



COMMUNITY RESIDENTIAL UNITS: KEY ELEMENTS, APPLICATION, IMPLICATIONS FOR METROS

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CRU programme

- Phased replacement of National Hostel Re-development programme and proposed “Affordable Rental Housing” programme
- Scope
 - ▣ Public hostels (local and PHD) and grey hostels
 - ▣ Public housing stock (balance of EEDBS) both Provincial & Local (pre-1994), excluding free-standing units
 - ▣ Post 1994 new public housing stock, both provincial & local
 - ▣ Existing dysfunctional/abandoned/distressed (inner city/township buildings that have to be taken over by the LA
 - ▣ Buildings owned by provinces
- NOT municipal employee hostels/accomodation

KEY ELEMENTS OF CRU



Key elements



- Policy intent and objectives
- Programme principles
- Programme alignment
- Target market
- Alignment with other programmes
- Stock ownership and management, and tenure
- Development options
- Product offering
- Costs and funding

CRU Policy intent and objectives



- ❑ Facilitate provision of affordable rental tenure for those earning below R3500, including informal renters, not able to access formal private rental and social housing market
- ❑ To cover 100% capital, but operational expenses (except long term capital maintenance) covered by economic cost recovery rentals
- ❑ Support integration of public housing into broader housing market & environment
- ❑ Ensure creation of sustainable public housing assets

CRU target market



- ❑ Existing residents in public housing stock – both qualifiers & non-qualifiers
- ❑ Displaced persons from informal settlement upgrading, emergency housing, evictions, etc
- ❑ New applicants earning R3500 or less on waiting lists (R800 – R3500 in practice)
- ❑ Indigents & aged groups – must be able to pay a certain amount of rental & services/utilities

Programme principles



- Communication & participation of residents throughout the process
- Facilitate choice – variety of rental housing accommodation options
- Ensure equity through application, implementation & management of programme
- Secure, stable rental housing tenure

Alignment of CRU programme



- Links to existing housing programmes:
 - ▣ Informal settlement upgrading programme SP) = CRU is a Phase 4 top structure option
 - ▣ Emergency/transitional housing programme = CRU is a long-term option
 - ▣ Linked to social housing programme = rental housing reaching complementary target market

Stock ownership and tenure



- Rental tenure only (in perpetuity)
- Ownership must be retained by municipality or province – no pre-emptive rights for tenants and no transfer possible (issue of partly sectionalised buildings or complexes)
- Ownership can be transferred from PHD to municipality in line with Housing Act

Property management



- Management can be done in-house, or outsourced to municipal entity, social housing institution or private agent (risk allocation and contract conditions critical)
- Allocation of the units to qualifying households
- Calculating and setting rent levels
- Applying indigent relief measures
- Leasing and lease administration
- Rent collection and billing
- Maintenance (both reactive and structured) caretaking, and cleaning services
- Resident relations, dispute resolution

Development options



- Stabilisation – Min. intervention for health, safety
- Demolition and site rehabilitation to rid sites of undesirable structures and/or prepare for new infill
- Basic refurbishment – no upgrade
- Upgrade refurbishment
- Hostel conversion: dormitories to self-contained units
- Conversion of existing distressed inner city buildings (hotels, offices, etc)

Development options contd...



- New build infill on existing sites – single storey, – two to four storey walk-ups, conventional or piled foundations
- New build on greenfields sites – single storey, two to four storey walk-ups, conventional foundations or piled
- Long-term capital maintenance for all of the above

Options not offered



- ❑ Demolition of medium/high-rises – special application based on cost estimates
- ❑ Development of medium/high-rise newbuilds – special application based on cost estimates
- ❑ Conversion of warehouses, hospitals, etc-special applications
- ❑ Sectionalised stock where some units sold off to beneficiaries and municipality/province remains part of body corporate

Product offering

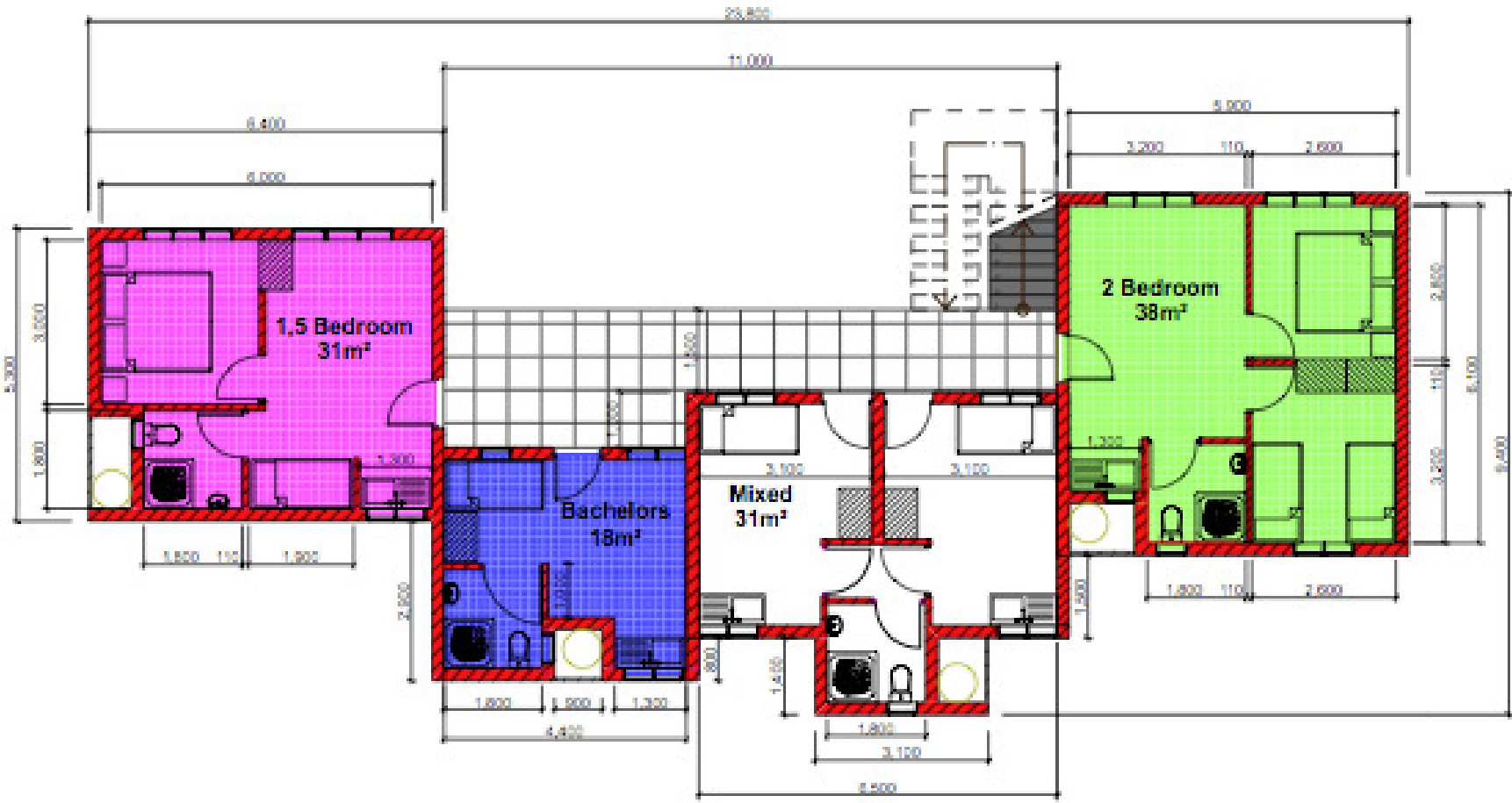


- Range of options to cater for all levels of affordability and preference, from rooms with shared facilities to self-contained family flats
- No minimum specifications, but expected to be in line with good design and building standards to ensure proper living environments
- Geotech, SCCCA, disability variations apply for enhancement of product where needed

To do away with this...



Should offer range of products...



Costs and funding



- ❑ Grant makes separate provisions for feasibility studies, community facilitation, existing tenant regularisation, temporary re-location assistance, construction costs and professional fees
- ❑ At current building costs, reasonably robust units with basic finishes can be provided in the form of:
 - ❑ Rooms and units in refurbished/converted hostels and other building types
 - ❑ New semis and rows
 - ❑ New units in walk ups

Cost factors for which no special allowances are made



- Differences in original condition of buildings for refurb/conversion (stabilisation is the “equaliser”)
- Major refurb/upgrade of services – must be done by municipality/province with “other” funding
- Purchase of properties
- For LT Capital maintenance – no differentiation for standards of ongoing maintenance. Will not cover neglected/poorly maintained buildings

Calculating CRU grant amount

- ❑ Certain fixed amounts regardless of size of project, plus enclosed floor area at all levels of buildings to which option is applied x additional rate/m² (e.g. for feasibility studies)
- ❑ Enclosed floor area at all levels of buildings to which option is applied x rate/m² (different rates for different types of work) (e.g. for construction, professional fees)
- ❑ Adapted for escalation every year
- ❑ Geotech, SCCCA and disability allowances apply where applicable
- ❑ Currently varies from around R120,000 per unit (refurbishment of existing) to around R260,000 per unit (new 45m² self-contained flat in walk-up structure)

HOW IS CRU BEING APPLIED?

Short answer – in many cases,
worryingly!

How is CRU being applied?



- In a policy environment that is incomplete and without specific regulations around some critical aspects
- Huge amounts of money and very high subsidy per unit involved with grey areas in capacity to control
- Many see it purely as hostel upgrading
- Sometimes seen (and misused) as glorified maintenance programme for city owned flats – no new rental opportunities

How is CRU being applied? contd...



- ❑ Often done *ad hoc* in response to localised pressures without proper strategies to ensure alignment with policy and developmental objectives
- ❑ Inadequate feasibility studies
- ❑ Weak project evaluation and approval systems
- ❑ Much uncertainty and confusion around allocation and disbursement of funding
- ❑ Some lack of clarity about roles and responsibilities of province and the city

Programme guidelines (2006) and SHF toolkits for implementation (2010)



- Strategic planning and institutional preparation
- Community participation and facilitation
- Housing stock audits & feasibilities
- Application for CRU funding
- Disbursement of funding
- Project development process guidelines
- Property management process guidelines
- Ongoing monitoring & evaluation



IMPLICATIONS FOR THE METROS

Rental as an option can't be wished away and CRU, although not a panacea for all ills can be one response in a coherent and pro-active strategy

Some features of rental environment



- 20% of SA citizens rent primary dwelling (plus large numbers of foreigners);
- Majority in very low income bracket (below R1 500)
- Many live in “slum conditions” – informal settlements and backyards with no or limited shared services, and one million dormitory hostel beds
- High (and growing) demand for rental, especially in cities – **rental can't be ignored**

Historic (and some new) challenges to consider in public rental housing

- Provinces' and Cities' "appetite" for rental – political and administrative
- Some cities have large, ageing rental portfolios in poor condition and with low levels of payment
- Public sector stock is poorly administered and managed
- Those hostels already upgraded still in poor condition – issue of "double dipping"
- Municipal capacity and will to manage property

Historic (and some new) challenges to consider in public rental housing contd...

- ❑ Sometimes difficult to provide acceptable quality and standard of finishes within subsidy
- ❑ What about accompanying facilities?
- ❑ High cost of managing property: cost recovery vs low affordability levels
- ❑ Finding solutions for all **non-qualifying** existing tenants
- ❑ Payment risk – perceptions of public landlord and political interference

What metros (and provinces) need to do before launching projects?



- If not yet done, conduct internal/external environment analyses and develop rental housing strategies that are responsive to all categories of need (demand) and are aligned with developmental plans and objectives
- Should find balance between rental and other programmes, between different rental programmes, and between refurbishments and creation of new stock
- Prepare institutionally for programme and project implementation

Rental (CRU) housing strategies



- Policy and mandate analysis (including identifying policy gaps)
- Institutional analysis to determine readiness to implement programme, including interdependencies with other units, departments and external stakeholders
- Demand analysis (affordability and preference)
- Supply analysis – opportunities for redevelopment of existing stock (audits), and new developments, and delivery capacity for both

Rental (CRU) housing strategies



- Define critical issues in making effective and efficient use of public rental stock
- Province to engage municipalities in strategic approaches to use of this stock
- Identify CRU projects for implementation
- Outcome = prioritised 5 year project pipeline that can be used for land acquisition/release programme and MTEF budgeting

Preparing for implementation



- Decide if property to be managed in-house or outsourced, and to whom
- If in-house, formal internal SLAs with support units within municipality
- If outsourced, strong management agreements with viable entities (risk allocation, claw-backs, etc)
- Co-ordinating agreements, structures, procedures for working relations between city and province, effective project management and streaming of funding

Preparing for implementation contd...



- Proper feasibility studies (Two stage suggested - Scoping and detailed)
- Adequate system for evaluating project feasibilities and applications and approving projects (NB=not only technical, but more importantly how community involvement is managed, property management arrangements, and testing of financial sustainability)

During implementation



- Manage community expectation and political interference – COMMUNICATION!!!
- Manage allocations, tenant “regularisation”, relocation and occupation, conflict and disputes
- Manage stakeholder relations
- Manage contracts and service providers
- Co-ordinate construction of services, top structures, and leasing and occupation of units



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