Stellenbosch 2017 Housing Strategy

A Final proposal to

The Stellenbosch Municipality

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EXECUTIVE SUMMARY

The Stellenbosch 2017 Housing Strategy aligns quantities of housing delivery in specified locations with the national and provincial policies and principles of sustainable development.

The Stellenbosch 2017 Housing Strategy includes a graphic imagining of the structures and the layout of these structures as envisaged in the locations and also a costing of the implementation of the strategy overall as well as in its delivery mechanism components.

The following are the main findings, conclusions and recommendations of this proposed strategy:

- **Findings:**
  
  - The Stellenbosch municipal area is a dispersed urban structure embedded within a set of natural systems that provide key eco-services
  
  - The housing shortage manifests itself through 6,210 informal structures as well as at least 9,000 households living in overcrowded formal units
  
  - In addition there appears to be an (undetermined) shortage of formal housing in rural areas for farm workers who together with farmers appear to perceive themselves as a housing class (interest group) with a distinct identity
  
  - Compact, integrated and sustainable neighbourhoods appear to be the best way to handle the global challenge of sustainability
  
  - The meaning of “sustainable neighbourhoods” referred to above is the same meaning accorded by the Western Cape Sustainable Human Settlement Strategy; the Stellenbosch housing strategy is therefore closely aligned with the objectives and principles of national and provincial housing policies

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1 Gleaned from two consultative workshops (cf. Hendler, 2008c)
Therefore the objectives of the Stellenbosch housing strategy are to:

- Enable housing provision in terms of the constitution
- Enable housing provision through broad partnerships
- Promote socially mixed integrated and sustainable neighbourhoods
- Ensure sustainable use of scarce natural resources and ecosystem services
- Locate sustainable neighbourhoods in relation to development corridors and nodes
- Preserve the sense of place that distinguishes the Greater Stellenbosch region

The principles according to which the housing should be delivered are:

- To promote a single, integrated housing market
- To facilitate access for the poor to work and life opportunities
- To maintain appropriate, functional norms and standards that meet sustainability criteria
- To mobilise additional resources for housing and development

To achieve sustainable neighbourhoods that achieve the goals and principles referred to above, requires an overarching configuration of the space within which housing will be delivered

- Such a framework with development nodes and corridors has already started emerging through planning work done for and by the Stellenbosch municipality
- The Stellenbosch housing strategy therefore aligns its spatial-location-of-housing proposals with this emerging framework

Conclusions

- Stellenbosch should nearly double in size by 2017 through establishing 20 546 new housing units
• These units should be dispersed across sustainable nodes and in circumscribed hamlets and projects

• The following mechanisms can be used to achieve the policy objectives and give effect to the policy principles referred to:
  - Incremental formal housing
  - RDP housing
  - Social housing
  - Communal/transitional housing
  - Formalised home ownership
  - Private rental
  - Employer housing (especially farmworker housing)

• The following sustainability interventions should be linked to the delivery of the housing:
  - Energy supply and demand management
  - Water supply and demand management
  - Waste recycling
  - Greening
  - Public transport
  - Local economic development
  - Capability building for sustainable living

• **Recommendations**
  - The draft strategy has a set of proposals that cover the following areas of interventions and action items:
    - Municipal policy interventions
    - Institutional interventions
    - Funding interventions
    - Legal and bye-law interventions
    - Capacity interventions
A structured implementation programme showing numbers per project on annualised basis

Indicators for measuring performance
1. APPROACH

1.1 Introduction

The Stellenbosch Municipal Area (SMA) comprises Stellenbosch as the major urban centre, connected to a dispersed set of human and agricultural settlements of varying sizes and levels of infrastructural development. This dispersed urban structure is, in turn, embedded with a set of natural systems that provide key eco-system services (including water supplies, air quality, soils, absorption of liquid and solid wastes, biodiversity and all the associated benefits from pollination to tourism promotion).

There are currently 33 138 households in the SMA, of which 6210 are housed informally (in structures made largely from corrugated iron and wood) and it is estimated that the remaining 26 928 households are living in 17 928 formal structures. The informal structures are located in backyards and in Langrug (Franschhoek) and Watergang (Kayamandi, Onderpapegaaiberg) stand alone settlements. At the same time middle and high income housing prices are extraordinarily high due to an under-supply of housing units in these sections of the housing market.

Based on extensive research and stakeholder consultations, this strategy proposes that Stellenbosch nearly double in size by 2017 by establishing 20 546 new housing units within well designed sustainable neighbourhoods. Some of these sustainable neighbourhoods will strengthen and expand existing nodes, while others will be new ‘greenfields’ developments that will alter the urban structure of the SMA. Of the 20 546 units, 9 791 will be targeted at people who qualify for some kind of state subsidy, while the remainder will be delivered via the open market as employee housing, so-called ‘gap housing’, middle class and upper income housing. However,

This includes structures categorised as “traditional” and “other” from source documents
The Supply and Constraints Analysis report estimated some 9 000 mainly “coloured” households are staying in formal housing with at least one other household. This could be an under-estimate if one takes into account similar overcrowding in farm employee housing, a point which emerged strongly from consultative workshops with a selected group of farmers and farm employees
A significant proportion of the remaining 10 755 units will also qualify for government subsidies as “social housing” units; the exact mix of subsidised and non-subsidised social and
what distinguishes the past from the scenario envisaged in this strategy is that these housing types will be established within integrated sustainable neighbourhoods rather than spatially segregated enclaves.

The reason why the future of the SMA is envisaged as a set of compact and integrated sustainable neighbourhoods is that it is recognised that these kinds of more autonomous settlements may be the best way to handle the global challenge of sustainability that is affecting the nature of urban planning and development across the globe. As the world hits ‘peak oil’ production, oil prices are set to escalate to the point where dependence on the private motor car will no longer be viable and the importation of vital resources and food will also no longer be affordable. Global warming will undermine water supplies and food production in the Western Cape, and the costs of energy are set to more than double within a few years due to both investments in additional generation and global penalties on CO2 emissions. A human settlement plan for the future of Stellenbosch must assume that revenues from long-distance tourism and export-oriented agriculture will decline and alternative livelihoods will need to be found.

It is for these reasons that the future livelihood security and well-being of the citizens of Stellenbosch are best catered for in settlements that are less dependent on external resource inputs to ensure that everyone has employment and access to services. They need to be places where people can walk to work, purchase food from local farmers, enjoy safe open spaces, access affordable public transportation and safe cycle/pedestrian pathways, bring up children in integrated communities where rich and poor are equally accepted in schools and community facilities, and where they can use renewable energy and recycled water resources.

Given that sustainable neighbourhoods are such a central focus of the Stellenbosch human settlement strategy, it is necessary to define up front what exactly a sustainable neighbourhood is all about. The Western Cape Sustainable Human Settlement Strategy (WCSHSS) defines a sustainable neighbourhood as place that is shaped by seven distinct “senses”, namely:

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rental units will depend on actual demand by specific income categories for housing in specific projects
• **Sense of justice:**
  – meeting fundamental human needs (subsistence, protection, affection, understanding, participation, idleness, creativity, identity and freedom) with appropriate satisfiers
  – rights-based democratic governance and participation

• **Sense of place:**
  – health, well-being and soulfulness
  – safe places within integrated communities (with special reference to children and women)

• **Sense of history:**
  – valuing cultural diversity, sense of community, participatory culture, healing and memory

• **Sense of limits:**
  – transition to renewable energy alternatives and energy efficiency
  – zero waste via re-use of waste outputs as productive inputs
  – connectivity via sustainable transport, with a major focus on public transport
  – home building, sustainable construction materials and building methods
  – sustainable water use and re-use of treated sewerage

• **Sense of craft:**
  – growing the local economy, greater equity and fair trade
  – local and sustainable food supplies, markets, & agricultural value chains (especially organic food)
  – human skills, knowledge development and continuous learning

• **Sense of nature:**
  – reverence for life, enhancing biodiversity and the preservation of natural habitats
  – working with rather than against eco-systems

• **Sense of viability**

Nineteen hamlets/projects (including existing conurbations that make up the SMA) have been identified as the strategic focus of the Stellenbosch human settlement.
strategy. These are derived from emerging spatial thinking within the Municipality. They are as follows:

1. Inner Stellenbosch town
2. Kayamandi
3. Cloetesville
4. Idas Valley
5. Lynedoch
6. Vlottenburg
7. Droe Dyke
8. Spier Mixed Income project
9. Koelenhof
10. Klapmuts
11. Raithby
12. Mooiberge Crossroads
13. Jamestown
14. Paradyskloof Mixed Income project
15. Dwars River Complex (Pniel, Johannesdal, Kylemore, Languedoc and Boschendal)
16. Outside Franschhoek (between road and rail)
17. Franschhoek
18. La Motte
19. Rhodes Fruit Farms Crossroads

In addition, there needs to be a separate allocation aimed specifically at the housing of farm employees under the category Employee Housing.

Each of the 19 hamlets/projects\(^5\) will need to be more thoroughly planned in partnership with the local stakeholders. Each one is different, with unique conditions within each locality. However, the different housing institutions and financial

\(^5\) A 20\(^{th}\) hamlet would be Elsenburg/De Novo, in respect of which extensive development proposals have been formulated (cf. Dennis Moss Partnership Inc, 2004) and in respect of which there is a proposed spatial development framework (cf. Dennis Moss Partnership Inc, 2001a) and rezoning application (cf. Dennis Moss Partnership Inc, 2001b)
mechanisms that will be discussed in greater detail in this report will be operationalised within these localities to give effect to each local planning framework.

The approach to housing in Stellenbosch is premised on:

- International urbanization good practices
- National Housing Policy including the Breaking New Ground Strategy
- Key tenets of the Western Cape provincial housing strategy

For the first time in history, more than half the human population, 3.3 billion people, will be living in urban areas by 2007. By 2030, the urban population is expected to swell to almost five billion\(^6\).

The United Nations noted that in Africa and Asia the urban population will double between 2000 and 2030: That is, the accumulated urban growth of these two regions during the whole span of history will be duplicated in a single generation. By 2030, the towns and cities of the developing world will make up 81 per cent of urban humanity.

This obvious growth certainly will strain existing resources, but it can also be positive. The current concentration of poverty, slum growth and social disruption in cities does paint a threatening picture: Yet no country in the industrial age has ever achieved significant economic growth without urbanization. Cities concentrate poverty, but they also represent the best hope of escaping it\(^7\).

### 1.2 Breaking New Ground (BNG)

Nationally the BNG approach builds on the housing policy outlined in the 1994 White Paper on Housing, and adds to the basic original goal of delivering affordable housing the imperative of ensuring that settlements are sustainable and habitable.

The priorities of the BNG plan are to:

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\(^6\) UNFPA, 2007.
\(^7\) UNFPA, 2007.
- Accelerate delivery of housing within the context of sustainable human settlements
- Provide housing within coherent human settlements
- Provide quality housing to turn homes into assets
- Create a single, efficient formal housing market
- Overcome apartheid spatial planning thereby restructuring and integrating human settlements

Government thus far is trying to achieve the above objectives through the following strategic interventions:

**Improving the national housing subsidy scheme**

A capital subsidy scheme gives full title and a free home to poor South Africans. There is also an institutional subsidy that enables medium to high-density rental units that are managed by both private and public associations. The capital subsidy also applies to rural areas.

A credit-linked subsidy promotes access to mortgage finance, thereby accelerating housing delivery and promoting the development of a single functioning housing market.

The Restructuring Grant is provided for social housing in designated inner city areas, in addition to the institutional subsidy, in recognition of the potential of achieving urban efficiency and renewal by constructing subsidised rental housing.

The community rental units (CRU) subsidy was established to fund the cost of upgrading existing public buildings (or constructing new buildings on public land). Targeted at beneficiaries earning less than R3 000 per month, it is exclusively for rental tenure on public properties, the management of which can be outsourced.

More recently other types of subsidies and or incentives are being considered such as for inclusionary housing and back yard rentals.

**Improving partnerships with the private sector and other housing stakeholders**

The policy has been made more flexible, for example with respect to streamlining the payment of project subsidies, in order to ensure that developers and contractors are
able to run profitable businesses. In addition there is support for a number of non-governmental organisations (NGOs) operating in the field, for example the Utshani Fund, which disburses housing subsidies, targeted at the upgrading of informal settlements.

**Improving the capacity to deliver and administer and regulate housing delivery**

The government has taken steps to unblock delivery bottlenecks, project manage BNG projects, and prioritise implementation of capacity-building initiatives in the provinces to administer national housing programmes. Additional funding has been allocated to support the accreditation of selected metropolitan municipalities in the medium term, in consultation with the relevant provinces.

In summary, BNG has opened up the housing process to being driven by the initiative of specific deals between financiers of housing (mortgage lenders, micro-lenders, the housing subsidy and the Restructuring Grant), developers, contractors, communities, community-based organisations, municipalities and provincial government housing departments. It is this flexibility to facilitate deal making within a framework of sustainable human settlement principles that characterises the new contribution of BNG to the national housing policy.

**1.3 Western Cape Sustainable Human Settlement Strategy (WCSHSS)**

The WCSHSS gives practical effect to BNG as breaking from the “one-size-fits-all” mind-set by accepting the need for an incrementalist approach via a range of interventions (in situ upgrades, high density rental, social housing in mixed developments, backyards, greenfields, etc) across a multiplicity of location types. The WCSHSS approach is to densify urban areas and make them more ecologically sustainable. The ultimate goal is that all citizens and residents live in vibrant, safe, efficient and sustainable human settlements that are able to grow and absorb everyone who chooses to live in the Western Cape, in particular poor households who do not have access to housing opportunities.

The purpose of the WCSHSS is to ensure that those human settlement interventions aimed at achieving the goal will indeed create an environment that
allows the citizens and residents of the Western Cape to constructively engage with the state in order to access a wide range of services, facilities and benefits that can satisfy their fundamental human needs without degrading the eco-systems they depend on. To achieve the above goal, the WCSHSS addresses the following objectives:

**Objective 1:** Citizens of the Western Cape who live in a variety of different situations are aware of - and can easily access - a wide range of housing services and instruments that can assist them to participate in the development of a sustainable human settlement of their choice.

**Objective 2:** Through the Integrated Governmental Relations (IGR) framework, all intergovernmental policies, plans and budgets that are related to human settlement development are aligned horizontally and vertically.

**Objective 3:** Sustained municipal capacity building for delivery, including accreditation over time of those municipalities that have developed the capacity to carry out their housing mandate effectively and efficiently.

**Objective 4:** A functioning property market across both economies and an enabling environment for agents and institutions who want to design and implement sustainable human settlements in accordance with the WCSHSS approach.

**Objective 5:** The institutional arrangements and capabilities of the Department of Local Government and Housing and (where necessary) those of other provincial departments involved in implementation are built to effectively design and implement the new WCSHSS.

**Objective 6:** State land and other resources are used for spatial restructuring, with direct and indirect benefits for the poor.

**Objective 7:** A new pact is consolidated between Government and organised civil society to build up over time the trust, reciprocity and development practices required to imagine, design and implement vibrant sustainable neighbourhoods.
**Objective 8:** The Western Cape’s towns and cities become global leaders in sustainable resource use by making sure that all new buildings, infrastructure and open spaces are planned in accordance with ecological design principles, and that owners of existing buildings (in particular public sector owners) respond to incentives to retrofit their buildings in accordance with these principles.

### 1.4 Aligning the Stellenbosch housing strategy

The above policy approach provides an excellent framework work upon which the Stellenbosch Sustainable Housing Strategy can be crafted. It is essential that the Stellenbosch strategy be integrated and meets the needs of all stakeholders; to achieve this the following questions must be addressed:

- Where must the new sustainable neighbourhoods be developed? This refers to the actual locales and sites of intervention, with respect to preferences and aspirations.

- How will the strategy be implemented? This refers to the institutional arrangements and capacities required to implement the strategy.

- How will the strategy be funded? This refers to the financial arrangements that will be required to fund the strategy in respect of affordability.

- What are the sustainability principles that will guide the design, planning and implementation of the sustainable neighbourhoods, particularly in relation to workplaces?
2. KEY STRATEGIC OBJECTIVES OF, AND GUIDING PRINCIPLES FOR, HOUSING DELIVERY

2.1 Key strategic objectives

- **Strategic objective 1: The constitutional imperative**

  South Africa has a constitutional imperative that obliges government to ensure that all its citizens are provided with shelter and housing in accordance with the Bill of Rights. Stellenbosch Municipality therefore strives to enable the provision of 20 000 appropriate housing units for its current and future community up to 2017.

- **Strategic objective 2: Partnerships**

  Stellenbosch municipality strives to foster the broadest range of partnerships with the private and non-profit sectors in the provision of housing by designing new programmes and structuring incentives to attract the involvement of businesses and communities in the funding and implementation of its integrated human settlement strategy. This will include fostering and supporting community finance initiatives that localise the flows of finance, maximise savings, extend access to affordable credit and build community solidarity. Participation requires time and resources, and allowance should be made for these. Full participation from job creation, sweat equity and skills development must be built into execution plans emanating from this strategy.

- **Strategic objective 3: Integration**

  Stellenbosch municipality strives to proactively promote the establishment of socially mixed integrated sustainable neighbourhoods that deal with poverty alleviation and economic decline and which foster vibrant property markets that work to the benefit of all. This necessitates a holistic understanding of development needs, and making sufficient resources available to provide a wide range of social and economic programmes, together with the delivery of housing, infrastructure and facilities, in order to address these needs in a sustainable and
integrated way, and enable equitable access regardless of ethnic identity and/or income category.

- **Strategic objective 4: Sustainable living**

Stellenbosch municipality strives to design and build sustainable neighbourhoods that provide an affordable quality of life for all in ways that ensure sustainable use of scarce natural resources and eco-system services, including energy efficient design, renewable energy, productive re-use of all sewage, highly efficient use of water, recycling of solid waste, sustainable building materials, high densities, open green spaces (in particular for children), access to public transport (including restrictions on private vehicles) and local food production. To meet this objective it is important to establish and adopt a strong policy position within the Stellenbosch council so that its citizens can effectively participate and use natural resources in an efficient and responsible manner.

- **Strategic objective 5: Development corridors and nodes**

Stellenbosch municipality strives to select and establish a set of development corridors and nodes for locating new sustainable neighbourhoods that stimulate the creation of opportunities for economic growth, employment, access to basic facilities, amenities (such as schools and clinics), green spaces and play areas for children.

- **Strategic objective 6: Preserving a sense of place**

Stellenbosch municipality strives to ensure that development is done in a way that preserves the unique beauty of the greater Stellenbosch area which is characterised by a series of compact towns with their own architectural styles set within a particular agricultural and natural environment.
2.2. Guiding principles for housing delivery

The strategic objectives referred to above should be pursued in accordance with the following principles so that the values underlying BNG and the WCSHSS policies are realised:

- **Single housing market approach (a la BNG)**

  Traditionally in South Africa the housing market was differentiated in two categories viz. low income or affordable housing and the normal housing market. In 2005 key financial sector stakeholders through the Banking Charter process, saw the above differentiation as counter productive if housing delivery was to be normalized under a single economy. This strategy is therefore guided by the principle of approaching housing as a single, integrated component within the economy.

- **Pro-poor**

  The Government of South Africa under the new political dispensation has adopted a pro-poor stance and housing specifically is seen as creating a platform for wealth creation and assisting the poor break out of the cycle of poverty. The principle here is to enable the poor to utilise access to housing to facilitate their entry into jobs, and participating in the economy as employees, consumers and entrepreneurs.

- **Locale is important for housing projects.**

  Good location will ensure the provision of a range of facilities and opportunities – including access to public transport (especially rail) together with housing provision. The principle here is to ensure that location of housing projects provides optimal access for residents of housing estates to work, live and play opportunities.
Quality urban environments

Safe and usable public spaces can be created within the constraints of the housing subsidy scheme, provided that attention is paid to design issues and that the real needs of communities are addressed. The principle here is that appropriate, functional norms and standards that meet sustainability criteria, should be applied in Stellenbosch municipal housing projects. The principle here is that each project is designed in accordance with sustainable resource use design criteria.

Additional resources for housing and urban development need to be mobilized from all sources

This strategy aims to gear private investment through minimum public sector funding in relation to housing. The principle is that there should be a relatively high gearing ratio to ensure maximum private sector participation.
3. HOUSING DELIVERY MECHANISMS

The Situational Analysis and Supply and Constraints Reports compiled for this project were instrumental in aligning the demand forecast with the following delivery mechanisms that have been selected to match the uniqueness of Stellenbosch. The application of these mechanisms is complementary and it is imperative that they are implemented concurrently to achieve the target set.

3.1 Incremental formal housing

There are many poor people in the Stellenbosch municipal area who have constructed their own informal dwellings. These are typically referred to negatively as shacks, and the response of the authorities elsewhere in South Africa (e.g. in respect of the N2 gateway project) has often been to engage in shack clearance. However a different, incrementalist approach to informal structures should be adopted in terms of which the poor currently settled illegally have invested in housing and this housing represents a locator that can be built on. Through incremental building what starts off as an informal structure can be turned into an acceptable formal house over time. A critical starting point is the provision of proper infrastructure: notwithstanding the legal and regularization process required in-situ upgrading is possible through public financed and procured infrastructure. Then individual households can be assisted with credit, building materials and technical assistance, to improve and formalise their structures. The municipality would play a key-facilitating role to enable the provision of these services to the residents. During the process some of the existing home owners might move to other housing projects that better suited their needs, e.g. green fields, social housing, etc. Over time with ownership, neighbourhood improvement will result in the houses becoming tradable assets. This will be the point at which a functioning housing market will have been established in what were previously regarded as “shack settlements”. Incrementalism is part and parcel of the BNG approach to housing policy.

In implementing incremental formal housing care should be taken to establish the rules of engagement by the dwellers of informal settlements in the formalisation process. The risk is that such projects could attract more informal settlers and result
in urban sprawl rather than the goal of contained, densified sustainable hamlets. In this regard the coherence of existing community structures will be a key factor in stabilising existing informal settlements through a process of incremental formal housing.\(^8\)

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\(^8\) This point was emphasised during a consultative workshop with the Federation of the Urban Poor (FEDUP), a stakeholder and representative grouping that assists in shack upgrading and helps communities in informal settlements to organise themselves.
3.2 RDP housing

The Stellenbosch Housing Plan (2003 – 2008) specified 6 083 low cost units to be delivered by the Winelands District and Stellenbosch Municipalities – by 2008 only 2 209 units had been completed and there were 823 serviced stands on which structures were still being erected. As this programme is still operating and will continue until completion of the outstanding units, it should be incorporated as a delivery mechanism within the sustainable settlement delivery strategy. Through the investment of public funds from the Municipal Infrastructure Grant (MIG) and other programmes of the Treasury\(^9\) infrastructure could be installed, and through the current capital subsidy programme a defined number of units can be developed and must be integrated with existing settlements and council owned land. These RDP units can be laid out in denser formats, e.g. as cluster housing, to minimise sprawl and enable more effective use of available land.

RDP units are not popular with many of the beneficiaries at whom they are targeted. The reason is that they are small, shell houses that offer very little if any privacy to individuals and are seen as inadequate for human beings to live in.\(^{10}\) Therefore, in addition to the cluster layout referred to above, attention will have to be paid to how the design of these structures can be modified appropriately.

3.3 Social housing

Government policy facilitated the emergence of social housing as a delivery mechanism that enables a choice for alternative forms of tenure in addition to outright ownership – like rental, rent-to-buy, co-operative housing and instalment sale. Government provides subsidies to accredited social housing institutions (SHIs) that also raise loans to purchase and refurbish existing buildings, or to start new

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\(^9\) From 2009 the Treasury will provide municipalities with funding from the central fuel fund specifically for investing in infrastructure, the amounts of which will be in proportion to fuel sales in areas of municipal jurisdiction; in addition, for municipalities that have a demonstrable pro-poor infrastructure strategy, the Treasury will also provide additional funding, matched Rand for Rand with the proportionate funding from the fuel fund (Hendler, 2008a).

\(^{10}\) This point of view emerged strongly during the consultative workshops with FEDUP and the farmers and farm workers.
developments. These institutional subsidies are available for medium to high density social housing units. The SHI’s task is to effectively manage the properties to ensure decent and affordable housing for the sector of the population earning between R2 000 and R7 500 per month. Both public and private institutions (including non-profit companies) can manage and maintain such stock. Since 1994 a social housing sector has emerged in the South African housing market, and to date manages approximately 75 000 accommodation units. The most popular form of tenure is rental. In addition to this the Community Rental Units (CRU) subsidy\textsuperscript{11}, which provides more value per square meter than the conventional institutional housing subsidy, could facilitate the accommodation of people exiting from the communal/transitional housing programme (see 4.4 below).

### 3.4 Communal/transitional housing

Communal and transitional housing is a form of social housing targeted at households earning less than R2 000 per month, including the unemployed. “Communal” refers to the fact that the cooking and cleaning (ablution) facilities are all shared within a single building or project, and “transitional” refers to the fact that accommodation is only provided for a limited period (say one year) after which an individual or household is expected to assume responsibility for seeking their own accommodation on the housing market, either through private market or social housing delivery mechanisms. Communal/transitional housing has been implemented in larger cities where transformed inner city buildings have provided accommodation for the poor or destitute. A particular housing institution in the Johannesburg inner city\textsuperscript{12} has developed a unique service that includes occupational training and/or counselling, assisting residents to find employment and monitoring their employment history to facilitate sustainable income generation.

Communal/transitional housing should address the needs of the approximately 12 500 Stellenbosch households estimated to fall within the definition of “indigent”.

\textsuperscript{11} CRU subsidies provide the best value of public funding per square meter of residential property. The conditions for this subsidy are: (1) the property is state-owned and may not be alienated; (2) the occupants earn less than R3 000 per month; and, (3) the tenure is rental in perpetuity. Property management can be outsourced to a SHI (SHF, 2006; Hendler, 2008b).

\textsuperscript{12} Madulumoho Housing, which together with MES Aksie, a faith-based social service group, provides a package of services including occupational training job placing and monitoring.
given that it is a holistic approach to re-integrating the unemployed, semi-employed and homeless into society.

3.5 Formalised home ownership (mortgaged property)

This is the established delivery mechanism for private, outright ownership. Commercial banks can fund this effectively, and private developers manage the process of acquiring and servicing the land, constructing the houses and transferring of title to new owners. What is required here from the Stellenbosch municipality is rapid land release through either in-fill sites and/or green fields under an incentive scheme.

The municipality and the university should make their land available at an affordable price to enable entry to the ownership market for those currently excluded through high prices. In some instances this might necessitate the land being made available at no charge or price.

3.6 Private rental market

Private high, medium and low-density units can be brought onto the market for rental under normal market conditions. As indicated by the Situational Analysis most residents of Stellenbosch town are tenants. The providers of this accommodation are private landowners who rent their units to tenants. In many cases in existing townships these landlords live on the same properties and rent out structures in their backyards. What is required here is a flexible application of municipal by-laws so that health and safety can be ensured without negatively impacting on the affordable private rental market through increasing the costs of compliance.

3.7 Employer housing

Larger employers in Stellenbosch provide staff accommodation under conditions that suit both employer and employee. Agri-villages could be one form of employee housing on farms, where farm workers own their housing off their employers’ properties in specially developed areas that are conveniently located in relation to their places of work. Another option is the upgrading of accommodation on farms and
the inclusion of employee housing in the remuneration package. A unique development within the municipal area has seen employees on one farm not only getting decent, affordable rental accommodation but also securing a profit share in part of the farm business.

These delivery mechanisms are depicted graphically on the following page.

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13 A consultation with farmers revealed that they have no interest in further developing employee housing on their farms as this places a burden on their core business through diminishing the land available for agriculture and also through creating pressure on them to provide housing for their retired employees.
4. SPATIAL CONFIGURATION OF THE HOUSING DELIVERY STRATEGY

The spatial location of the housing to be delivered in the Stellenbosch municipal area is according to the emerging spatial development framework, as drawn by the planner commissioned by the Stellenbosch Municipality. The following graphic expresses the basic principles of spatial design for the Stellenbosch municipality:

- Promotion of a system of large and small interdependent settlements fulfilling specific functions, each with inherent opportunity
- Growth of settlements linked to regional movement systems (through tapping available energy along "external" linkages to the regional economy) (hence focus on Klapmuts & Koelenhof)
- Maintaining the links between each settlement and surrounding agriculture/nature areas
- Ensure “choice” in each settlement (different housing types, a range of facilities, urban agriculture)
- Establish limits to growth for each settlement (“urban edges within edges”)

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14 Martin Kruger and Associates, Urban Architectural Design;
The above conceptual diagram translates into the following spatial map of residential and non-residential development spaces in the Stellenbosch municipal area.\textsuperscript{15}

\textsuperscript{15} Martin Kruger and Associates, 2008. The above version of the spatial map is missing the pink-shaded areas from the legend to the diagram, which refer to the location of the hamlets in the strategy.
Accordingly, section seven of this strategy document will interpellate the various housing delivery mechanisms referred to, according to the above map.

The most significant outcome of the spatial framework described above, for this housing strategy, is that it generates 19 hamlets or development projects (20, if one includes De Novco/Elsenburg). The 19 hamlets/projects are contained within several development nodes and corridors listed by the planners commissioned by Stellenbosch municipality, together with the function identified and the developmental approach proposed for each node below:

<table>
<thead>
<tr>
<th>Place</th>
<th>Function</th>
<th>Approach</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stellenbosch</td>
<td>Educational, cultural and services centre</td>
<td>Containment, protection of historic core, pedestrianism and selected infill</td>
</tr>
<tr>
<td>Franschhoek</td>
<td>Farming, tourism, services, emerging IT cluster</td>
<td>Containment, protection of historic core and selected infill</td>
</tr>
<tr>
<td>Klapmuts (Klapmuts, Koelenhof, Muldersvlei, Elsenburg)</td>
<td>Metropolitan and local centre</td>
<td>New centre development, mixed use</td>
</tr>
<tr>
<td>Lynedoch Corridor (Droë Dyke, Vlottenberg, Spier, Lynedoch)</td>
<td>Cultural corridor</td>
<td>Contained settlements, surrounded by agriculture</td>
</tr>
<tr>
<td>Stellenbosch/Somerset West Corridor (Jamestown, Mooi Berge, Raithby)</td>
<td>High tech/business “front”</td>
<td>Contained settlements, surrounded by agriculture</td>
</tr>
<tr>
<td>Dwarsrivier Complex (Pniel, Johannesdal, Kylemore, Lanquedoc)</td>
<td>Rationalising! fixing towns Boschendal intersection/Rhodes</td>
<td>Selected infill and rationalisation</td>
</tr>
</tbody>
</table>

Each of these nodes will require a strategic development framework to guide specific development decisions. As already mentioned, a negotiated local development framework is required for each intervention node. Each negotiated local development framework should contain the following main headings:

- Physical context (boundaries, land uses, urban development pattern, natural systems, etc)
- Development potential (i.e. why is there developmental potential in that node and possible range of interventions)
- Public land availability
- Strengths and weaknesses statement with respect to major infrastructure services, i.e. energy, water, sanitation, solid waste, roads, stormwater drainage, etc, including estimated costings for upgrade to support proposed development potential
- Social context (profile of key stakeholders, stakeholder engagement processes, forums, support required)
- Proposed development strategy
5. ENABLING RESOURCES AND INSTITUTIONAL ARRANGEMENTS

The Stellenbosch municipality has a critical role to play in making the appropriate interventions to shape the overall housing market in a dynamic pro-poor fashion while still enhancing the value-add at other levels of residential property. To make effective intervention possible will require specific capacities, either from within the municipality or out-sourced from the private sector but under effective municipal management. A precondition for the effective management of the calls for proposals, packaging, adjudication and monitoring of projects is the effective integrated management of the implementation of the sustainable housing strategy.

The following five municipal interventions will be crucial in enabling a successful implementation of the strategy:

5.1 Municipal policy interventions

The following municipal policies need to be adopted to facilitate this strategy:

- Adoption of the Housing Chapter in the Integrated Development Plan
- Promotion of sustainable resource use policy
- The broader use of subsidies to leverage private sector investment
- An incentive scheme to encourage employer based housing, with particular emphasis on rural housing in relation to farm employees
- Graduated private developer scheme that creates stock for low, middle and high incomes

5.2 Institutional interventions

To implement the Stellenbosch housing strategy, two decision-making structures should be created:
• A special committee (reporting directly to the mayor/Myco) \(^\text{16}\) which identifies key development approval criteria and is able to unblock any obstacles during implementation, within the council and with external stakeholders. The primary purpose of this special committee will be to ensure that negotiated local development frameworks are formulated for each of the nodes of intervention. This body ideally should report to the mayor, and comprise members made up by the relevant councillor for housing, technical experts drawn from municipal departments and the university, as well as other appropriate advisors. A principal function of this special committee will be to set the criteria for development in each municipal jurisdiction, as well as specific criteria applying to special conditions in particular projects. These criteria should be aligned with the vision, objectives and principles of the housing strategy as adopted by the Stellenbosch Council and implemented buy the municipality.

• A programme management office (PMO) that is in charge of programme development and project implementation. This office will set the overall execution programme and monitor delivery implementation. At the project level this office will procure projects, assess their bankability and technical feasibility and give the necessary approvals. Approvals will be on the basis of the overall strategic framework and any special condition/criteria set by the committee referred to above.

• The special committee and the PMO should not in any way subvert the normal line functions involved in the approval process. In particular, the existing planning-related decision-making processes remain in place. All that the special committee and the PMO achieve is ensure that there is in place a strategic management capacity at the political and official levels that can speed up the decision-making processes. The vast and ambitious programme in this strategy will not work without putting in place additional strategic management capacity to handle additional tasks and responsibilities.

\(^\text{16}\) Recently the City of Cape Town established a section 80 committee, effectively a mayoral sub-committee, to address the city’s energy vulnerability. A similar vehicle could be established for Stellenbosch with the required mandate and authority.
5.3 Funding interventions

The Municipality will need to attract the following role players to projects:

- Institutional Investors (e.g. Sanlam or Old Mutual)
- Banks
- International donor and aid organizations
- Development finance institutions
- Local industry players
- Municipal guarantee instruments
- Packaged and prioritised infrastructure financing from organisations like the National Treasury, the Development Bank of Southern Africa (DBSA) and the municipal infrastructure grant (MIG)
- National subsidy funds specifically targeted at housing

5.4 Legal and bye-law interventions

The following legislative impediments need to be addressed on a project-by-project basis to ensure implementability:

- Application of VAT
- Alienation of land and establishment of new legal entities under the Public Finance and Municipal Finance Management Acts
- Revision of municipal by-laws to regulate alternative technologies, planning and design norms for sustainable resource utilization\(^{17}\)
- Revision of land use plans and rezoning

5.5. Capacity interventions

\(^{17}\) Examples of by-laws and building standards would be in respect of the following: solar water panels, solar voltaic panels, energy efficient building design standards, feed-in tariffs (as incentivisation of renewable energy generation), use of water-wise appliances and on-site waste sorting and waste disposal/management. A precondition for these regulations would a concerted and ongoing communication and public awareness campaign regarding the effects of energy depletion and climate change, and the mitigation of these effects.
Three options are available to the municipality with respect to creating the PMO and promoting investment:

a) Out source the functions to the private sector
b) Create in house capacity
c) Establish a municipal entity, e.g. a Stellenbosch development agency, that can act as implementing agent
6. PARAMETERS FOR SUSTAINABLE RESOURCE MANAGEMENT

A detailed explanation of some of the critical sustainability interventions in the provision of housing according to Stellenbosch’s housing strategy, follows below:

6.1. Energy supply and demand management

The average South African middle class household draws about 700 KWh per month of electricity from the national grid. In the light of the current electricity supply crisis, as well as the need to reduce carbon footprint, it is proposed that this be reduced to 350 KWh per month, also because this will enable low income households – which on average only consume about 250 KWh per month – to increase their consumption to 350 KWh per month. The trade-off in energy consumption between richer and poorer households is consistent with a pro-poor approach, on which this housing strategy is based, and also enables a limit on the contribution of electricity usage by residential estates to the carbon footprint of the municipal area.

The balance of residential electricity demand will have to be met from renewable resources, primarily solar energy and to a lesser extent wind-generated power: to achieve this will require municipal regulations requiring retrofitting of existing housing, and installation to new housing, of solar water and solar voltaic panels. This should be implemented, in respect of existing housing, first in middle and upper income areas with a target of 50 per cent savings on usage of electricity from the grid. For new housing these installations will be compulsory, regardless of income of the household; in addition, revised building standards regulations will require energy efficient design (i.e. north orientation, roof overhands, correct window sizes and locations, ceilings, roof insulation, ventilation flows) and building materials (i.e. low cement building materials, a wide range of materials and systems, including adobe, sand bags, recycled bricks, crushed rubble made into SABS bricks [Cape Brick], strawbale, wood, plus various other options), as well as geo-thermal heating and cooling systems for those who can afford (adds about R20 000 to the house).
A major campaign to retrofit existing buildings so that they become more energy efficient will also be required. The ten largest consumers will be targeted as priorities. Given that there will be restrictions on the amount of supply available to new developments, it follows that savings by large users such as the university and the municipality will create opportunities for approval by ESKOM of new housing developments.

**6.2. Water supply and demand management**

A gradual drying up of the water resources that have traditionally fed the Stellenbosch area is predicted as a consequence of climate change. While maintaining the free basic provision of water to households, the municipality will have to increase the cost progressively of greater quantums of water consumed per household, in order to prompt greater savings as well as usage of water-wise appliances. For example, rainwater harvesting could be prompted by a municipal ban on the usage of municipal-supplied water for irrigation and swimming pools. There will have to be capacity to undertake the monitoring of usage and the policing of the regulations.

To facilitate the saving of water the municipality could make compulsory the flushing of sewage into neighbourhood treatment systems which then provide a grey water supply for flushing toilets and irrigation. This regulation would be enabled through building regulations that require this system of flushing to be built into the design of the housing and neighbourhood structures.

**6.3. Waste recycling**

Given that the Stellenbosch landfills and sewerage treatment plants are rapidly approaching capacity and the cost of upgrading conventional waste disposal and treatment solutions, waste will have to be recycled at both household and neighbourhood levels.

To enable the safe treatment of waste at neighbourhood level the municipality will have to intervene through installing appropriate infrastructure and then enforcing on
site household and neighbourhood waste treatment systems through municipal regulation supported by awareness raising programmes.

Appropriate infrastructure for sewage treatment would be biogas digesters coupled to secondary and even tertiary treatment systems built at neighbourhood level to capture the biogas as an energy source. The recycling of sewage in this manner also presents an opportunity for emerging businesses, which could sell back to households nutrients for gardens and, in the case of some of the new housing projects, urban agricultural plots, to contribute to food security of households living on these estates. Alternatively – or in combination with the above – humanure could be composted to enable recovery of agro-nutrients.\textsuperscript{18}

Appropriate solid waste regulations will require the separation of paper, tins, plastic, degradable material, etc. at source, and recycling via outsourced, private sector or community-based recyclers. To ensure that used materials are indeed being recycled rather than just dumped, the municipality will have to monitor the overall business cycle of waste disposal.

6.4. Greening

As part of the awareness campaign about global warming there should be a massive tree planting programme to green the neighbourhoods where there are few if any trees, i.e. mainly in previously segregated areas reserved for black\textsuperscript{19} South Africans. The benefits of this will also be aesthetic, thereby adding economic value to neighbourhoods as well as to the housing market, and will also contribute to the overall health of the inhabitants through functioning as green lungs and carbon sinks. Given that every kilowatt hour of energy consumed results in 0.9kg of CO2, it will be possible to calculate how much planting will be required for Stellenbosch to be carbon neutral over the long term (50 year cycle). Planning, however, is only one mitigation method. Others include conversion to organic farming methods to increase the carbon content of soils, with knock-on food security implications.

\textsuperscript{19} Used in its generic term to refer to previously disenfranchised South Africans, defined under apartheid as coloured, Asian and African
An integrated biodiversity management system for the greater SMA could be realised via the biosphere reserve strategy. This will create a viable institutional framework for carefully managing the natural resources and eco-system services that local communities within the SMA depend on. For example, certain agricultural sectors in the SMA depend on pollination but bee populations are on the decline. By facilitating private sector and community investments in beehives, the pollination system can be strengthened and livelihoods from honey production can be fostered. The same logic applies to natural plants that have commercial applications, groundwater resources, erosion-preventing vegetation on the upper slopes of mountains, reduction of alien plants, and increased production of fresh vegetables, fruit and meat by households and small-scale farmers for sale into local markets.

6.5. Public transport

The implementation of a public transport system is a precondition for the integration of the proposed housing projects in the Stellenbosch municipal area. While the municipality has planned several through feeder routes to take the traffic congestion off the central town, there should be a policy of limiting the access of private cars to the inner city, which could be effected mainly through charging a traffic levy for entry as well as higher charges for in-town parking. Coupled to this there would be perimeter parking lots from which shuttle bus services would leave and arrive at frequently. A network of dedicated cycling paths should crisscross the main towns and hamlets: the bi-cycles could be provided through outsourcing to the private sector, as has already happened successfully in Paris. Because the University and Boland College have large student populations who require rapid transportation through the town if existing levels of congestion are to be reduced, it will be necessary to form a public transport consortium with these institutions to create for central Stellenbosch the equivalent of the “Jammie Shuttle” in Cape Town.

6.6. Local economic development

The transition to more sustainable ways of doing things tends to stimulate new job-creating value chains. The most well known are the following:

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New building systems and materials: as the regulatory frameworks and incentive schemes foster new more sustainable building approaches, so local entrepreneurs respond by establishing new businesses with new skills sets. Examples include building systems that utilise adobe brick (clay and straw dried in the sun), cob (wet clay and straw blobs laid wet on the walls), strawbale, new SABS approved adobe bricks (Anyway Solutions product, but also a bitumen and polymer thread product), hydraform (cement-stabilised clay brick), hemp brick (made from the stem of the hemp plant – widely used in Ireland and France), and Cape Brick’s cement-stabilised brick made from recycled building rubble.

New infrastructure systems: there is already a mushrooming set of businesses in the local sanitation, water supply, rainwater harvesting and energy sectors. These are new businesses that are supplying local-level sewage treatment works (e.g. Biolytix, HWT, etc), individual household and neighbourhood renewable energy systems (solar hotwater geyers, photovoltaic panels, windmills, biogas digesters, etc), and grey water irrigation systems (e.g. Rhapsody system that redirects grey water into the gardens of middle class houses to replace freshwater irrigation systems).

New local food supply systems: small-scale farms are far more productive per hectare than large-scale commercial farms. This is why land reform tends to promote increased food security and increased employment in agriculture. The conversion to organic farming also increases outputs and decreases expenditures on imported chemical inputs. There are already emerging local food markets all over the SMA which are providing markets for emerging farmers and for organically grown food. If all these trends (land reform, conversion to organic farming and local food markets) are reinforced in various ways, this will contribute significantly to local economic development, job creation and food security.

6.7 Capability building for sustainable living.

It will be necessary to put in place a wide range of interventions to build up the local knowledge base for more sustainable living. This will include technology demonstration sites, right through to consumer education and skills development for new livelihoods (e.g. organic farming, building with new materials, renewable energy,
new opportunities for plumbers). Collaborations between NGOs, the university and the municipality could foster this new knowledge base.
7. GRAPHICALLY IMAGINING SUSTAINABLE HOUSING

This section of the strategy provides a graphic imagining of the housing that it is envisaged would be delivered.

The graphics that follow are intended to convey to the reader a picture of how the housing would be laid out as well as the design and appearance of the units, inclusive of alternative energy, waste management and water conservation efficient technologies and design features.
8. IMPLEMENTATION PROGRAMME

8.1 Multi-year programme

*Detailed programme (Excel sheet on A3 insert)*
Programme by Location (Excel sheet on A3 insert)
8.2 Funding programme and arrangements

- Introduction

The development costs have been modeled according to the multi-year programme. On this basis the financial model has established the funding requirements for each delivery mechanism as well as for the housing strategy as a whole. The objective of the model is to establish the order of magnitude costs of the various housing strategies identified in the housing strategy, in accordance with the assumptions described in Section 10 - Appendix of this report.

The main purpose of the model is to assist the Stellenbosch municipality establish a multi-year budget under the medium-term expenditure framework (MTEF) and at the same time create the basis for private investment in housing and infrastructure provision.

- Strategy Implementation cost

The combined six delivery mechanisms which comprise the heart of the housing strategy, equates to 234 projects comprising 20,546 units. The following illustration presents the number of units required per delivery mechanism.
The total cost of implementation is estimated to be R9,22\textsuperscript{21} billion over 10 years which will achieve the delivery of 20,546 mixed housing units. These represent both rental and ownership units across all incomes groups. The breakdown of the cost per strategy is illustrated in the graph below.

In this model the development costs have been structured into the various delivery mechanisms, which implies that the funding required per mechanism is made up of contributions from both private and public sectors.

The detailed funding structure will be designed in line with the individual projects when designs have been completed and projects are ready to be procured. At that stage accurate costings based on bills of quantities will be required.

One of the requirements to ensure private investment in social infrastructure is a clear set of incentives and/or facilitative framework that entices investment from outside state resources. For this to happen four pre-requisites, which depend on the municipality, must be in place:

\textsuperscript{21} Assuming a 4,5 per cent average rate of inflation over the term. The detailed model provides estimates for inflation scenarios of 6,0 and 10,0 per cent
i. Innovative contract structuring that mitigate against risks identified in Sections 5 and 6 of the Supply and Constraints Analysis report of this project

ii. Procurement methods that can be fast tracked

iii. Appropriate funding mechanisms, as described below, need to be outlined for private investment

iv. Effective leadership that builds trust and confidence as the basis for durable development coalitions.

- **Funding Mechanisms**

The following are the funding and/or contracting mechanisms that the municipality can employ where appropriate to attract and enlist the services of the private sector to fast track delivery of housing.

i. Service contract

A service contract is an agreement in terms of which the private sector contributes towards specific services provided by a municipality or SHI, either by undertaking upstream services that flow into the municipality’s or SHIs service to their customers or by providing these services directly to the customers themselves. In its simplest form the service contract would entail the outsourcing of a defined service within the housing value chain to the private sector.

ii. Management contact

A management contract would be an agreement in terms of property management whereby the private contractor will manage the public residential property portfolio, including (but not necessarily limited to) property maintenance, rent collection, accounts management, invoicing, payments and security. The management contact is applied to a more complex set of services and functions that can be contracted to a private party with specific performance requirements
attached to a fee. An example could be the management of all rental stock to a private institution for a fee.

iii. Leasing contract

A leasing contract is an agreement in terms of which the private contractor will lease and manage the entire residential property portfolio/property assets of the municipality or another public authority. Under this arrangement the municipality could use a longer-term lease over 10 to 50 years to procure public goods such as block of rental flats. The municipality will lease the land and the private sector will raise the capital to build and manage stock until the lease expires. Upon termination of the lease the state has options it could exercise.

iv. Investment linked contract (Concession)

A concession is an agreement in terms of which the private contractor will invest in the public residential facility (which could either be new-build or existing structures) by adding value through refurbishment, additions and alterations and/or conversions, manage and/or undertake the construction, operate the facility over the medium to long term and then transfer the facility back to the state’s control. Under this agreement a public-private partnership arrangement is necessary. In this case the state continues to hold the fundamental right to provide the service; however, the state contracts the right to operate service and make improvements, to the private sector. The private sector operator will have contracted to provide a service and collect revenues for a defined period of years. The risk of funding is exclusively in the hands of the private sector. The role of the state is to monitor and regulate. At the end of the term the services and the assets created revert to the state.
v. Corporatization / Joint Venture

This is a contract in terms of which the state gives up limited equity to a private contractor in return for one (or a combination) of practical involvements (i.e. from servicing to direct investment). The municipality is able to structure a unique entity by itself or with the private sector. Under this approach defined roles and contributions are agreed and the institution implements under a specific mandate. This vehicle could fast track delivery through its narrow and focused mandate. Examples of this could include the establishment of an investment promotion agency, a housing development fund or a development agency that can implement this strategy for a defined period on a partnership basis.

vi. Private ownership and operation

In this scenario there is a contract in terms of which the state sells all the equity to the private contractor subject to specified usage and trading conditions for the residential facility. The sale of equity can be phased. In this option the municipality can opt to alienate land to the private sector for development of residential property in the rental and ownership segments of the market.

vii. Community-based" non-profit/cooperative institutions

A “community ownership” option, which will form a critical component of a development coalition, rests on collective savings to generate individual and collective equity that could leverage further public and private funds. A pertinent example of this is the savings clubs approach of the Federation of the Urban Poor (FEDUP). This option does not stand alone: it can interface with most of the other public and private relationships referred to above. “Community ownership” means that participants contribute equity which means they also take risk and therefore contribute to the protection of the asset and its
continuous improvement. Furthermore, “community ownership” builds bonds of solidarity and reciprocity in the community resulting in a greater sense of community which, in turn, often translates into more reliable repayments, higher levels of ongoing investment in individual and collective assets, and reduced levels of conflict, violence and crime. The institutional arrangements can range from simply savings groups to mobilise community equity and investment, through to housing associations and even housing cooperatives.

- **Resource Mobilization**

The table below indicates that approximately one-quarter (R1,59 billion) of the total investment is required over ten years by the Stellenbosch Municipality to leverage R6.49 billion investment from the private sector. Some of the funding from the Municipality is mainly for facilitative infrastructure and in the case of RDP housing is for direct investment in the creation of new assets. This is a gearing ratio of 4 to 1.
## Stellenbosch 2017 Housing Strategy

### Source of funding

<table>
<thead>
<tr>
<th>Housing delivery mechanism</th>
<th>Source of funding</th>
<th>Public sector</th>
<th>Private sector</th>
<th>TOTAL FUNDING REQUIREMENT</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Municipality</td>
<td>Provincial</td>
<td>National</td>
<td>Financial institutions (debt)</td>
</tr>
<tr>
<td>Incremental formal Housing</td>
<td>92,442,020</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Communal/transitional housing</td>
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<td>89,187,300</td>
<td>-</td>
<td>35,538,407</td>
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<tr>
<td>RDP housing</td>
<td>429,516,178</td>
<td>249,709,213</td>
<td>167,662,663</td>
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<td>Social housing</td>
<td>885,166,642</td>
<td>680,178,904</td>
<td>157,047,275</td>
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<tr>
<td>Formalized home ownership</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>5,377,040,555</td>
</tr>
<tr>
<td>Employer housing (Agri-village)</td>
<td>28,554,050</td>
<td>93,513,245</td>
<td>-</td>
<td>231,008,367</td>
</tr>
<tr>
<td>Employer housing (farms)</td>
<td>28,554,050</td>
<td>-</td>
<td>-</td>
<td>276,223,668</td>
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<tr>
<td>TOTALS (excl. “Employer housing (farms)”</td>
<td>1,562,825,795</td>
<td>1,112,588,662</td>
<td>324,709,938</td>
<td>6,027,557,613</td>
</tr>
</tbody>
</table>

1. Assuming 4.5% inflation scenario
2. Assuming local industry matches the municipality’s contribution as part of a housing-and-work plan
3. Assuming that the National Treasury and DME provide funding for infrastructure (including for renewable energy and waste recycling) and industry contributes through employee housing assistance - the municipality is also putting the land in free
4. Assuming a provincial contribution consisting of institutional and CRU subsidies and restructuring grants and National Treasury and DME funding of infrastructure as above
5. Assuming all funding is debt; the municipality generates R403 754 560 from the sale of 6 080 stands for this mechanism at R66 407 per stand
6. Assuming rural housing and CRU subsisies, and geo-tech allowance from provincial government; the municipality will cover infrastructure costs and try to recoup from Treasury and DME as above and farmers will contribute the balance once off
7. Assuming municipal contribution as above; balance from the farmers as investment on own property

As this option is unlikely it is included here for purposes of comparison only
The other critical sources of funding are the institutional subsidies, CRU subsidies and the Social Restructuring Grants from the national department of housing (provided via provincial departments of housing) - this source totals some R1,1 billion. Other national government grants could include the Neighborhood Development Funding programme from the Treasury, the Treasury provision for infrastructure based on fuel consumed in the jurisdiction, and the renewable energy fund from the national department of minerals and energy (DME) – this source totals some R324,7 million.

In this model it is envisaged that the municipal funding (inclusive of national and provincial grants/subsidies, therefore the total public sector funding component of the Stellenbosch housing strategy) will assist to gear private funding in the ratio 1:2. In addition the municipality will need to consider other revenue sources to finance the approximately R1.59 billion from its tax base. Through the sale of residential stands on municipal land (for the formal home ownership delivery mechanism) the municipality stands to realize revenue of almost R404 million, This means that it’s effective contribution is approximately R1,2 billion over the term. In essence the production of 20 000 units does increase the tax base and must contribute to the municipal debt reduction in the long term, probably closer to the R1 billion level. Various other short and long term revenue sources and projects need to be developed to fund the shortfall in the municipal housing budget.

The biggest chunk of funding is comprised of debt, which comes mainly from commercial banks in the form of loans and end user mortgage finance. Another source of debt is the Development Funding Institutions (DFIs), which can provide long-term concessional loans.

Industry players i.e. farmers, the financial and hospitality sectors as well as the tourist sector can also make equity type funding available to manage some of the inherent risks in various rental and mortgage based projects; alternatively a tourist levy or local value-added tax on luxury goods could also be levied to contribute to the requirement projected from industry.
A spectrum of funding arrangements from service contracts to Public/Private Partnerships and Private Ownership as described above must be employed at a project level to obtain the greatest leverage potential.

- **Funding and resource base**

The following funders have been identified for this housing strategy:

i. Commercial banks – the main debt providers
ii. Development finance institutions (DBSA, NHFC)
iii. Institutional investors (Sanlam, Liberty Life etc)
iv. Industry players (the wine industry, secondary industry, financial and retail services, the hospitality industry)
v. Farmers
vi. International and local donors

In addition to the funders the following equity and risk mitigation players have been identified:

i. IFC Loan Guarantee Fund
ii. International Housing Solutions
iii. The Spier Group, who are currently involved in an ambitious hamlet development near Lynedoch

Other players critical for the success of project financing include:

i. Transactional advisors, particularly with regard to the structuring of public-private partnerships (PPPs)
ii. Housing operators
iii. Housing contractors
iv. Technical professionals
v. Legal experts

22 [http://www.southafrica.info/about/social/ihs-080508.htm](http://www.southafrica.info/about/social/ihs-080508.htm), reports that through International Housing Solutions (IHS) some R1,3 billion has been made available through the recently established South Africa Workforce Housing Fund, which intends expediting the funding of some 30 000 affordable homes in South Africa.
- **Multi-year programme**

The programme cash flow per annum is depicted in the table below. This is an order of magnitude cost and detailed project cost still needs to be determined per project. Once this has been determined a cash flow for MTEF can be presented for budget approval purposes.

<table>
<thead>
<tr>
<th>Start date</th>
<th>01-May-2008</th>
<th>01-May-2009</th>
<th>01-May-2010</th>
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<th>01-May-2015</th>
<th>01-May-2016</th>
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<tbody>
<tr>
<td>Year</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
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9. MEASURING THE HOUSING STRATEGY

Below are the two key indicators that must be used to measure the performance of the strategy. The PMO will be responsible for measuring the respective performance indicators and reporting to the municipality.

9.1 Numbers of Units Delivered through each Mechanism against Targets

9.2 Distribution of Units Delivered to Identified Target Market
10. APPENDIX – FINANCIAL MODEL OF THE HOUSING STRATEGY
11. REFERENCES

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