

Concept Document on Inclusionary Housing

Cllr Brett Herron
Mayco Member for Transport & Urban Development

WC Property Development Forum Breakfast
20th September 2018



CITY OF CAPE TOWN
ISIXEKO SASEKAPA
STAD KAAPSTAD



Housing Update

- City has **exceeded delivery target for housing delivery for the first time:**
 - Delivery almost doubled from 2015/16 to 2017/18
 - We are on track to double delivery again within 4 to 5 years



Housing Update

- City has **exceeded delivery target for housing delivery for the first time:**
 - Delivery almost doubled from 2015/16 to 2017/18
 - We are on track to double delivery again within 4 to 5 years
- Database is >300,000 names
- If we do not expand delivery and pace, we will never meet this backlog.
- Planning target: 90% applications processed within 90 days
 - Are now at >85% within this time frame
 - Seeking faster response times from other commenting Depts to further accelerate
- Cape Town has lowest first-time ownership in the country

WHAT IS INCLUSIONARY HOUSING?

- SPLUMA introduced several sweeping changes to the planning environment, including the principle of **spatial justice** and need for **inclusionary development**.
- One form of inclusionary development is inclusionary housing:
 - large new developments make some contribution to provision of affordable housing.
- There are no prescribed mechanisms for the implementation of inclusionary housing in South Africa.
- Since taking responsibility for the planning department last year, myself and TDA officials have been investigating this topic.



REGULATORY CONTEXT

No national policy on Inclusionary Housing

Legislation related to the provision/promotion of affordable housing:

- **CONSTITUTION OF THE REPUBLIC OF SOUTH AFRICA**
- **NATIONAL DEVELOPMENT PLAN** (says policy must be developed)
- **SPLUMA:** Principles embed spatial transformation, spatial justice:
 - **SPLUMA Section 24: Land Use Schemes must “include provisions to promote the inclusion of affordable housing in residential land development”**

Other plans and frameworks:

- **INTEGRATED URBAN DEVELOPMENT FRAMEWORK**
- **CITY IDP**
- **TOD STRATEGIC FRAMEWORK & MSDF**

WHY A CONCEPT DOCUMENT?

- Other SA cities have rushed in pushing quick draft policies that were heavily criticized by industry experts:

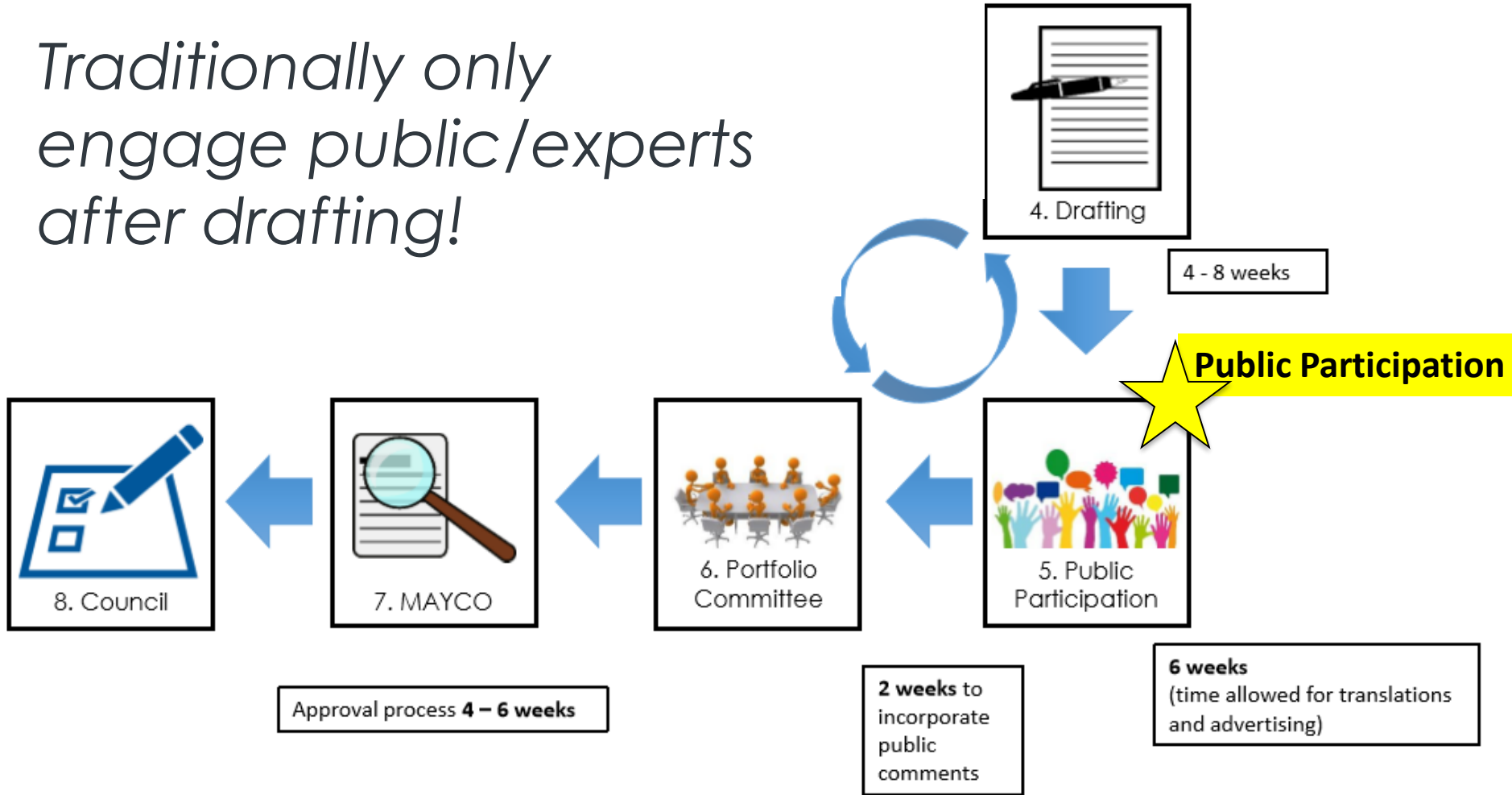
“hastily prepared, overly simplistic, unworkable approaches that will deter the private sector from developing residential units”.

- TDA has sought to ensure we develop a practicable policy.
- A **concept document**, outlining possible mechanisms and constraints, has been developed.
- Engagement with key stakeholders and thereafter a wider public engagement process is now being implemented
 - Obtain feedback, refine possible mechanism/s
=> development of a draft policy.

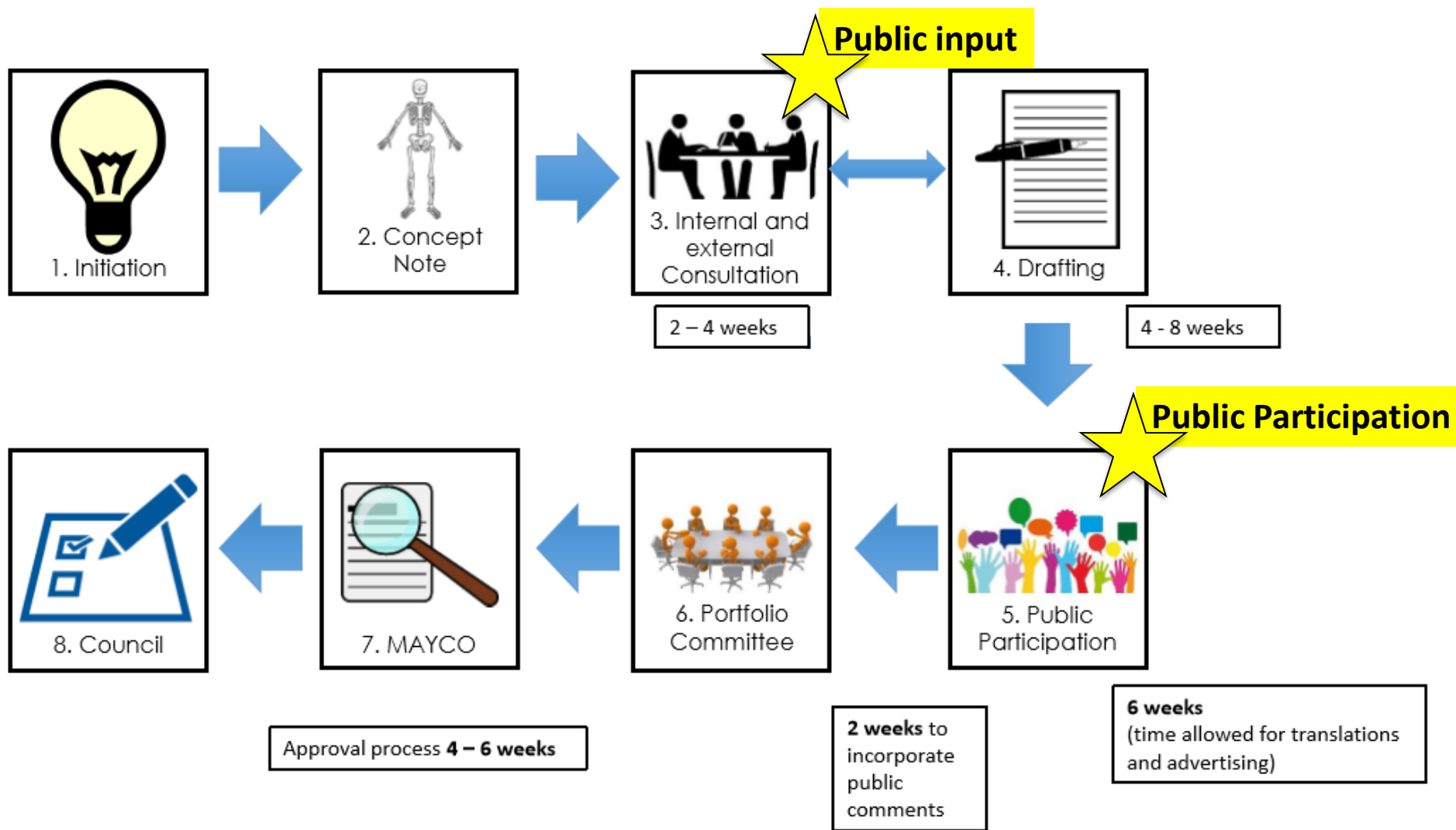


City's Policy Development Process

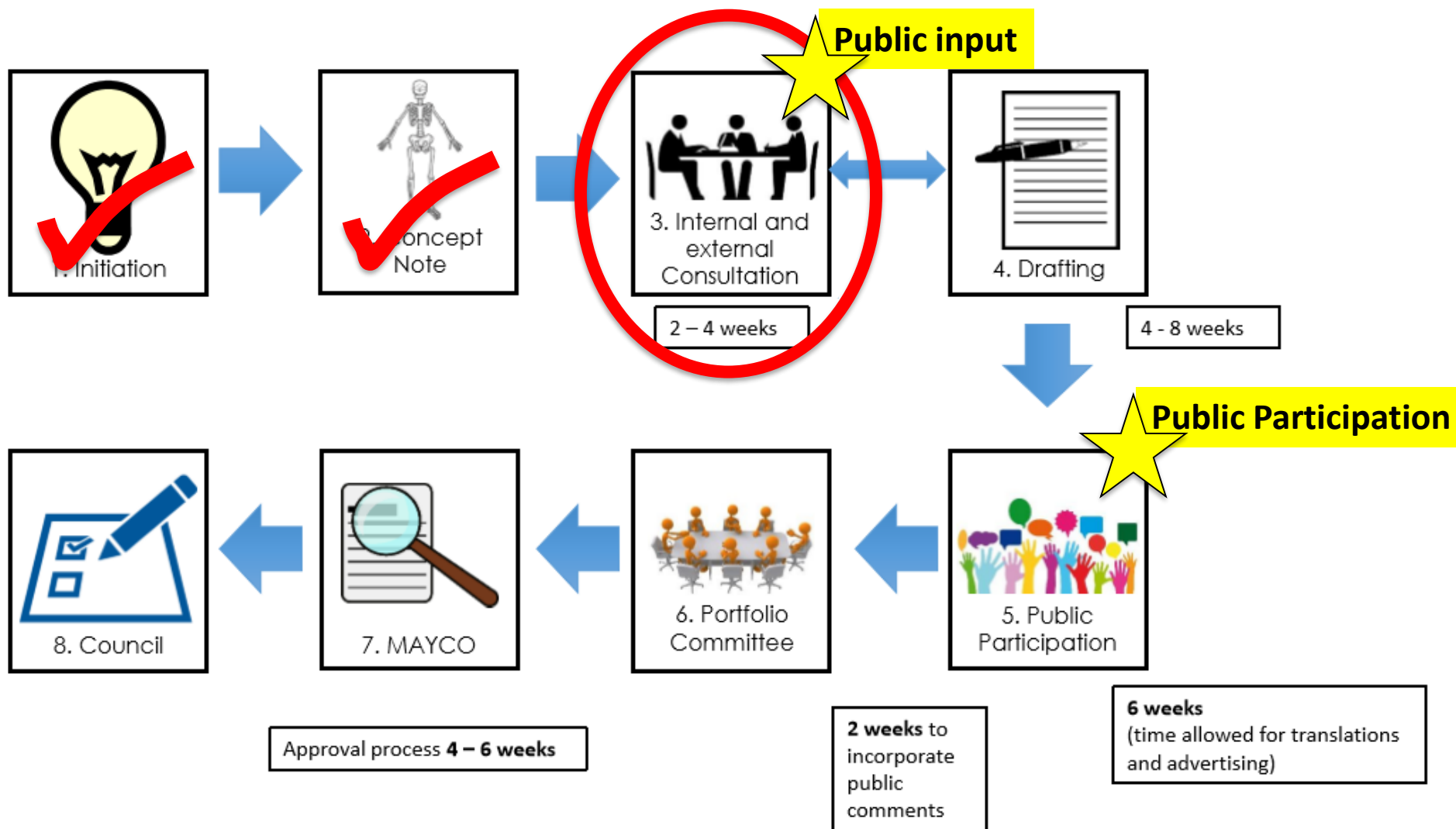
Traditionally only engage public/experts after drafting!



City's Policy Development Process



City's Policy Development Process



WHY A CONCEPT DOCUMENT?

- Input provided by city professionals, stakeholder representatives and national and international experts (New York Deputy Mayor, US-based Lincoln Institute of Land Policy, Big Cities Planning meeting) used to guide formation of concepts.
- Direct to Concept Document saved time – faster route and more direct engagement than traditional policy process.
- Engagement with key stakeholders and thereafter wider public engagement process is now being implemented
- Obtain feedback, refine possible mechanism/s

=> development of draft policy

SUGGESTED APPROACH (1)

- **Voluntary approach** City-wide, where only new residential (and possibly commercial) **developments applying for additional rights** allocate a portion of the area or value of the additional rights to inclusionary housing.

AND

- Possibly a **Targeted Approach**, where Inclusionary Housing provision within a specified overlay zone (identified areas of the city with strong urban land market) will be mandatory.

International best practice shows that inclusionary housing policies are effective in strong residential land markets, where residential developments are likely to elicit more value – therefore the creation of an Overlay Zone that aligns with stronger land markets

SUGGESTED APPROACH (2)

- **Formula (calculation per development - not set amount):**

Each application is considered on a case-by-case basis

Contributions based on a standard formula (“calculator”)

- Determined from residual land value & development costs.

Contribution to affordable housing possibly either:

- **Fees in lieu:**

- Cash contribution to the value of required affordable units
- Fund is ring-fenced for the development of affordable housing

- **Off-site contribution:**

- Affordable units are built off-site in well-located areas identified by the City

- **On-site contribution:**

- Affordable units are built on-site as part of the market related development.



CITY OF CAPE TOWN
ISIXEKO SASEKAPA
STAD KAAPSTAD



TDA
CAPE TOWN

DEFINING “AFFORDABILITY”:

Affordability could be defined by:

1) Standard definition across the City:

EG: Monthly household income:		<R20 000
Housing product price:	Rental	<R6 000 per month
	Sale	<R600 000.

2) Differentiated definition of affordability across the City (per sub- area):

International practice – differentiate affordability per sub-area of a City.

Based on 80% of median household income or average property value per sub-area (neighborhood)

3) Location-driven affordability criteria

Affordability varies by contribution -

on-site: affordability according to sub-area median income

off-site: standard definition

DEFINING “AFFORDABILITY”:

Affordability could be defined by:

1) Standard definition across the City:

EG: Monthly household income:		<R20 000
Housing product price:	Rental	<R6 000 per month
	Sale	<R600 000.

2) Differentiated definition of affordability across the City (by sub-area):

International practice – differentiate affordability per sub-area.
Based on 80% of median household income per sub-area.
area (neighborhood) value per sub-

3) Location-driven affordability:

Affordability varies by location.
on-site: ...
off-site: ... to sub-area median income

Suitability in SA context?
#2 and #3 do not address apartheid legacy



AFFORDABILITY IN PERPETUITY

Affordability in perpetuity is challenging:

Mechanisms:

- Ownership: Title deed restrictions? Levy costs?
- Rental: Who manages? City? Agency? Social housing institute? Levy costs?

Maintenance and operational expenditure:

- **Ownership (on or off-site):** More work on institutional mechanisms – title deed restrictions etc - to ensure affordability in perpetuity needs to be done
- **On-site rental:** Cross-subsidization from market units in a building (e.g. levies): *financial modelling and practical implication of this still need to be explored.*
- **Off-site rental:** Social housing may be the simplest mechanism to ensure affordability in perpetuity –*already regulated & managed by specialist institutions, & screens qualifying applicants*

AFFORDABILITY IN PERPETUITY

Affordability in perpetuity is challenging:

Mechanisms:

- Ownership: Title deed restrictions? Levy costs?
- Rental: Who manages? City? Agency? Social housing institute? Levy costs?

Maintenance and operational expenditure:

- **Ownership (on or off-site):** More work on institutional mechanisms – title deed restrictions etc - to ensure affordability in perpetuity needs to be done
- **On-site rental:** Cross-subsidization from market units in a building (e.g. levies): *financial modelling and practical implication of this still need to be explored.*

- **Off-site rental:** Social housing may be the simplest mechanism to ensure affordability in perpetuity –*already regulated & managed by specialist institutions, & screens qualifying applicants*



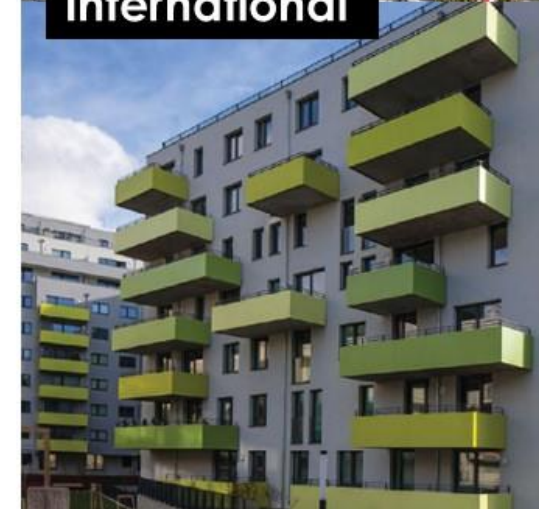
Social Housing: government subsidized rental accommodation for families earning <R15,000



South Africa



International



LEGAL AND INSTITUTIONAL ISSUES

On-site:

- Affordability in perpetuity challenges:
 - **Ownership** – title deed restrictions
 - **Rental**: levy costs, who manages

Financial modelling (“the Calculator”):

- Needs to be based on residual land value & take development costs in to account.

Off-site:

- Section 100 (1) of Municipal Planning By-Law & LUPA (provincial legislation) will both have to be amended: ‘use of land’ clause
- Project packaging capacity: need pipeline of land/projects ready
 - MATR - processes for use of city-owned land

Institutional requirements:

- Capacity to utilize ring-fenced fund for affordability housing

NEXT STEPS

- **Focused engagements on the Concept Document will be conducted in October, to get input from key stakeholders**
- Discussions and feedback will inform the formal policy-making process, which will begin once this has been completed
- Does not affect existing rights

ANY POLICY WILL HAVE TO BE PHASED IN:

- 1) Policy developed & approved together with an amended Municipal Planning By-Law
- 2) Policy could be phased in with one or more potential options (eg: fees in lieu OR off-site OR on-site) as legal & institutional issues are resolved

THANK
YOU



CITY OF CAPE TOWN
ISIXEKO SASEKAPA
STAD KAAPSTAD



TDA
CAPE TOWN