSING DEMAND DATABASE?

The HDD system that Gauteng has been using to capture housing demand and help determine housing needs has not assisted the department to reduce the housing backlog and is considered inaccurate and unreliable. Despite the existence of an allocation policy in the province, there is a lack of clarity and no uniform understanding of how housing allocation actually happens. Notwithstanding this, the department has had to implement the NHNR as required by the National Department of Human Settlements.

2.3 THE HOUSING SUBSIDY SYSTEM

The HSS is a database and information system which provides information on individual beneficiaries and keeps track of all government housing subsidy applications. The HSS links to the National Housing Subsidy Database which keeps record of all subsidy applications approved by provinces and is thus a means of verification against double subsidy for those that have already benefitted from any government housing programme. The HSS also links to other databases which form the basis of assessing whether an applicant qualifies for a housing subsidy. The National Department of Human Settlements is the custodian of the HSS and the provincial department is responsible for managing it.

2.4 THE NATIONAL HOUSING NEEDS REGISTER

The NHNR as a tool for effective planning and budgeting for human settlements. In its overview of the system the NDHS highlighted the following short- and medium- to long-term benefits of the NHNR:

- Providing a single integrated database of potential beneficiaries.
- Captured data verified for accuracy.
- Integration with existing provincial data (depending on quality and usability).
- Comprehensive decision-making capabilities.
- Aligned reports and statistics on housing needs information from all provinces.
- Allocation of housing opportunities in a manner that greatly reduces mal-practice and corruption.
- Municipalities and provinces obtain a better understanding of the country's housing needs and the housing backlog.
- Enabling better planning and budget to ensure the delivery of housing is based on an identified need.
- Understanding the different dynamics and needs of the potential beneficiaries.

SO WHAT IS DIFFERENT ABOUT THE NATIONAL HOUSING NEEDS REGISTER?

The NHNR provides an integrated database of potential beneficiaries. As mentioned earlier in this document it is meant to be a planning tool that helps identify the housing needs of each province and ultimately the country's housing needs as a whole. Although the NHNR seems very similar to the Demand Database in its functions, where the Demand Database seems focussed mainly on prospective low-cost housing beneficiaries who are South African citizens, the NHNR is more extensive in its scope – anyone who has a housing need in the province can register on the NHNR. Thus, whether one is a foreign national requiring rental accommodation, a citizen earning beyond the FLISP threshold looking for bonded housing or a low-income earner qualifying for low-cost housing, one can register one's need for housing within the system.

3. Disparities in administrative systems operations

3.1 STAKEHOLDER PERCEPTIONS AROUND MOVING TO THE NATIONAL HOUSING NEEDS REGISTER

Consultations with system users from the various municipalities in the province indicated that there seems to be no uniform understanding of how the 'new' system operates. There seems to be some gaps that the system users become frustrated with. These front desk system users have to assist and deal with the public on a daily basis and one of the major criticisms they put forward regarding the recently implemented NHNR system is that it is not user friendly and makes it difficult to satisfy the members of the public compared to the now phased out Demand Database system that they were accustomed to maintain. In particular, where they previously could provide a receipt generated from the database as proof of registration, they are unable to produce this with the NHNR system. This is considered problematic because it means that applicants have no proof of registration and if due to unforeseen circumstances there is a system failure and their name no longer appears in the system, they will then have to be re-registered.

The network connection is also an issue which seems to discourage system users. They maintain that connection problems could promptly be resolved through the IT department with the Demand Database but since the NHNR is managed by the national Department of Human Settlements, when the system goes offline a call must be logged to resolve the issue. This could take a whole day which means that customers will not be able to register during that time – a huge inconvenience.

3.2 THE ISSUE OF WORKING IN SILOS

The Beneficiary and Subsidy Administration Unit is divided into the following key sections:

- Customer support, which registers members of the public onto the NHNR, responds to enquiries and provides information and assistance to the public with regards to housing subsidies.
- Grant management, which keeps track of subsidy allocations and monitors performance for reporting purposes.
- The IT department, which ensures that the system is functional and deals with system issues encountered by the above-mentioned units.
- The communications department, which deals with customer and beneficiary education.

It seems as though there is no process link between these units where one unit is informed of operations of the other, contributing to the overall efficiency of the unit.

4. Making (better) sense of housing allocation

HOW IS THE PROCESS SUPPOSED TO WORK?

When houses/opportunities become available:

- The municipality will determine the selection criteria to apply for the specific project region, priority status, etc.
- It will request the province to obtain a list of potential beneficiaries from the National Needs Register who meet the set criteria.
- Once received, the Allocation Committee will verify the list and request the project manager to contact the persons on the list and invite them to apply for housing subsidies.
- The project manager liaises with each applicant in collecting the required documents, and the selection of stands and houses.
- It must be ensured that application documents are not older than six months.
- The applications received are assessed by the Allocation Committee against the list.
- The applications are then submitted to the MEC for approval.

HOW DOES THE PROCESS ACTUALLY WORK?

Interviews undertaken with the municipalities as well as the Gauteng Human Settlements Regions revealed that allocation is not happening according to the prescripts of the Gauteng Housing Demand Database and Allocation Policy. The Allocation Committee that is supposed to be formed according to the Policy does not exist. It is not clear from the policy whose responsibility it is to ensure the Allocation Committee is formed; however, the Customer Relations Management Chief Directorate together with Monitoring and Evaluation Unit are tasked with monitoring compliance to this policy as well as measuring its impact and success.

There seems to be an overriding sense from individuals in the municipalities and regions that implementing the allocation policy will not work because of the nature of some of the housing programmes. An example which is often cited is that of informal settlement upgrading. In terms of in situ upgrading, there is no allocation process or sequence that needs to be followed; the houses are simply built for the beneficiaries on site and handed over to them. With regards to greenfield developments responding to informal settlement upgrading, beneficiaries are not necessarily sourced from the

database but are simply regularised and then linked to a greenfields housing project.

It does appear that in many instances the database is not consulted to source beneficiaries.

It also seems as though various parties get involved in the allocation of housing, from PSCs, CLOs, ward councillors and project managers.

The state's shift towards focusing on informal settlement upgrading has also created some inconsistencies and contradictions in terms of the registration and allocation processes in the Gauteng policy. If a person who is resident in an informal settlement can be regularised and receive a house before an individual who went through the registration process and is still waiting, the significance of registering for housing needs for those in informal settlements and/or bad buildings is undermined. This is a major flaw which contributes to and incites land invasions and illegal occupation.

This approach has also sparked debate on whether a project-based approach to low-cost housing provision is ideal, as it leaves those individuals in need to wait until they can make up a number feasible for a project.

Not getting through: helping clients and prospective beneficiaries to understand the process

A critically important finding of the review is that the GDHS does not seem to be communicating effectively with its customers and prospective beneficiaries.

An application made on the Needs Register is not an application for a subsidy. It is merely a way for the government to determine the number of people who require houses and their specific housing needs. Once a suitable piece of land is found for development in an informal settlement, the local municipality will call a community meeting informing the community that houses will be built. Everyone whose name appears on the Needs Register residing in that area is invited to make a formal application for a subsidy.

Applicants are, however, unaware of important housing information such as the qualification criteria that a person must satisfy to apply

for a subsidy, the required documentation that aspiring applicants must bring to apply for subsidies, and the way the application process works and how allocations are made.

This lack of information results in applicants having unrealistic expectations of the GDHS and they are left dissatisfied when their expectations are not met. When applicants are not well informed they tend to provide incorrect information, and this results in errors in their application forms, which must be sent back for rework at a later stage. This increases the failure demand in the system (the demand created by doing something incorrectly the first time) and it is considered as wasted effort.

It is important that processes should be clearly explained to and understood by the public. People need to understand that registering for a housing need is not an application, and thus they should not assume that they are now waiting for a house.. They also need to understand the subsidy options available to them in terms of their income levels.



5. Ironing out the rough spots – what are the recommendations for going forward?

The NHNR is deemed to be a more credible system in terms of enabling the GDHS and municipalities to better understand the different dynamics and needs of prospective beneficiaries. Although there may still be some system gaps, the broadened scope allows for an improved perspective of housing demand according to the various typologies and income brackets of numerous communities in Gauteng.

There are two dimensions encapsulated in the Gauteng Housing Demand Database and Allocation Policy: the administration systems and the allocation process. The combination of these two dimensions into one policy has resulted in confusion in terms of implementation of the policy, as it becomes difficult to isolate the administrative and system functions from the allocation process. Thus, a problem that may be purely administrative or system-related, or as a result of ineffective implementation of the allocation process is blanketed as 'the policy not working' as a whole, as opposed to identifying specifically the relevant aspect that is not working.

CONSIDER DELINKING ALLOCATION FROM THE DATABASE SYSTEM

In aligning the existing Gauteng Housing Demand Database and Allocation Policy with the newly implemented NHNR it is recommended that the NHNR be separated from allocation so that there are two policy documents; one speaking to allocation and the other to the NHNR. In this way, much confusion will be eliminated and it will be easier to monitor and measure the effectiveness of both elements separately. Thus, it will become clear what is working in either one as well as what needs to be improved.

PHASING OUT OF THE DEMAND DATABASE NEEDS TO HAPPEN

Although the NHNR has been implemented in Gauteng, the Demand Database is still being consulted in dealing with those prospective beneficiaries who had registered before the NHNR came into effect. Eventually this will have to be phased out and the NHNR will be the only database system linked to beneficiary administration.

THE ALLOCATION PROCESS MUST BE UNDERTAKEN AS OUTLINED IN THE POLICY

The Allocation Committee and related task teams need to be established as prescribed by the Gauteng Housing Demand Database and Allocation Policy. Although not specified in the Policy, it seems the most effective means of implementation would be to have one Allocation Committee and one task team per region.

UNITS WITHIN BENEFICIARY AND SUBSIDY ADMINISTRATION MUST WORK TOGETHER, RATHER THAN IN ISOLATION

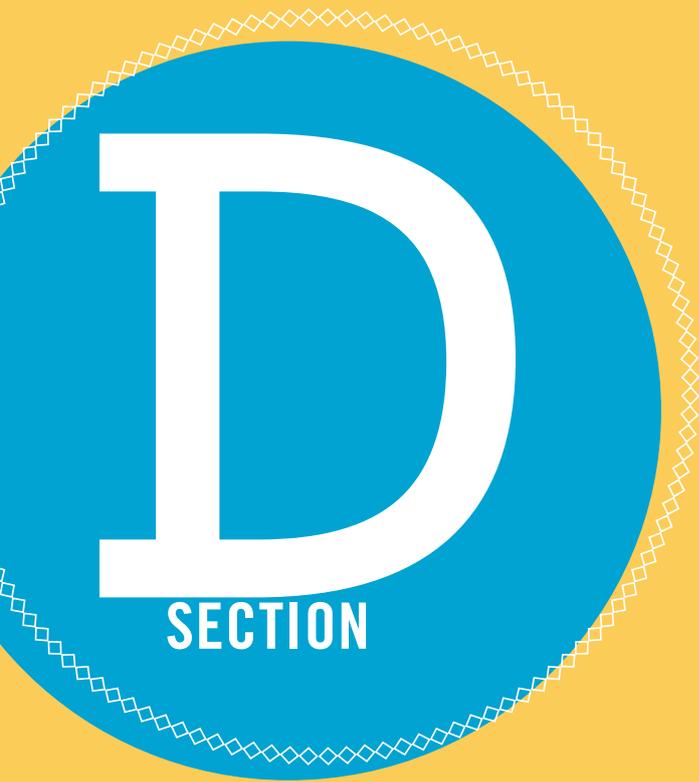
The operations of the various sections within Beneficiary and Subsidy Administration must be linked for improved efficiency. Clarity must be reached around the different roles and responsibilities of the customer support centres, grant and beneficiary management, and beneficiary education.

THE NHNR SHOULD PROVIDE A TREND ANALYSIS EVERY TWO YEARS

The information gathered from the registrations of individuals on the system should be analysed every two years so that stakeholders can be aware of the trends and patterns in terms of where people are locating from various income brackets, and the housing typologies they prefer.

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INCLUSIONARY HOUSING: A COST- BENEFIT ANALYSIS



1. Introduction

The National Development Plan – Vision for 2030 has identified key areas that require redress as part of the process towards transforming human settlements and the national space economy. This builds on a developmental agenda that has noted a need for restructuring and adjustment so that entrenched spatial disparities and inequalities could be reversed. Of critical importance has been the review of state housing policies to enhance and improve the state's ability to meet its Constitutional obligations and to use housing delivery to restructure urban spaces and current development patterns.

The Gauteng provincial government – as custodians of the only defined global city region on the continent – is tasked with implementing a housing delivery initiative that results in improved service delivery while maximising the existing potential of the resources available in the province.

Inclusionary housing refers to a programme, regulation or law that requires or provides incentives to private developers to incorporate affordable or social housing as a part of market-driven developments, either by incorporating affordable housing into the same development, building it elsewhere, or contributing money or land for the production of social or affordable housing.

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The Gauteng City Region has seen high levels of population growth, with an increase of about five million additional residents (as reported by Census 2011) – this further necessitates the need for enhanced service delivery and the promotion of access to adequate housing across the province. Rapid urbanisation and the associated demands placed on the province in the future have intensified the need for an inclusionary housing process that provides a holistic view of housing and service delivery without compromising the existing market economy and associated forces influencing housing demand in the private sector.

Inclusionary housing is an effective mechanism for social cohesion and integration, and for mobilising private sector and state resources to enhance the provision of housing for all. In 2007, the Gauteng province therefore approved an Inclusionary Housing policy, which subsequently led to the development of the Inclusionary Housing Bill.

KEY OBJECTIVES OF THE INCLUSIONARY HOUSING BILL

- Provide integrated residential developments
- Advancement of economic opportunities
- Social and environmental integration
- Reduction in travel times
- Acquisition and release of well-located land
- Mixed-use development/s in well-located strategic areas
- Mobilisation of the private sector to enter downstream market towards affordable housing
- Facilitate a conducive environment to mitigate high unemployment rates.

2.

The cost-benefit analysis project

In 2016, KPMG conducted a cost-benefit analysis of the GDHS Inclusionary Housing Bill of 2012. The research was followed by a series of engagements with public and private sector experts who were directly engaged with the policy, regulation, practice and implementation of housing at all stages. The research investigated the main factors impacting on inclusionary housing as conceived in the 2012 Bill (a status quo analysis), evaluated the ability of the GDHS to implement and enforce the Bill in its then-current form and provided key recommendations on the way forward.

2.1 SWOT ANALYSIS

A SWOT analysis evaluated the 2012 Bill's advantages and disadvantages, as well as the potential opportunities and threats it posed.

TABLE 10: SWOT ANALYSIS OF THE 2012 INCLUSIONARY HOUSING BILL

STRENGTHS	WEAKNESSES	OPPORTUNITIES	THREATS
Inclusionary Housing Policy	Policy and Bill outdated	Stronger policy development	Legally challenged
Inclusionary Housing Bill	No national framework	Holistic approach to inclusionary housing	Jurisdictional conflicts
Province-wide application	Imprecise definition of key terms and concepts	Key benchmark for national policy development	Additional development process to developers/implementing agents
Local government support	No detailed implementation plan	Rigorous testing of key prescripts and assumptions	Too prescriptive and limited incentives provided
National alignment	No positive uptake on the Policy or Bill	Stakeholder engagement to foster sector-wide buy-in and uptake	Deterrent to development and reduce developmental growth
Spatial transformation agenda	Created an additional burden	Develop detailed incentives tools	Depressed property market
Integrated human settlements approach already institutionalised	No spatial dimension	Alignment to key spatial and physical environments	Reduce revenue generation from property rates and taxes
	Prescripts have limited/ no viability	Update to reflect current trends	Failure of multisector alignment, and project co-ordination and sequencing
	Failed to acknowledge the property market and market trends	Detailed implementation plan	Creation of the Inclusionary Housing Fund problematic
	Inadvertent isolation of lower-income constituents	Differentiation in approach between levels of municipalities	Too wide a range of income distribution and affordability
	Limited institutional capacity	Actively engage the private sector in delivering on the GDHS mandate	Market distortion and failure of projects
	Limited scope for rental accommodation	Clear definitions of key prescripts and tenets of Bill	In-lieu payments

No acknowledgment of sectional title and densification	Clear jurisdictional alignment and enforcement
Delivery product administration is not clearly defined	Regulatory Impact Assessment
Increased cost to build and develop	
Delays in access to end-user finance and subsidy finance	

2.2 KEY RESULTS OF THE STATUS QUO ANALYSIS

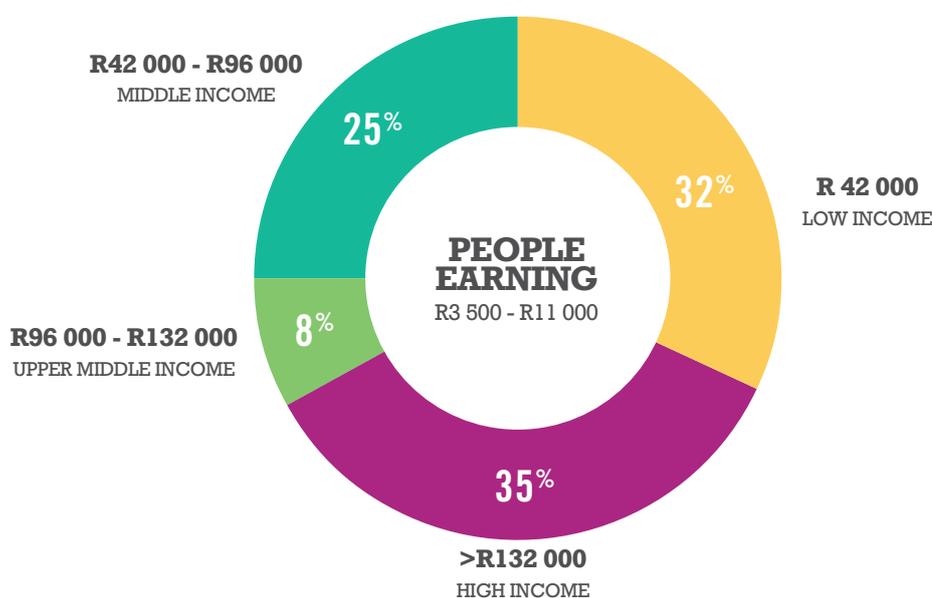
The status quo analysis included legislative and policy, financial and economic, and spatial analyses; its main findings can be outlined as follows:

- The 2012 Inclusionary Housing Bill is out of date
- The Bill is highly prescriptive
- The Bill creates additional bureaucratic processes and structures
- Meaningful and extensive stakeholder engagement was not done
- Key roleplayers in the sector were not consulted
- No regulatory impact assessment was conducted for the Bill
- The Bill was not assessed in terms of its impact on existing housing delivery programmes
- The prescripts of the Bill lean towards the development of a new housing delivery program
- Vertical and horizontal institutional alignment and co-ordination is absent
- The Bill provides no clear spatial direction
- The international benchmarking and case studies show distinct contextual differences with South Africa.

2.3 SHORTCOMINGS OF THE 2012 INCLUSIONARY HOUSING BILL THAT WERE IDENTIFIED

In Gauteng, one third of the population (over 4 million people) fall within the ‘gap’ and are in need of gap housing. One of the stakeholders interviewed mentioned that, *“The need for gap and affordable housing is increasing at 100, 000 units per annum.”* However, there remains limited buy-in for inclusionary housing among developers and financiers despite their growing interest in affordable housing. Furthermore, it was found that in-lieu payments as contemplated in the 2012 Bill would exacerbate the financial burden of development, discourage development in Gauteng and act as a barrier to entry for potential participants. Notwithstanding these findings, increased development costs from whatever cause are likely to be passed on to the end-users, resulting in inflated cost of housing and widening the housing disparities between the higher- and lower-income groups.

FIGURE 8: GAUTENG ANNUAL HOUSEHOLD INCOME DISTRIBUTION (2013)

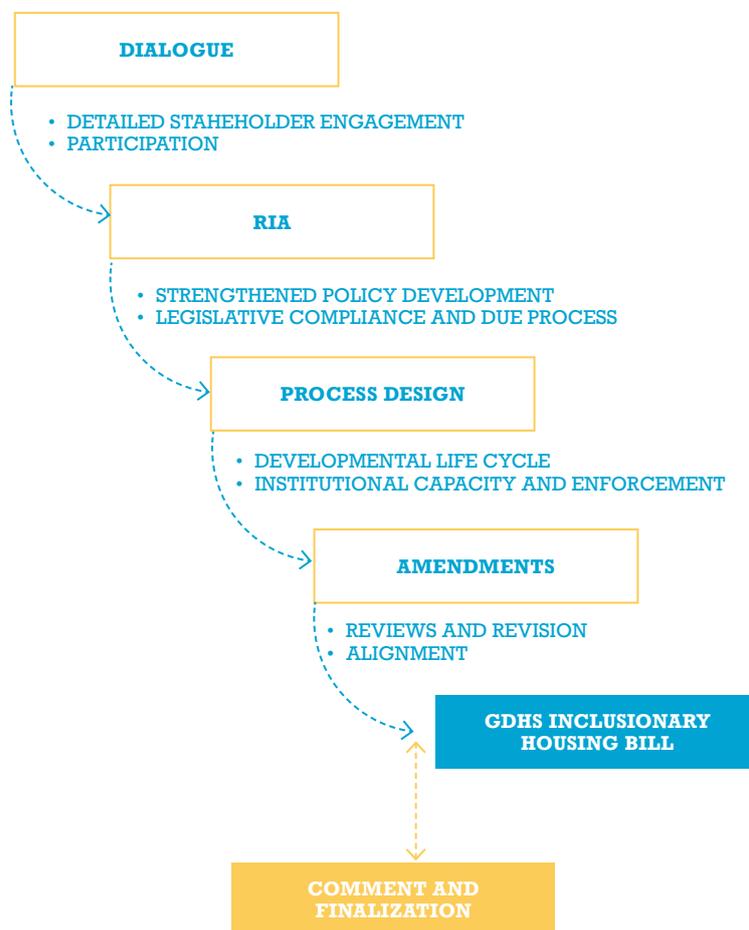


2.42 KEYS RISKS OF IMPLEMENTING THE 2012 BILL

A risk assessment was undertaken and captured as a risk register as part of the project; its key finds were as follows:

- The 2012 Bill is viewed as punitive for developers and may constrain the sector
 - Mandatory compliance will discourage private sector participation
 - In-lieu payments are viewed as a type of ‘stealth tax’ and a penalty for developers
- The Bill assumes active participation of an already constrained private sector and this may negate positive uptake
- Implementation of the Bill will require dedicated fund management, which may be legally challenged; this poses both governance and control challenges for the GDHS
- The constitutionality of the Bill may be challenged in terms of the national housing mandate and access to housing
- The Bill's implementation creates jurisdictional contestation between local government and the province.

FIGURE 9: PROPOSED WAY FORWARD IN TERMS OF DRAFTING AN IMPROVED INCLUSIONARY HOUSING BILL



3. The cost-benefit analysis

Much of the policy debate happening around inclusionary housing focuses on the cost parameters (especially in respect of the determination of the most appropriate subsidisation levels). The current inclusionary housing debate should also focus on sustained and robust economic discussion in terms of the nature and impacts of the proposed government inclusionary housing project.

There is a need to ask questions about the economic benefits of inclusionary housing in Gauteng and South Africa at large. These economic benefits were identified and quantified where possible using the cost-benefit analysis method of economic evaluation.

3.1 APPLICATION OF THE COST-BENEFIT ANALYSIS TO THE 2012 INCLUSIONARY HOUSING BILL

Standard cost-benefit analysis practices to evaluate both the financial and economic viability of implementing the 2012 Inclusionary Housing Bill were applied as follows:

- The cost-benefit analysis approach was used as a logical framework through which policies or development projects in terms of stated financial and economic objectives could be evaluated.
- The financial and economic cost-benefit analysis was applied to

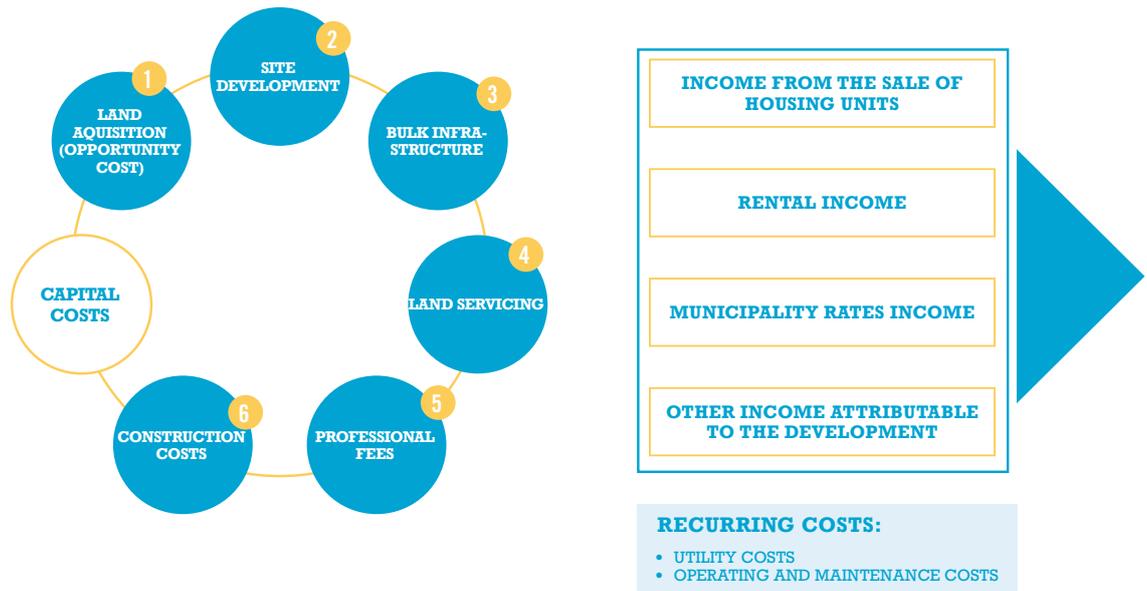
evaluate the viability of implementing the Bill.

- The costs and benefits values were discounted in nominal and real terms over a 20-year period.
- The financial cost-benefit analysis was conducted in current or nominal prices (with the assumption that the South African inflation rate over the long term will not be more than 6%) and a real yield on capital of 6%, giving a discount rate of 12.36% per annum, which reflects the current estimated cost of capital.
- The economic cost-benefit analysis was conducted in constant prices and at a social discount rate of 8% per annum (incorporating broader developmental objectives).

3.2 FINANCIAL COST-BENEFIT ANALYSIS

The purpose of the financial cost-benefit analysis was to get an overview of all the cash flows involved in investing in, maintaining and operating the inclusionary housing project. This analysis does not consider which party incurs the costs. Only those costs and benefits associated with the development and which have market value are included in a financial evaluation in line with Figure 10 below.

FIGURE 10: APPLYING THE FINANCIAL COST-BENEFIT ANALYSIS



3.3 ECONOMIC COST-BENEFIT ANALYSIS

Market prices often do not give a true representation of the scarcity of resources owing to interference in the market price setting such as government tax and artificial adjustment to goods such as fossil fuels prices, electricity tariffs and minimum wage levels. Additionally, the financial cost-benefit analysis does not consider economic benefits that are not valued by the market. Shadow/economic prices were used to reflect the realistic values of scarce economic resources and to take into account the additional social benefits.

ECONOMIC COSTS

In essence, the economic cost-benefit analysis is an extension of the financial cost-benefit analysis and incorporates the economic costs and benefits not accounted for by the financial cost-benefit analysis.

For capital costs and maintenance cost components, the economic cost-benefit analysis uses the same market prices as the financial cost-benefit analysis.

For utility costs, the shadow price of electricity and water were considered to reflect the existing market imperfections in the pricing of these commodities.

To estimate the economic price of electricity and water, the shadow price factor of these commodities was applied to the market prices.

ECONOMIC BENEFITS

The economic cost-benefit analysis includes the financial benefits from the financial cost-benefit analysis, and goes a step further to incorporate the economic benefits of inclusionary housing. The economic benefits of inclusionary housing go beyond the cost savings to residents in terms of lower rents and low prices of buying houses. The potential benefits are very broad, and extend from having access to basic services, which could lead to better school performance, improved health and wellbeing, and increased economic activity. Some of these social benefits are not quantifiable; the research therefore valued only those economic benefits that could be quantified, including:

- **Savings in transport-related costs:** The transport costs relate to costs of travelling to work and school daily. The benefits relate to reduced transport costs to commuters, and to the state where public transport is subsidised. Reduced travel time also results in less pollution and the likelihood of road fatalities. Transport costs were calculated in two ways:
 - *In the first approach*, it was assumed that commuters will travel short distances to work and school and that should result in reduced travel time. Reduced travel time was translated into monetary value by multiplying travel time saved by the value of time per hour.
 - *In the second approach*, it was assumed that commuters would spend less money on transport because of reduced commuting distance. This short distance was translated into monetary value by estimating the actual monetary savings that accrues to households. Although this is a saving to households, it is a loss to the taxi industry. Nevertheless, it was assumed that the taxi industry will find a more efficient use of the taxis.

- **Better employment opportunities:** The location of the inclusionary housing projects near employment opportunities could lead to residents finding better jobs when moving to the area. We assume that better jobs translate to higher income, and productivity. To estimate the benefit of access to better job opportunities, the percentage of people likely to get better jobs if they moved to an inclusive housing project were determined. The percentage of people likely to get better jobs was benchmarked from similar projects conducted in South Africa and globally. This percentage was estimated in consultation with stakeholders and different scenarios were run on this aspect to test different views. Better job opportunities were categorised into skills levels (skilled, semi-skilled and unskilled) and the average income for the different skills levels was used to estimate the overall increase in income resulting from better jobs.

A study conducted by the Social Housing Foundation showed that there was a change in employment rates after residents moved into social rental housing, with more residents having more access to better work. On average, 18.5% of residents who moved into social housing got better jobs, resulting in an increased income level of about 52%.

- **Improved education outcomes:** With this benefit, the researchers attempted attempt to show the link between the inclusionary housing and improved educational outcomes. Research has shown that affordable housing may improve educational outcomes among residents to the extent that it reduces involuntary mobility of low-income households and if it results in better access to education (nearness to schools). To value this benefit, it was assumed that low-income households that move into inclusionary housing projects have access to schools. The benefits of inclusionary housing on education were considered in terms of the impacts of the 2012 Bill on the dropout rate and earning potential. It was assumed that a lower dropout rate translates into more years of education, getting a higher qualification, a better job and a higher income, which, ultimately contributes to breaking poverty circles. Both the distance to school and the mode of transport can influence the dropout rate. There is some evidence to suggest that children that walk to school (if within walking distance) are less likely to dropout as opposed to those that use buses and taxis
- **Improved health:** Research suggests that access to affordable housing has an impact on the health outcomes of occupants by reducing exposure to environmental toxins and other hazards and by freeing up financial resources to pay for health care services or purchase more nutritious food. It was assumed that the 2012 Bill could lead to improvement in health conditions through improved access to healthcare facilities and shorter distances to healthcare facilities. The benefits of improved health outcomes were calculated in two ways:
 - *The first health benefit* is the general improvement in health leading to reduced sick days. This benefit was measured by

the number of minutes it takes to get to a public health care. It was assumed that nearness to health facilities should lead to improved consultation and additional visits to hospitals. In return, this should lead to improved overall health and less sick days, which we translate to productive days. However, this would be a benefit to the extent that people are in formal employment.

- *The second health benefit* relates to improved health outcomes leading to longer life, and ultimately a higher economic value of life. This benefit was measured using the economic life of a person, which was estimated using the average income of a low-income earner and the additional number of years of life attributed to improved health, discounted to present value terms.
- **Crime reduction:** It was assumed that there is likely to be less crime in areas where social cohesion is strong, where there are extra safety measures in place and where there is a high-density structure. Less crime results in reduced costs of crime, which translate to benefits of the IHB. For this study, we limit crime to house robberies. The reduction in the cost of crime is dependent on the degree of social cohesion, extra safety measures and density structure. It is not possible to quantify social cohesion. It was therefore assumed that the extra safety measures in place would influence crime levels. It was further assumed that low crime levels result in reduced costs of crime to both the victim and the state.
- **The impact on adjacent area property values:** Although there are conflicting views on the issue of the impact of affordable housing to adjacent area property values, there is increasing evidence that affordable housing units are not a threat to adjacent property values and are instead a net plus. This is because compact development can help build stronger, healthier communities. Research has shown that when negative effects exist, the magnitude of the effect of affordable housing on property values is relatively small when compared with other factors that influence property values. Research also points out that if the design and management of the affordable housing are poor and affordable housing is not compatible with the host neighbourhood, it leads to a decline in the property values of adjacent areas. In order to arrive at the change in values owing to the inclusionary housing project, the change in property values attributable to the project was separated from any national changes in property values. The South African Reserve Bank bulletin construction index was used to assess the normal change in property value over time. A number of factors that relate to affordable housing that could potentially have an impact on adjacent property values have been taken into account. These include such issues as the design of affordable housing units, compatibility with neighbouring properties and neighbourhood composition.

4.

Key results of the cost-benefit analysis

- The quantitative analysis indicated an array of benefits that cannot be quantified
- Measuring the quantitative benefits can only be done on a project-by-project basis
- Inclusionary housing as a concept is best suited to specific income ranges
- State funding will be required to support the implementation and will thereby distort the market
- State funding will have to be extended to other line departments (such as education) to ensure affordable access
- The 2012 Inclusionary Housing Bill creates additional costs to development which will be passed onto the end-user
- The state's return on investment is considerably de-valued against increased costs to provide housing in exclusive developments
- There is a duplication of effort and costs with existing housing delivery programmes
- There is a need for additional human resources and management within the GDHS
- The costs far outweigh the benefits in terms of implementation and delivery.

5.

Key findings of the research

The key findings of this research have a significant bearing on the issue of affordability of inclusionary housing.

- The real affordability envelope is small (around R3,071 per month for individuals earning a gross income of R12,500 per month) given taxes (income tax and municipal rates).
- The 2012 Inclusionary Housing Bill overlaps with existing government affordability support tools for providing low-cost and affordable housing. However, there are evident gaps in rental support for the same target market. This may be seen as an opportunity for using the contemplated inclusionary housing legislation to fulfil this evident need in Gauteng.
- Initial calculations based on shared assumptions indicate that implementing the 2012 Bill (in its current form) in prime locations will be expensive. It is estimated that government may pay up to R32 billion over 10 years to address approximately 10% of the 2015 Gauteng provincial government housing backlog.
- Implementation scenarios developed for areas selected by the GDHS indicate that implementing the 2012 Bill in exclusive residential developments may not be feasible. Fleurhof, Clayville, Waterfall Estate and Steyn City scenarios were evaluated using available prices to arrive at this finding.

6. The way forward

The research concluded that the way forward for the 2012 Inclusionary Housing Bill is to acknowledge two realities of housing in Gauteng and view the process of reviewing, amending and/or updating the Bill as an opportunity.

REALITY

1

Gauteng has a growing ‘gap market’ of youthful urban constituents earning between R3,500 and R12,500 per month, who are low skilled and poorly located. This means there is a large and growing constituency that remains unserved or underserved in terms of access to adequate, well-located housing opportunities.

REALITY

2

There is an underserved rental market across Gauteng. This growing youthful constituency of housing beneficiaries is currently active in the informal and unregulated rental market across the province.

Despite the above realities that should be acknowledged, the 2012 Inclusionary Housing Bill remains an opportunity and can be made to have an impact similar to that of the Reconstruction and Development Programme (RDP) 20 years ago. To do this, the following are required:

- A stronger policy development process to improve the quality, accuracy and effectiveness of the 2012 Bill.
- A holistic approach to inclusionary housing so as to complement contemporary policy developments and address procedural, governance and spatial transformation gaps.
- Rigorous and collaborative testing of key policy prescripts and assumptions, probably in close consultation with private sector players who are willing, but hesitant, to take part.
- Stakeholder engagement to foster sector-wide buy-in and uptake.
- Development of detailed and responsive incentive and implementation tools – incentivising the required outputs is a critical complement for a voluntary approach to participation.
- Differentiation in the approach between levels of municipalities must feature, as municipalities are at different levels of maturing to lead, inform, participate and/or implement any part of the inclusionary housing policy as contemplated for the province.
- Clear jurisdictional alignment and enforcement will ensure that the policy and legislation are a success.

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