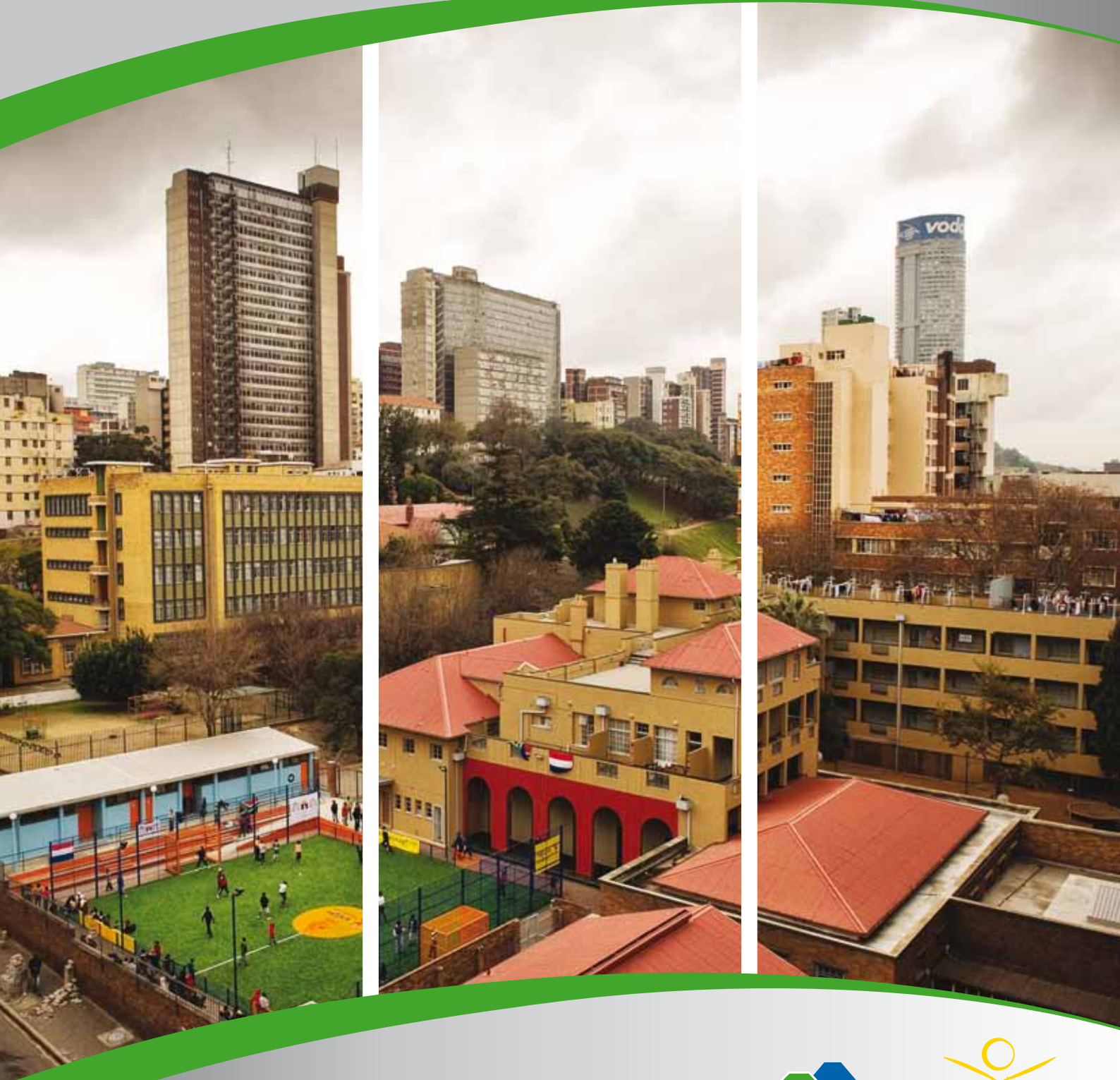


Reviving Our Inner Cities: Social Housing and Urban Regeneration in South Africa



RESEARCH REPORT



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Reasonable care has been taken in the preparation of this report. The information contained herein has been derived from sources believed to be accurate and reliable. The Housing Development Agency does not assume responsibility for any error, omission or opinion contained herein, including but not limited to any decisions made based on the content of this report.

Foreword

The South African Government's Social Housing Programme is a bold initiative to assist in the redressing of the spatial distortions of our old apartheid cities. It is intended to provide residential opportunities that assist low- and moderate-income households to have access to the socio-economic resources of our cities. Through such opportunities it will enable families and neighbourhoods to take control of their positive development.

The initial Restructuring Capital Grant (RCG) subsidies were awarded in 2006. Now after 6 years of substantial government investment in this programme, it is important to gain a better understanding of where and how these grants were spent. Understanding of such a crucial exercise and related results will enable the sector better insight, whilst at the same time allowing for an appropriate basis to inform the future use of this important investment in the nation's commitment to adequate housing opportunities for low-income households.

It is for this reason that NASHO has undertaken this study so that we can have a better understanding of whether we are using this investment in the right parts of our cities and whether this financing is used in conjunction with other programmes that extends its impact on the urban regeneration and restructuring of our cities.

It is a small study, initiated with very limited resources, but one that refines the questions we need to ask. At the same time it gives strong hints to the answers and important lessons for future refinement of the programme.

I want to thank all involved, but particularly Alice Fauvel, an intern from the University of the Sorbonne in Paris, who gave her time and research skills to make this research possible within a very small budget.

I hope that this publication will help to stimulate the thinking and debate that will strengthen the impact that social housing has on giving low and moderate income households greater access to our cities and their resources. Also that it reminds us all of the importance of ensuring that we research what we deliver to help make the future delivery even better. More specifically this will define how we can forward best practice to ensure that the State investments are better used for quality long-term social housing delivery. Such an approach is pivotal in ensuring that appropriate policies and programmes are developed that are responsive to the purpose and needs of the sector.

Joel Mkunqwana
President of NASHO

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Executive summary

SECTION 1: The research – background, purpose and approach

Social housing in South Africa is a government programme to redress the old apartheid spatial inequities by providing low- and moderate-income households with good quality and affordable rental housing opportunities in well-located parts of South African cities. Its primary mechanism is the use of Restructuring Capital Grant (RCG) and Institutional Subsidy funding sources in Restructuring Zones (RZs) to assist in the financing and development of good quality rental housing opportunities for low- and moderate-income households by accredited social housing entities.

The Restructuring Capital Grant (RCG)

In the first 6 years of allocation from 2006 to March 2012, an estimated R1.204bn of RCG was allocated to projects. It is now appropriate therefore to reflect on the spatial spend of this financing and its impact on urban restructuring and urban regeneration within South African cities with the intent of recommending ways of enhancing the impact.

Restructuring Zones (RZs)

In looking at this, it is important to understand that during the above period the initially determined Restructuring Zones (RZs) were limited to 13 municipalities spread across all 9 provinces. Within these municipalities there was a diverse range of locally defined spatial areas – RZs.

Some of these and the resulting projects might or might not be linked specifically to zones for restructuring the apartheid city or areas dealing with urban regeneration of blighted parts of the city.

Research Purpose

The research is intended to examine the use of the RCG over the same period to date to establish:

- where it was spent spatially;
- to what extent the expenditure was linked to broader programmes of urban restructuring and broader development goals; and
- how much additional 'private' sector financing it generated.

This, it is hoped this will allow for better understanding of the relative strengths and weaknesses of the present programme and to make recommendations that can best improve its impact whilst at the same time informing how to leverage future similar investment to attain best results and development objectives.

Methodology

A desktop analysis was used of the present critical policy and programme frameworks as well as the list of RCG allocations over the period. This was consolidated and extended by the completion of a Schedule by Social Housing Institutions linked to projects for which they had received RCG financing.

SECTION 2: Social housing and urban regeneration – the present state

There is no strong policy framework for urban regeneration in South Africa. At a national level there are specific programmes linked to legislation, e.g. Urban Development Zones but no comprehensive programmes to guide approaches to urban regeneration.

A few provinces, Gauteng and Western Cape, have strategies for urban regeneration but these are not linked to delivery mechanisms.

The primary planning focus of urban regeneration sits with strategic plans of the major metros. These vary greatly in form scope and linkage to implementation mechanisms. They are, however, often built around the policy frame of City Improvement Districts (CID) that strongly emphasis tackling of 'crime and grime' issues with government investing in infrastructure to encourage inflow of private investment. There is little reference to provision of housing to low- and middle-income households in these strategies and no mention of social housing as a potential driver or significant contribution to such initiatives.

SECTION 3: RCG investment – where is it spent?

From the methodology used with the limitations on the sample base for some aspects, the following major trends are evident.

3.1. Increased RCG Allocation

The increased RCG allocation from government over the past 2 years and within the existing MTEF represents a growing confidence in the sector and its institutions based on a historical record of quality delivery and management. However, the increase now poses significant challenges to maintaining the standards and the impact of the substantially increased amounts.

3.2. Uneven Distribution between Provinces and Cities

There has been an uneven distribution of RCG investments between provinces and among different Provisional Restructuring Zone Municipalities. KwaZulu-Natal (KZN) has received the largest allocation to date (30%) while three provinces have received no allocation. Ethekeweni municipality has received 28% of the total allocation, Johannesburg 20%, Buffalo City 17%, Cape Town 13% and Mangaung 10%. Three Provisional Restructuring Zone Municipalities have received no allocation and four have received from 1–2%.

Since the allocation is based on a project readiness assessment approach, often those municipal areas with well-functioning SHIs with access to land and some co-operative arrangements with municipalities are more likely to have prepared projects and therefore receive the RCG allocation.

3.3. Spatial Allocations within Cities

Spatially the allocation has involved the following percentage apportionments:

Spatial area	% RCG
CBD	15%
Inner suburbs	29%
Outer suburbs	49%
Greyzones	7%
Former Black Townships	0%

A GIS analysis of the projects in the different spatial areas shows that tenants in the inner suburbs and CBD areas have significantly easier access to a range of important socio-economic opportunities. Those in the other areas are much more reliant on single, well-developed, public transport routes to gain this access.

The larger allocation has gone to the outer suburbs and there is presently a shift in allocation to these areas and the greyzones. An important reason for this is the difficulty in acquiring well-located land and buildings at the right cost to make projects financially viable. Where municipalities do allocate land for social housing, they are usually reluctant to do so in better located areas. This is

a major weakness in the process, which needs to be prioritised if we are to realise projects in well-located areas that allow for re-aligning of current spatial distortions and contribute to long-term socio-economic integration of our communities.

There is also presently greater reliance on private developers to bring land for social housing development. They are prepared to do so with less well-located land that they cannot develop for higher-end housing or commercial purposes. They are also prepared to release smaller pieces within larger developments where this will help with the gap or other 'ownership' parts of their projects. This highlights the tension between the 'for profit' motivation among some sector stakeholders with a programme financial model that is most viable within a non profit context. There is general failure to recognise that social equity could in fact compliment long-term economic benefit efforts whilst at the same time meeting the development needs and challenges facing cities and their communities.

There are also indications that the Restructuring Zone approach, which is the sole spatial criteria used in assessing project spatial relevance, is becoming increasingly loose in its application by detracting from the original urban restructuring intent of the Social Housing Policy and national strategic programmes.

3.4. Linkage to Broader Urban Restructuring Programmes

There is generally very little linkage between RCG-financed social housing projects and broader 'urban restructuring' initiatives. Eight of the 32 projects were in Urban Development Zones (UDZs) and only two were linked to broader municipal programmes for 'urban regeneration'. The project-by-project assessment process, and the lack of clear understanding of social housing as a potential driver of broader urban restructuring initiatives, contributed to this failure to create greater synergy and to increase impact of government investment.

3.5. Leveraging Additional Investment

Where RCG is invested, it leverages on average a further 33% (R946m) in private loan finance and 3% in equity investment more than any other government housing programme. In addition, the RCG finance itself provides municipalities with extra investment in their cities that they would not otherwise have secured through the usual grants systems.

SECTION 4: Conclusions and recommendations

4.1. Conclusions

There is a welcome significant increase in government investment in the sector, which provides real opportunities to increase impact and equity for re-investment in the sector. However, it also creates new pressures in terms of the quality and effectiveness of such allocations and related investment.

There is presently a shift in allocation of RCG towards the 'outer suburbs' and 'greyzones', driven in large part by the availability of land at the right price. There is particularly a growing reliance on private developers to avail such land at market prices given the slow release of appropriate government land.

The project-by-project approach to allocation and the lack of more substantial programmatic linkage of social housing to urban restructuring and regeneration initiatives, mean that the government investment does not necessarily have a strong impact on its urban restructuring objectives.

Some of the reasons for these trends are:

- Availability of suitable land
- Looseness of the RZ implementation within the SH programme
- The project-by-project based approach to project assessment that has no spatial impact criteria beyond location within a RZ.
- Poor linkage of social housing as a driver or major player in urban regeneration and restructuring

4.1.1. Recommendations

1. Stronger linkage of social housing investment to other government programmes for the regeneration of cities – failure to ensure concerted efforts by all stakeholders and creating incentives for that is a major weakness that needs to be redressed if we are to edge towards genuine restructuring and meeting of transformation objectives as outlined in urban restructuring and revitalisation programmes.
2. Greater clarity on the potential impact of social housing in regeneration programmes and better promotion of existing 'best practices' in the sector (e.g. eKhaya Neighbourhood Programme).
3. Stronger structured relationships between SHIs, municipalities and both provincial and national public authorities around urban regeneration planning and implementation.
4. Development of stronger partnerships of equality with private developers for the joint development of mixed income and function land that is both cost and quality effective.
5. Review of the efficacy of the RZ policy and its implementation in supporting achievement of spatial intent of the Social Housing Programme.
6. Fuller research of the impact of social housing on the developmental trajectory of tenant families and the impact of SH on surrounding neighborhoods.
7. Strengthen mechanisms to acquire land and buildings in better located areas of the cities.
8. Evaluate and review RZ policy and procedure to ensure that public authorities determine these in a manner that meets spatial development objectives and not by project-specific dimensions.

SECTION 1

The research – background, purpose and approach

Social housing in South Africa is a government programme to redress the old apartheid spatial inequities by providing low- and moderate-income households with good quality and affordable rental housing opportunities in well-located parts of South African cities. It is intended to give these households easier and cheaper access to the developmental opportunities linked to developed socio-economic infrastructure in these urban areas. At the same time it is directed at spatial shifts in the urban environment providing households with access to parts of South African cities from which they were previously excluded.

The primary mechanism of the programme is through the application of the Restructuring Capital Grant (RCG) subsidy that is linked to the Institutional Subsidy which together contributes about 64% of the capital costs per unit on projects that are assessed as well located in terms of the Restructuring Zones (RZs).

The policy and use of the RCG has now proceeded for six years and so it is timely to pose critical questions about its use in relation to the programme objectives. Most importantly these include:

- To what extent has the subsidy been invested spatially to meet the urban restructuring intent of the policy?
- To what extent is it linked with broader government programmes to change the shape and access to South African cities?
- To what extent is it leveraging additional private sector investment?

Underlying responses to these questions is the extent to which the government's social housing investment is achieving not merely provision of shelter but also assisting with the challenges of urban restructuring.

1.0 What are 'social housing', 'restructuring zones' and 'urban restructuring'?

According to the Social Housing Act, No. 16 of 2008, the Social Housing Programme seeks to provide 'rental or co-operative housing options for low-income persons... provided by accredited social housing institutions (SHIs) and in designated restructuring zones (RZs)'.

RZs are defined as: 'geographic areas identified for targeted investment based on the need for social, spatial and economic restructuring of the areas' (Social Housing Act, 2008). Within these areas, SHIs can apply for the Restructuring Capital Grant (RCG), which in 2012 was about R130 000 per unit and with the linked institutional Subsidy contributed to approximately 64% of the financing of the project.

The identification of the RZs is a phased process involving two steps. The first step in Phase 1 has involved the identification of Provisional Restructuring Zone Municipalities. Presently this is a list of 13 municipalities comprised of all the metros, the major cities and three smaller cities in provinces that do not presently have larger cities (see below).

The second step involves the municipalities in using national criteria to identify specific spatial areas in their cities as Provisional Restructuring Zones (PRZs). These PRZs must be approved by the municipal council and subsequently by the provincial MEC and the national minister. It is only in these zones that it is possible to allocate the RCG, except if the national department declares a project a 'Mega Project', in which case such allocation can happen outside of a RZ or even a Provisional Restructuring Zone Municipality.

According to the restructuring zone guidelines, 'nodes and corridors are likely to be suitable as restructuring zones because of proximity to both job opportunities and consumption opportunities' (National Restructuring Zone Guidelines). Most of the municipalities have applied this planning principle to identify their RZs.

Phase 2 corresponds to the 'consolidation and expanding of the programme' to other municipalities as well as possibly extending the RZs in Provisional Restructuring Zone Municipalities based on an assessment of Phase 1. The assessment has not yet been done.

1.1 Existing provisional restructuring municipalities

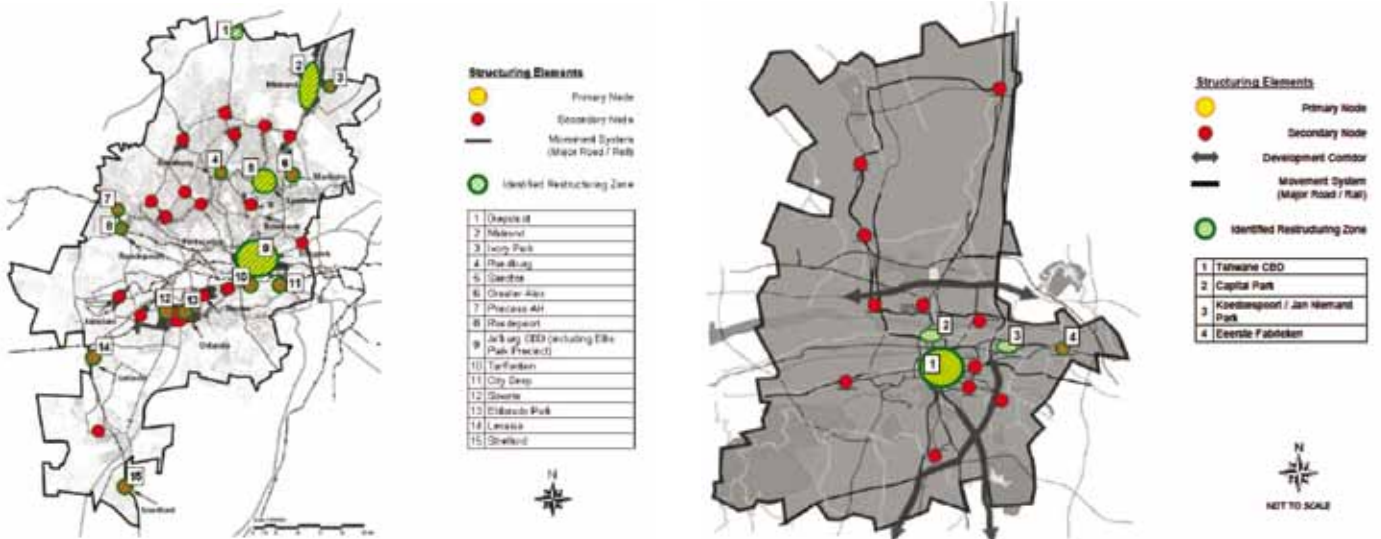
The following are the PRZ municipalities with a list of the number of RZs agreed to in each municipality.

Province	Municipality	No of RZs
Gauteng	Tshwane	7
	Johannesburg	16
	Ekurhuleni	5
KwaZulu-Natal	eThekweni	19
	Msunduzi	10
Eastern Cape	N Mandela Bay	3
	Buffalo City	4
Western Cape	Cape Town	5
Northern Cape	Sol Plaatje	0
Free State	Mangaung	2
Mpumalanga	Nelspruit	0
Limpopo	Polokwane	0
North West	Rustenberg	3
	Tlokwe	2
	Matlosana	1

Figure 1: RZs in South Africa, Godehart S (2007)

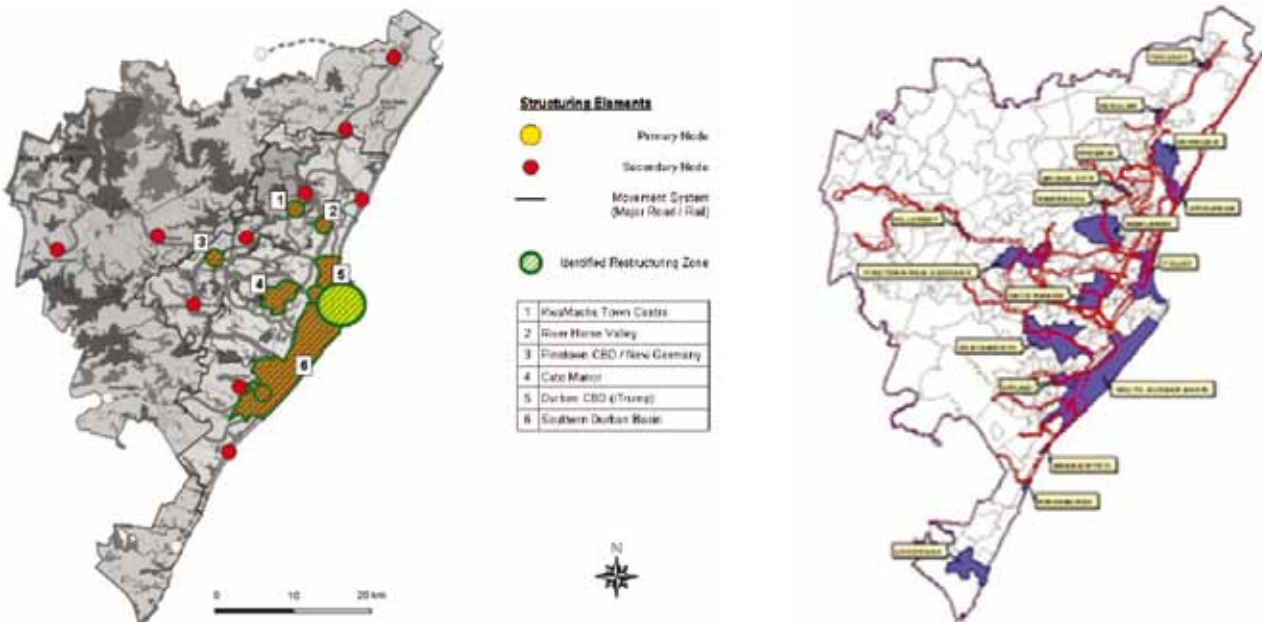
Since the criteria for identifying such RZs is very broad, RZs are characterised by their diversity in different municipalities.

1.2 Diversity of local restructuring zones



RZs in Johannesburg
Figure 2: RZs in Johannesburg and Tshwane, Godehart (2007)

For instance, the City of Johannesburg (see Figure 2 above) has identified 15 RZs that are very different from one another (Sandton or Soweto are both considered RZs), whereas the City of Tshwane (see Figure 2 above) has seven RZs, some concentrated around the inner city. eThekweni is the City with the most RZs (18) (see Figure 3 below).



RZs in eThekweni Phase 1
Figure 3: RZs in eThekweni

2 Social housing and urban regeneration, urban renewal

In all the Provisional Restructuring Zone Municipalities that have agreed RZs, the CBDs have been identified as RZs in because they are considered as 'uncontentious locations' according to the guidelines.

According to the 2005 Social Housing Policy, the contribution of social housing to such restructuring objectives comprises three dimensions:

- spatial (reverse of the apartheid spatial model)
- economic (job creation and economic revitalisation)
- social (mix of race and income; crime reduction at a neighborhood level)

The economic dimension of urban restructuring encompasses urban regeneration objectives. The Policy states that: 'social housing will be a tool in the revitalization/regeneration of important economic areas which are lagging or underperforming' (Social Housing Policy for South Africa, Towards an enabling environment for social housing development, June 2005).

It argues that: 'successful regeneration initiatives in other parts of the world indicate that comprehensive strategies are necessary and that the introduction of social housing into blighted environments has had positive external impacts on the surrounding environments' (Social Housing Policy for South Africa, Towards an enabling Environment for Social Housing Development, June 2005).

Urban restructuring vs urban regeneration

The notion of '**urban restructuring**' emerged in the 1980s, when a number of planners mounted a sustained critique of apartheid planning practices. Ideas associated with 'urban restructuring' informed the 1990s forums and were later incorporated into the urban development policies. As a consequence, 'urban restructuring' is one of the key notions of the post-apartheid planning language. It encapsulates the interlinked ideas of:

- Compaction (combating low-density urban sprawl)
- Integration (redressing apartheid-inspired spatial fragmentation and segregation)
- Connection (densification and more effective public transportation)

Spatial elements associated with urban restructuring are, on the one hand, nodes and corridors and, on the other hand, mixed-use development.

'**Urban regeneration**' is one way to restructure our cities. In the South African context, the notion emerged later, in the 1990s, when a combination of contextual factors were in favour:

- the accelerated decay of the inner cities;
- the entrepreneurial turn of the 1990s, when concerns over efficiency, fiscal discipline, growth and competitiveness became dominant and impacted on the city fabric; and
- the decentralisation of urban governance and administration, more specifically the creation of the metropolitan municipalities.

Urban regeneration can **be defined as a process to address urban decay, especially in inner city areas, in order to revitalise the whole physical, social and economic environment of this area.** The municipality generally is an important facilitator by creating dedicated structures, tools and strategies. The actions generally occur at a precinct scale, involving both the public and private sectors working together guided by a coordinated plan developed through municipal processes.

Whereas '**urban restructuring**' is a consensual notion of the post-apartheid planning, '**urban regeneration**' has a more polemical content.

Urban regeneration vs renewal

Internationally, area-based intervention strategies have been undertaken under various banners, including '**urban renewal**', '**urban regeneration**' and '**upgrading**'. These terms are often mixed up among practitioners. For the purpose of this research, they are distinguished by referring to the South African policy framework.

The first '**urban renewal**' strategy in South Africa was associated to the national Reconstruction and Development Programme (RDP¹) launched in 1994. It was a separate programme, beside housing and others. It corresponded to six projects² identified in urban areas. They were nationally driven large-scale projects, very different from the projects now implemented by the municipalities as part of '**urban regeneration**' initiatives that mainly occur at a precinct scale and with shorter-term objectives.

Currently, '**urban renewal**' refers mainly to the Urban Renewal Programme (URP), which was initiated in 2001 by the Department of Provincial and Local Government (DPLG) to promote investment that addresses poverty and underdevelopment. Its mandate was to alleviate poverty in eight designated urban 'exclusion zones' – nodes that represent those areas where the largest concentration of urban poor reside, generally in former township areas and in informal settlements. However, even these did not have a primarily 'housing investment' focus. '**Urban regeneration**', on the other hand, doesn't occur in informal settlements in the periphery of the cities. But it generally targets areas with potential in terms of economic return on investments. CBDs that have suffered from urban decay are most appropriate.

Social housing alongside in situ informal settlement upgrade in better located areas are the only government programmes that in intent attempt to meet the residential challenges associated with both 'urban renewal', 'urban restructuring' and 'urban regeneration'. It is, therefore, very important to understand where the present government investment is going and what impact it is having or can have over time.

¹ The RDP is a social development policy implemented after the first democratic election. It aimed at addressing the backlogs and the inequities of the past through state-led investment in infrastructure and basic services.

² They included Kathorus (East Rand), Duncan Village (East London), Ibhayi (Port Elizabeth), Botshabelo (Bloemfontein), Cato Manor (Durban) and service land on the Cape Flats.

3 Purpose of the research

Six years after the first RCG allocation this research is intended to better understand the spatial location of the government's social housing investment and the extent to which this investment has been located in areas of urban regeneration and/or linked with other government investment in attempting to change the form and access to the city.

The research is divided in two parts:

- An analysis of the policy and legislative frameworks around urban regeneration in South Africa and the conceptualisation of social housing within these; and
- An assessment of the nature, extent and effectiveness of investment in the sector through a spatial and urban programme analysis of the RCG spending.

4 Methodology

The following methodology has been used:

Analysis of the urban regeneration policy framework	Assessment of the RCG grant allocations to SHIs for the period 2007 to March 2012 (ISHP1 to SHIP 2)
<ul style="list-style-type: none"> • Desktop research • Review of literature • Analysis of the policy framework • Interviews 	<ul style="list-style-type: none"> • Identification of SHIs having received the RCG on the basis of the template from the Social Housing Regulatory Authority³. • Questionnaire (see Appendix 1) sent out to the identified SHIs. • Analysis of the questionnaires and insertion of the data in a Geographic Information System. • Use of information data base at NASHO to fill in gaps.

Figure 4: Methodology of research

This document outlines the results of the research and its implication for social housing and urban regeneration in South Africa.

Section 2 deals with the policy framework for urban regeneration and social housing.

Section 3 specifies the results of the RCG allocation assessment.

Section 4 deals with conclusions and recommendations.

³ It was decided not to pursue the allocation to the private-for-profit sector as it was difficult to establish the contact with the developer.

SECTION 2

Social housing and urban regeneration – the present state

The analysis of the policy framework for urban regeneration has been made in light of the following questions:

- Is there a specific policy framework in South Africa? If there is, is it a strong or weak policy framework?
- What is the form of this policy framework (strategies, White papers, legislation etc.)?
- Which sphere of government has played a major role in enabling it and when?
- What is the content of this policy framework? Is housing, and more specifically affordable housing and social housing, a major component of this policy framework?

1 An uneven commitment of the different spheres of government

There is currently no national policy framework for urban regeneration in South Africa. Metropolitan municipalities are the key providers of policies, sometimes through specific bodies such as 'development agencies' or 'city partnerships', which have a pragmatic mandate but also function within a certain vision generally embodied in a strategy paper.

1.1 National

In the South African context, urban regeneration is a process that was initially primarily led by property owners and the business sector concerned to protect their investment in CBD areas suffering from urban decay. At the beginning of the 1990s these stakeholders started implementing Community or Business Improvement Districts (CIDs and BIDs) as a key mechanism to tackle CBD urban decay. This required municipal involvement through partnerships in jointly tackling issues of 'crime and grime'. This process of lobbying for more municipal accountability in order to restore confidence and create an enabling environment for investment had some success.

The three spheres of government added urban regeneration to their agenda – with a varied commitment – and this process ended notably with legislations on Urban Development Zones (UDZs) and CIDs. UDZs can be considered as the only piece of policy related to urban regeneration established at a national level. To a certain extent, the Municipal Finance Management Act (2003) also provides a framework for urban regeneration since it governs municipal financial management and defines the conditions and processes for public–private partnerships. CIDs legislation and policy has happened within the Provincial and Municipal spheres of government.

Two major tools and incentives for urban regeneration	
<p>The UDZs</p> <p>The 2003 Revenue Laws Amendment Act allows tax breaks and tax incentives within specific areas. Buffalo City, Cape Town, Ekurhuleni, Emalahleni, Johannesburg, Mafikeng, Mangaung, Matjabeng, Mbombela, Msunduzi, Nelson Mandela, Polokwane, Sol Plaatjie and Tshwane were all identified as areas in which UDZs should be demarcated.</p> <p>A UDZ is a tax incentive aimed at encouraging inner city regeneration across South Africa. It takes the form of a tax allowance covering an accelerated depreciation of investment made in either refurbishment of existing property or the creation of new developments within the inner city over a period of time.</p>	<p>The CIDs</p> <p>CIDs are geographic areas in which the majority of the property owners determine and agree to fund supplementary and complementary services to those normally provided by the local authorities. Legislation allows for CIDs to raise an additional levy to be charged on all property within the defined area.</p>

1.2 Provincial

The provincial commitment to urban regeneration is patchy. Gauteng and Western Cape are the only provinces with policy frameworks, albeit very weak in the Gauteng's case. A Gauteng White Paper on Urban Regeneration and Integration Plan for City, Town and Township Centres was released in 2003. This paper highlighted the potential of city centres for urban regeneration. In 2005 another White Paper on Urban Regeneration was released. But it is difficult to assess to what extent these documents are related and have been implemented.

The Western Cape appears to have a more recent and more coherent strategy. The Department of Transport and Public Works of the Western Cape with the City of Cape Town has initiated a Central City Regeneration Programme (CT-CCRP) in 2010. A Regeneration Office of the Provincial Government has been created with the intent to support the CT-CCRP. One of the key objectives of the programme is 'to achieve densification by developing a percentage of the residential stock for affordable housing' (Department of Transport and Public Works of the Western Cape, Cape Town City Regeneration Project: Strategic Framework, Version 02, February 2011, Executive Summary, i)). The major mechanism to stimulate the regeneration is for the release of provincial-owned land and buildings to support the roll out of the strategy. However, to date there is no substantial programme for delivery and certainly no linked initiative that has helped shape residential access.

1.3 Municipalities

Metropolitan municipalities have taken the primary leadership role in establishing urban regeneration strategies to help reverse the decline of their urban centres, protect their asset base and support their own fiscal objectives. To this extent, there was a common interest between the municipalities and the business sector and property owners who have often initiated the processes. Municipalities involved in urban regeneration have generally acted as facilitators for these business and property owning interests and this has given form to the content of their urban regeneration strategies.

Their interventions have generally concentrated on supporting public private partnerships for property owners to tackle 'grime and crime' and infrastructure investment as a way of drawing on increased private sector investment. Most of these plans and strategies are either silent on the role of affordable housing or at best vague keeping it to statements within broad policy objectives.

2 An overview of the metro initiatives

Six metropolitan municipalities are currently involved in urban regeneration (City of Johannesburg, City of Tshwane, City of Cape Town, eThekweni Metropolitan Municipality, Nelson Mandela Bay Municipality and Ekurhuleni Municipality) but in various ways.

In each case, urban regeneration has required a complex institutional set-up gathering the municipality (acting as a facilitator), the private sectors (in the form of public-private partnerships), and sometimes dedicated structures (such as development agencies). But the institutional set-up varies from one city to another.

In the cases of Johannesburg and Nelson Mandela Bay municipalities, a specific development agency has been set up. In Cape Town, the Cape Town Partnership is the main driver. In Durban, there is a specific municipal department, the iTrump, which has an urban regeneration mandate.

In Tshwane, there is currently no specific structure, although in the past they did have an inner city redevelopment office that took action on 'bad buildings'. A lot of different players have been involved and have drawn different strategies. Specific to Tshwane, which is the seat of administrative capital of the country, is the commitment of the national sphere of government through the National Department of Public Works (NDPW). In 2011 the City of Tshwane and the NDPW appointed Arup, an international firm of consultants, to develop a new comprehensive Master Plan and Urban Management Framework for eight areas of the inner city. This is supposed to bring together all the different strategies in a coherent master plan and to recommend principles, for example, for the development of a housing policy for the city. However, this is one of a number of previous planning initiatives, and the others have resulted in very little coordinated and strategic implementation.

In the case of Ekurhuleni Metropolitan Municipality, the urban renewal strategy has been developed as part of a memorandum of understanding signed by the Ekurhuleni Metro and the Gemeente Breda Municipality in Netherlands. The urban regeneration process is part of a holistic approach for the city centre. It has a strong component of residential development as a key driver. Within this it is planned that 'social housing' should play an important part. Four areas, eight precincts and 14 development zones have been identified for urban regeneration throughout the city. This initiative is still at its planning stage with no allocations or delivery initiatives yet in place for its implementation.

Urban regeneration processes in each city also differ in terms of temporality (Appendix 2). For instance, the City of Johannesburg has been a pioneer in terms of urban regeneration. The Central Johannesburg Partnership (CJP) was established in 1992. It started lobbying for the establishment of the first CID in the CBD as early as 1993, and subsequently participated in the drafting of the CID legislation. In Cape Town the first discussions around inner city revitalisation were in 1995, but the formalisation of the initiative came in 1999 with the establishment of the Cape Town Partnership (CTP) whose prime focus was the implementation of a CID in the CBD.

3 Affordable housing, a neglected component of urban regeneration strategies

The urban regeneration strategies implemented by the municipalities are quite similar in terms of their vision and content. The primary focus is on economic growth. The core of the strategies generally emphasise attracting sustained private investments and creating a functioning property market leading to a rise in property value. The emphasis is often put on the improvement of municipal infrastructure, and the regulation of informal trading. The physical upgrading of urban centres is generally accompanied by mechanisms to enhance urban management, to 'eradicate crime and grime' (cleansing, by-law enforcement and slums clearance).

These strategies are characterised by the weakness of their housing component, especially in the early stages of the policy development (1990s). The City of Johannesburg is probably the exception. In the 1990s, the inner city of Johannesburg faced a big challenge with a high quantity of dilapidated buildings in the CBD. The existence of strong associations working on affordable housing in the inner city (in particular COPE and Johannesburg Housing Company) has probably also played a role.

The CJP, established in 1992, was responsible for some far-reaching initiatives in terms of housing. The first one was the establishment of the Inner City Housing Upgrading Trust (ICHUT) – which later became the Trust for Urban Housing Finance (TUHF), which aims to drive inner city investment by helping potential investors become property entrepreneurs.

The second one was the establishment of the Johannesburg Trust for the Homeless (JTH) through which the first transitional housing model in the city was developed. In 1998, the newly established Inner City Office, put housing on its agenda. Two of the priorities were the development of a social housing policy (which has never been developed) and a programme to address 'Bad Buildings'.

The Bad/Better Building Programme (BBP)

The Bad Building Programme, better known as the Better Building Programme (BBP), was launched in 1999, and ended in 2007, replaced by the Inner City Property Scheme (ICPS). The BBP aimed to identify buildings that were in a particularly bad state of repair and particularly those where the amount of arrears in rates and service charges exceeded the value of the building. In this latter case, the Council would take over (through rehabilitation or demolition) the building and hand it to the private sector (if a private investor is willing to buy a derelict building, the city scraps the arrears). The first social housing schemes in the City developed by SHIs, such as the Johannesburg Housing Company and Cope Housing Association, and latterly Madulammoho, have benefited from this programme – in the days before RCG. However, after early successes, the programme went into decline and there is currently discussion about a similar such programme in the City.



Figure 5: Lake Success, Hillbrow, first upgrade completed by JHC under the BBP

There was a shift after the mid-2000s in attention given to affordable housing delivery in inner cities. The Inner City Charter in 2007 in Johannesburg and the Central City Development Strategy (CCDS) written in 2006 by the Cape Town Partnerships both balance concerns for growth with social considerations. In both documents, affordable housing has been prioritised. The Johannesburg Inner City Charter projects the establishment of 'an Inner City Housing Plan [that] will drive the development of many more affordable accommodation units in the Inner City'. The expected outcomes were to 'provide or ensure at least 50 000 (and ideally 75 000) new residential units by 2015, either in the Inner City or near to it. On rough estimates of demand it is projected that some 20 000 of these units must be affordable to households in lower income bands if the collective problem of a stressed Inner City residential environment is to be solved'. One of the aims of the City of Tshwane's Social Housing Policy that was approved in 2007 was to achieve spatial, social and economic integration through the development of social housing within the newly (then to be) defined restructuring zones. Unfortunately the Policy has not really been implemented.

Concerning Cape Town, outcomes highlighted in the CCDS are, among others: 'tripling of residential population, with at least 20% affordable housing in the Inner City and the completion of District Six restitution and development process' which will also bring other housing opportunities in the Inner City.

Nevertheless, despite the clarity of the intent, both of these municipalities have failed to make any real strides in achieving their objectives around access to affordable housing.

4 A paradoxical policy framework on social housing and urban regeneration

The gap in housing component of the urban regeneration varies depending on the city. In some it starts at the strategy formulation stage, while in others it is included at that point but not translated into implementation. When there is no enabling environment for affordable housing in the inner city, enshrined in a policy framework, housing associations generally struggle to give a long-term perspective to their action, especially given the regular changing environment within the municipalities. When municipalities have urban regeneration strategies that take into consideration housing, they have not transformed these into sustained programmatic delivery, rather relying on sporadic ad hoc projects.

The weakness of the housing component in the existing urban regeneration strategies is all the more critical in that there is a major push in the National Housing Policy for a better integration of housing within inner cities. Breaking New Ground (BNG) put great emphasis on the role of social housing as a driver for urban regeneration. BNG states that, 'social housing interventions may also be used to facilitate the acquisition, rehabilitation and conversion of vacant office blocks and other vacant / dilapidated buildings as part of a broader urban renewal strategy. Social housing developments should be dovetailed with other initiatives such as municipal redevelopment projects and the Urban Development Zone tax incentive' (NDOH, 'Breaking New Ground: A Comprehensive Plan for the Development of Sustainable Human Settlements' 2004).

However, specifically the current policy framework does not facilitate a stronger linkage between social housing and urban regeneration. Several stumbling blocks can be considered:

- First, there is a conflict of scale since urban regeneration is implemented from below (generally through a locally driven partnership approach in which the municipality acts as a facilitator), whereas housing historically falls under the competence of upper spheres of government. However, the BNG strategy has recently introduced a shift by arguing for a greater devolution of responsibility and resources to municipalities, through the accreditation process.
- Linked to that point, the current funding mechanisms do not allow for municipalities to take leadership on housing-related functions, although the present municipal accreditation process will change this. The change in the legislation and the establishment of the Social Housing Regulatory Authority (SHRA) in August 2010 by the Minister of Human Settlements in terms of the Social Housing Act, No. 16 of 2008, confirms the national orientated housing policy in South Africa. The municipality only plays an indirect role in defining the RZs. The other public subsidy, the institutional subsidy, is delivered by the province except where a municipality has attained the relevant accreditation.⁴
- Another stumbling block is the legacy of the silo mentality which makes difficult cross-sector collaboration and functional diversity in housing projects.

It is within this context and acknowledging all the shortcomings and opportunities of the policy framework, that NASHO initiated the assessment of the RCG which is detailed in the next section.

⁴ Currently, no municipality has received the third level of accreditation which enables financial administration.

SECTION 3

RCG investment – where is it spent?

This section provides an analysis of how the RCG investment between 1996 and 2012 was targeted. It then analyses some of the reasons for, and the likely impact of, these allocations.

To begin, it considers the RCG allocation in terms of:

- Year
- Province and city
- Location in the city
- Linkage to broader urban structuring programmes
- How much extra finance it is leveraging

1 A work in progress: a limited but relevant sample base

This research project has concentrated on all the projects listed in the SHRA project list for the period (see Appendix 1). While this gives a substantial amount of information about the amount of RCG, it does not provide greater detail on the location, nor the overall spend. This information has been obtained mainly from the schedules completed by SHIs responsible for the 20 projects covered, as well as from information from NASHO archives on other projects. It does not have the details of actual spend on all the projects.

With the schedule (Appendix 1) sent to SHIs, responses were received for 20 projects⁵. The table below summarises the spread of RCG allocations where 'schedule' responses were and were not received.

	Number of projects	Units	Number of SHIs	RCG financing
Responded	20 (2 projects with 2 phases)	4537	8	R566 244 415
No response	12 (1 with 3 phases, 2 with 2 phases)	5722	3	R637 300 000

Figure 6: Sample base details

⁵ One project can have several phases, each one having received the RCG. Among submitted questionnaires, two projects have two phases.

Profiling 'non-responses'

Of the non-responses, seven project allocations were linked to an accredited SHI operating in three provinces, three were linked to a municipal entity, and another one linked to a newly established SHI that has received its first allocation for this project.

The five other 'non-responses' linked allocations were not to 'accredited' SHIs. Four allocations were made to a 'for-profit' developer that had already completed units that were occupied and the allocation was made based on the developer agreeing to set up a non-profit SHI to manage the stock. The company has subsequently withdrawn from this agreement and there are discussions as to whether it is possible to transfer this stock to an established SHI.

The fifth corresponds to the social housing component of the N2 Gateway project, one of the mega housing projects initiated by national government. The Housing Development Agency (HDA) currently owns the stock, but has initiated discussions with SHIs for transfer.

For the purposes of the analysis the 'non-responses' were included in the analysis in this report where the information was available through public information. The major shortfall in information was the lack of the detailed financing of these projects.

In the analysis of the RCG funding, the data was collected from the SHIs through a questionnaire. Where no questionnaires were submitted, the allocated RCG quantum was taken from the SHRA template. It can be noted that within the 20 RCG allocations for received data, seven questionnaires had data on RCG that corresponded to the SHRA template. In six the RCG shown by the SHI is less than that on the SHRA allocation list. The difference between SHRA figures and SHIs' varies from R44 250 to R13 688 496 with an average variance of R150 387 (excluding the R13 688 496 considered as an anomaly). While the information on actuals is not perfectly accurate, the low level of variation means that the information from the mixed sources remains valid enough to permit analysis and conclusions.

2 RCG subsidy pool increasing over time

For the period under review, the table below shows that the total allocation of RCG was R1 203 544 495 to the non-profit sector for the development of a total of 10 259 new social housing units. A further R70 600 000 was allocated for the development of 543 units by the private-for-profit sector.

The average RCG per unit is stable over time. It corresponds to the standard grant quantum indicated on SHRA's website (R125 615 per unit with possible variance).

Year/ programme	RCG amount Rm	% of total RCG	Total number of units	% of total units	AVG RCG per unit Rs
2007–2008	102 385 600	9%	1 698	17%	60 298
ISHP 1	102 385 600	9%	1 698	17%	60 298
2008–2009	234 900 000	20%	1 893	18%	124 089
ISHP 2	234 900 000	20%	1 893	18%	124 089
2009–2010	261 536 160	22%	2 011	20%	130 053
ISHP 3	261 536 160	22%	2 011	20%	130 053
2010–2011	192 433 765	16%	1 473	14%	130 641
SHIP 1	192 433 765	16%	1 473	14%	130 641
2011–2012	412 288 970	34%	3 184	31%	129 488
SHIP 2a	340 465 280	28%	2 640	26%	128 964
SHIP 2b	71 823 690	6%	544	5%	132 029
Total SHI	1 203 544 495	100%	10 259	100%	117 316
Total private sector 2011/12	70 600 000		543		130 018
Total SHI and private sector	1 274 144 495		10 802		

Figure 7: RCG allocation per year

There was a very large increase in the quantum of RCG allocation in 2011/2012 and this upward trend in total budget allocation will continue to increase over the period of the Medium-Term Expenditure Framework (MTEF) as shown in tables 8 and 9 below.

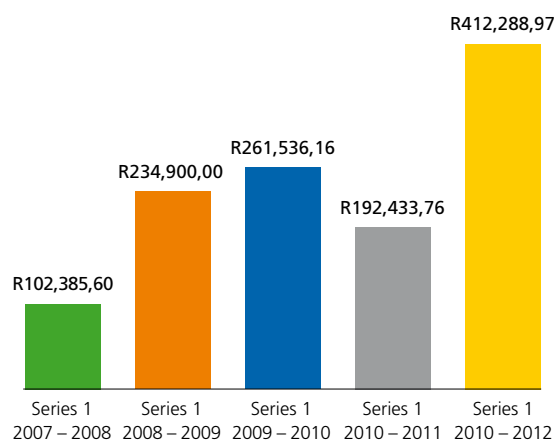


Figure 8: A doubling of the government investment in social housing in 11/12

	2013	2014	2015	2016	2017	Total 2013–17
Caps Grant Rm	582 661	678 693	708 614	746 879	787 211	3 504 058

Figure 9: MTEF SH Caps Allocation to SHRA 2013–2017 (SOURCE SHRA Business Plan Presentation Portfolio Committee, 2011)

A number of factors could explain the recent growth of the social housing sector:

- The establishment of the SHRA and the Social Housing Investment Programme (SHIP)
- A growing critique of the 'RDP' approach⁶
- An increased government interest in better located affordable housing (shift with BNG)
- The historical quality of stock and management in the social housing sector has created investment confidence from government

Considering this positive trend for social housing, there is a major challenge to ensure that the investment is used in well-located urban areas, in good quality of stock and sustainable management in order not to undermine confidence in sector.

3 An uneven distribution of RCG among provinces and cities

The map below indicates the location of RCG-funded projects across the country.



Figure 10: Distribution of the RCG per province (From AFRiGis and HDA)

⁶ RDP houses are ownership options for poor people. They rely on project-linked subsidies for large-scale housing developments, often located on the periphery of the cities on land first acquired or zoned for township development under apartheid. RDP houses are ownership options for poor people. They rely on project-linked subsidies for large-scale housing developments, often located on the periphery of the cities on land first acquired or zoned for township development under apartheid.

The table below details the distribution by province and urban area.

Province/city	Total units	RCG amount	% of RCG
KwaZulu-Natal	3 411	362 208 840	30%
eThekweni	3 047	340 223 240	28%
Msunduzi	364	21 985 600	2%
Eastern Cape	2 019	277 395 686	23%
Buffalo City	1 514	204 400 000	17%
Nelson Mandela Bay	505	72 995 686	6%
Gauteng	2 184	265 657 017	22%
Johannesburg	1 949	242 644 504	20%
Tshwane	235	23 012 513	2%
Western Cape	1 644	162 173 800	13%
Cape Town	1 644	162 173 800	13%
Free State	897	122 811 504	10%
Mangaung	897	122 811 504	10%
Mpumalanga	104	13 297 648	1%
Emalahleni	104	13 297 648	1%
Limpopo	0	0	0%
North West	0	0	0%
Northern Cape	0	0	0%
Total	10 259	1 203 544 495	

Figure 11: Distribution of RCG per province and city

3.1 Allocations per province

KwaZulu-Natal has received the most RCG allocation (30%). Next the Eastern Cape and Gauteng have received almost the same percentage (23 and 22%). Between them these three provinces have received 75% of the total RCG spending since 2007. Why?

- Numerous SHIs with capacity?
- More 'political' interest from province?
- Land and buildings more easily available at the 'right' price?
- More provable demand and appetite for social, rented housing?

Conversely Mpumalanga, Northern Cape, North West and Limpopo have received minimal or no allocation at all. Why?

- Absence of metropolitan municipalities?
- Lack of capacitated SHIs?
- Poor provincial and municipal government co-ordination?
- Lack of sufficient demand?
- Lack of RZs?

3.2 Allocations per city

The allocations are more uneven between cities within the provinces. eThekweni, which is also the municipality with the more RZs (18), has received 28% of the total RCG allocation. Johannesburg and Buffalo City have respectively received 20 and 17% of total allocation, which is substantially more than Cape Town (13%), the second biggest city in terms of population.

Johannesburg has received 91% of the total RCG attributed to Gauteng. The rest (9%) has been attributed to Tshwane, which is a very small allocation relative to its size. Ekurhuleni, the other metropolitan municipality in Gauteng, has received nothing.

The explanation seems to rest with the some of the same reasons as raised above. The lack of coherent municipal response, lack of properly capacitated SHIs and the difficulty in obtaining land and building resources are all stumbling blocks in municipalities with low allocations.

4 An uneven distribution of RCG among SHIs

The following table indicates the allocation of the RCG among SHIs according to their status of accreditation.⁷

Table: Allocation by SHI and its accreditation status

SHI	Total unit	RCG amount	% of RCG	Status
Sohco	2 065	226 500 000	19%	Conditional
Joshco	1 363	165 000 000	14%	Conditional
Moko Phoenix	1 242	154 600 000	13%	Not known
FMHC	1 176	147 723 240	12%	Conditional
FRESHCO	897	122 811 504	10%	Conditional
OHHA	836	116 995 686	10%	Conditional
Madu Housing Association	586	77 644 504	6%	Full
Communicare	339	42 773 800	4%	Full
HDA	705	42 500 000	4%	None
IMIZI	347	48 700 000	4%	Conditional
Mkunduzi Housing Association	364	21 985 600	2%	Conditional
YCH	235	23 012 513	2%	Conditional
Emahlaheni Housing Association	104	13 297 648	1%	Conditional
Total	10 259	1 203 544 495		

Figure 12: Distribution of RCG among SHIs

One SHI has received the largest share of the RCG allocation: 19% of the total RCG has been spread across projects in three cities in three provinces and across the six years of the subsidy. The three 'fully accredited' SHIs have received a total of 10% of the RCG allocation. One of the 'fully accredited' has not used any RCG during the period. There are five conditionally accredited SHIs that have received between 10 and 14% of the allocation each.

⁷ The accreditation process is led by SHRA, which proceeds on the base of identified criteria to determine if the SHI is 1) fully accredited, 2) accredited with conditions, 3) declined, and 4) pre-accredited.

5 An ad hoc spatial strategy for public investment in social housing

As outlined in Section 1, the very nature of the RCG is to provide access to good quality rental in well-located parts of the cities, especially for those previously excluded by the apartheid planning system. Thus, the spatial location of the stock is an important indicator of the effectiveness of the programme.

To assist this analysis, the spatial location of projects is divided into five areas defined in the box below.

Typology
<ul style="list-style-type: none"> <p>• CBD – URBAN REGENERATION</p> <p>This are mainly in inner city locations, including in some of the ‘decentralised’ urban centres, where the intent is to drive the substantial physical and functional upgrade of the area using social housing as a key driver or a major component. This involves a mix of work on existing buildings and infill sites with very little greenfield potential.</p> <p>• SUBURBAN INNER-INTEGRATION</p> <p>This refers to the inner suburban residential areas with access to public transport and other socio-economic resources where the intent is to strengthen the economic residential mix and the tenure choice, particularly for low- and moderate-income households. This involves predominantly greenfield site development, including importantly infill.</p> <p>• SUBURBAN OUTER-INTEGRATION</p> <p>This refers to the outer suburban residential areas with less developed internal public transport but significant linkage to key public transport routes that link it to socio-economic drivers within the city. In these areas the intent is to strengthen the economic residential mix and the tenure choice particularly for low- and moderate-income households. This involves predominantly greenfield site development.</p> <p>• GREY AREAS – LINKAGE</p> <p>These are the old apartheid areas left either vacant or with marginal industrial development between the old ‘white’ city and the ‘black’ townships. The effective use of these areas is reliant on the development or improvement of the public transport infrastructure and the investment in major infrastructure development. It also often involves effective ‘new townships’. The success of the RCG investment is very dependent upon the quality of the township development and the financing and delivery of new public transport routes. The big focus of development in these areas is on major mixed income projects on greenfield sites.</p> <p>• TOWNSHIPS</p> <p>These are the former black, particularly African townships generally located on the outside of the former white cities. While many of these are poorly located and very under resourced with infrastructure, there are a few that have become significantly functional urban areas in their own right, e.g. Soweto. However, the present social housing policy framework would exclude such areas and the provision of social housing does not change the racial or economic mix of these areas. Notwithstanding this, Soweto is designated as an RZ.</p>

It is recognised that this typology, while useful, has some limitations. It does not take into account transport nodes and nodes of development that might be cross-cutting in providing access to socio-economic opportunities. These are suggested parameters that could be refined in further future analysis.

Based on the typology, the table below reflects the amount invested in these different spatial areas.

Table: Investment of RCG in different locations in cities

Spatial type	Total unit	RCG amount	% of RCG
CBD	1 540	183 827 359	15 %
Suburban Inner	3 193	344 126 624	29 %
Suburban Outer	4 840	588 350 408	49 %
Greyzone	686	87 240 104	7 %
Township	0	0	0 %
Total	10 259	1 203 544 495	

Figure 13: RCG invested per spatial type area

Half of the total RCG allocation has been allocated to 'outer suburbs'. Numerous factors could be evoked to explain this situation:

- Easier to find private land at the right price to fit the financial model
- More private-for-profit developers with undeveloped land waiting for opportunity
- Lack of release of government land in the right condition in the CBD and inner suburbs

Despite the emphasis in the policy on social housing being targeted at inner city locations, only 15% of the RCG has been spent in CBDs. The investments in these areas were mainly targeted at small-scale projects, understandable since these areas have few larger greenfield sites available.

- There are 12 projects in CBDs. Within the 11 projects located in outer suburbs, three projects have two phases (each phase having received a separate allocation) and one has three phases. Projects in CBDs have only one phase.
- The average size of land in CBDs is 0,7ha compared with 7,3ha in outer suburbs.⁸

The major constraints to greater allocation in the CBD areas are:

- Lack of available land and buildings at the right price;
- Lack of proper conceptualisation of the role of affordable and social housing as a driver of urban regeneration; and
- Lack of coherent municipal strategies and implementation plans.

The analysis also shows a possible trend of RCG allocation shifting increasingly to 'outer suburbs' and 'greyzones'. Again, this is a function of the availability of suitably priced land. With increasing reliance on 'for profit' developers to invest land in social housing coupled with the tight financial viability of social housing, developers are likely to avail the land that has otherwise lower market potential, holding better located land until there is an upturn in the property. They can thus use the availability of government capital financing to make the development of this more marginal land viable for social housing or for an integrated housing development that includes social housing at a time when the property market is not strong.

⁸ We only have data on lands for five projects in CBDs and three projects in outer suburbs. And this data was not available for each city having received the RCG. Thus these results can only be considered as a possible trend.

6 Linkage to broader urban development initiatives

Few of the RCG projects had linkages to broader government regeneration initiatives.

Only eight out of 32 projects are located in an Urban Development Zone. Two projects are part of a 'mega' project initiated by national government. No project is part of a municipal urban regeneration or development programme.

More generally, there is a lack of proactive municipal-driven involvement. According to the information submitted by SHIs (data available for 20 projects), 16 projects have been initiated by SHIs. One project has been initiated by national government and three projects by local governments, but none of them are located in CBD areas. Only one CBD project has been developed on a land initially owned by local government, whereas five suburban projects have been developed on public-owned land. Public land is more easily released in suburban areas.

6.1 Quality of access to social and economic amenities

The same sample (the 20 responded projects) was used to assess the quality of access to social and economic amenities in different spatial locations. The data from these responses was inserted in a Geographic Information System. A 1,5-km radius was then drawn around each project in order to calculate how many amenities are situated in each area. The available data concerned SAPS, post offices, schools and medical facilities.⁹ The results show a better location of the CBDs projects in terms of proximity to these amenities.

Spatial type	SAPS	Post office	Private hospital	Public hospital	Medical clinic	Total medical facilities	Secondary school	Primary school	Combined schools	Total schools
Suburban Outer	1 Less than one per project	3 Less than one per project	0	0	0	0	3 Less than one per project	11 About 3 per project	1 Less than one per project	15 About 4 per project
Suburban Inner	3 Less than one per project	6 About one per project	5 One per project	4 Less than one per project	3 Less than one per project	12 About 2,5 per project	8 About one per project	27 About 5,5 per project	6 About one per project	41 About 8 per project
CBD	6 Less than one per project	20 2 per project	36 About 3,5 per project	5 Less than one per project	6 Less than one per project	47 About 5 per project	46 About 4,5 per project	62 About 6 per project	20 About 2 per project	128 About 13 per project
Greyzone	0	0	0	0	0	0	0	0	0	0

Figure 14: Amenities located within social housing surroundings

⁹ Sources of information: police stations taken from SAPS (November 2011), post offices taken from post offices (2009 to 2011), medical provided by various resources like Medpages, Prime Cure, hospitals, imagery, fieldwork, etc. (2009 to 2012), schools taken from Education Department, Edu-Action and some from Imagery (2008 to 2011).

The analysis is all the more striking in terms of access to transport facilities:

Spatial type	Taxi rank	Railway station	Bus stop	Total transport facilities
Suburban Outer	1	2	0	3 Less than 1 per project
Suburban Inner	0	3	0	3 Less than one per project
CBD	70	18	146	234 About 23 per project
Greyzone	2	0	3	55 Around 1 project

Figure 15: Transport facilities located in social housing surroundings

6.2 Summary of location of spend

The spatial analysis of the RCG spending shows that most of the projects are developed on an ad hoc basis based on the availability of land without considering possibilities of linkage to urban regeneration or other government-driven programmes. As a consequence, most of the projects are located in suburban areas where the access to economic and social amenities is less easy than in CBD areas. Several factors could be evoked to explain this trend:

- Local authorities are reluctant to release well-located land to SHIs which represents a long-term return on investment. Timelines for release of municipal and state land are not conducive to social housing development using RCG.
- The process of social housing development itself has some shortcomings. The possibility that RZs are too loose and risk not meeting the restructuring objectives of the social housing policy. The project application form that has to be submitted to SHRA considers criteria based on the project itself and to a lesser extent to the broader environment. There are no criteria to incentivise the SHI to include its project in a broader regeneration initiative facilitated by the municipality. Also the locational assessment is based purely on whether it is in an RZ without any analysis of whether it maximizes the access to socio-economic opportunities.
- The lack of proactive and sustained involvement of provinces and municipalities in the programme and the recognition of the importance of using social housing to help shape their urban development initiatives. Linked to this is their strategic use of land and building assets to assist with this.

CHALLENGE BOX

Province and municipal allocation of land and buildings for social housing

The availability of properly priced land and buildings for social housing is particularly critical for the success of social housing in the better located parts of South African cities as such developments are not likely to be achieved through the private land market. The SH sector is reliant on provinces and municipalities availing such land and buildings through their development partnerships with SHIs. Unfortunately, despite some municipalities for example having written policies to this effect, in practice many government departments are reluctant to forward such developmental arrangements, preferring to dispose of such land through tender to the highest bidder. The effect of this is to dispose of crucial assets into the private market and in doing so reduce potential future access to low- and moderate-income households.

Often this is justified in terms of the Municipal Finance Management Act or Provincial Financial Management Act. However, both these Acts, and some municipalities own approved policies, allow for the structuring of release arrangements for assets for less than market rate in the interest of ensuring the delivery of key governmental developmental objectives. Some municipalities have explored this approach and are implementing on a limited scale, and on a case-by-case basis.

Without this more proactive approach from municipalities and provinces, the programme will rely on obtaining land from the market which in turn is likely to force such developments increasingly to the 'outer suburbs' and 'greyzones'.

7 The potential of RCG in terms of attracting additional finance

The data collected from the SHIs also shows in detail the financing model used for their projects. The following table outlines the results for the 20 projects from which we received a response.

Province/city	RCG Rm	Instit subs Rm	Loan Rm	Equity Rm	Total financing Rm
KwaZulu-Natal	169 708 840	80 973 985	179 660 235	0	430 343 060
eThekweni	147 723 240	61 723 752	149 570 757	0	359 017 749
Msunduzi	21 985 600	19 250 233	30 089 478	0	71 325 311
Eastern Cape	116 995 686	67 999 889	94 000 000	1 288 611	280 284 186
Buffalo City	92 700 000	59 300 000	93 000 000	0	245 000 000
NMB	24 295 686	8 699 889	1 000 000	1 288 611	35 284 186
Gauteng	100 657 017	44 123 900	74 424 960	3 910 000	224 402 877
Johannesburg	77 644 504	32 230 000	49 178 202	3 900 000	162 952 706
Tshwane	23 012 513	11 893 900	25 246 758	10 000	61 450 171
Western Cape	42 773 800	34 379 199	28 345 198	24 649 714	130 147 911
Cape Town	42 773 800	34 379 199	28 345 198	24 649 714	130 147 911
Free State	122 811 504	57 463 524	48 967 199	0	215 230 723
Mangaung	122 811 504	57 463 524	48 967 199	0	215 230 723
Mpumalanga	13 297 648	8 889 712	4 609 811	5 260 000	32 057 171
Emahlaheni	13 297 648	8 889 712	4 609 811	5 260 000	32 057 171
Grand total	566 244 495	293 830 209	430 007 403	35 108 325	1 312 465 928
% SHARE	42	22	33	3	

Figure 16: Financing of projects (for which we received a response)

RCG is a main source of financing for most of the SHIs. It contributes to an average of 40% of the total financing. Together with the Institutional Subsidy, government investment accounts for 64% of the total cost. This government investment draws in additional 33% of total in the form of private loan finance, and a further 3% in the form of private equity. Until today no other government-financed housing programme has achieved this level of leverage.

There is presently a low level of equity investment since the sector and the SHIs are still young.

The results of these 20 projects were used to do a projection for all the projects that have received the RCG since 2006. Thus, if the pattern highlighted above was the same for the total allocation, the total investment would be as follows:

Total estimated investment	RCG Rm	Institutional subsidy Rm	Loan Rm	Equity Rm
2 865 582 131	1 203 544 495	630 428 069	945 642 103	85 967 464

Figure 17: Estimation of total investment in the sector since first RCG allocation

This estimate indicates an overall investment in social housing of almost R3 billion. The R1.8 billion invested by government (RCG + institutional subsidy) has leveraged R1 billion private sector financing (loan + equity). As the sector develops over time, and investor confidence increases, the equity and loan portion should grow.

In addition, where an RCG allocation is made, it provides the municipality with an extra government investment in its area that it would not have achieved through its usual grant allocation mechanisms.

To conclude, these figures do not take into consideration the economic impact of one project in its surrounding area in terms of job creation, stimulation of new development, etc. Thus social housing can be considered an important asset, notably for the municipalities given the minimal investment they make in the process.

SECTION 4

Conclusions and recommendations

1 Conclusions

1.1 Large increase in government investment and leveraged investment

The RCG assessment confirms the growth of the sector since the programme was started. The RCG allocation quantum has increased substantially since 2010–2011 and the MTEF shows a continuing increase over the next three years. The sector has also shown an ability to leverage private sector financing (about one third of the total investment). This growth in the quantum of RCG allocation is in part a consequence of the policy commitment to creating a greater linkage between housing opportunities and their proximity to the important socio-economic opportunities. More specifically, the increase is also linked to the quality of the completed stock and the strength of the long-term management of stock and tenancies, itself the result of a rigorous project application assessment process.

This relative significant growth in government investment in the sector is crucial in providing the ground for longer-term sustainability of the social housing sector. However, it brings with it the danger that increased level of investment could result in less rigorous project assessment and some fudging on 'locational' advantage for political imperatives. This concern is heightened by the lack of a comprehensive strategy for the sector in terms of using RCG allocation to move SHIs to greater sustainability and eventually more independent financing of their capital programmes.

1.2 Shift in spatial allocation of the RCG

The spatial analysis of the RCG spend indicates that the largest proportion of projects and government social housing investment is located in outer suburban areas. More recently, there is an indication of an additional shift to the urban 'greyzones' which are generally less well located in terms of social, economic and transport opportunities than the inner suburbs and CBD areas. In part, this is a consequence of greater reliance on for-profit developers providing the land for social housing development.

1.3 Lack of linkage with broader urban development and regeneration initiatives

The evidence is that there is little direct linkage of RCG investment with broader urban development and urban regeneration programmes. This single project-based approach lessens the impact of government investment compared with what is achieved through a more programmatic intervention linked to other government investment.

1.4 Some reasons for the existing trends

On the basis of these results, the research has tried to come up with a hypothesis on the stumbling blocks and on how the impact of social housing could be better leveraged.

1.4.1 Availability of suitably priced land and buildings

The availability of suitably priced land is an important determinant in the choice of the project location. Increasingly, the social housing programme is reliant on land available through the private land market. At a time of a downturn in the market, some developers are willing to make available pockets of land in the outer suburbs and 'greyzones' where the potential long-term returns are lower. But this constraint is also probably related to the nature of the relationship between municipalities and SHIs, which is generally loose and informal rather than partnerships to tackle shared developmental objectives.

1.4.2 RZ policy and implementation too loose

Another explanation could also be related to the RCG allocation process itself. According to the legislation, the RCG is delivered in RZs. This research highlights a concern that RZs are becoming looser and covering more of the total cities, which could eventually question the original restructuring purpose of the RZs.

1.4.3 Ad hoc project allocation of RCG

Finally the RCG allocations are assessed on a project-by-project basis (i.e. the nature of the project application form submitted to SHRA), which restricts the possibility of broader programmes to maximise impact. But also the allocation process relies on the location in an RZ as the only locational indicator in the project assessment that is problematic if RZs are becoming 'looser' in the extent to which they meet the social housing policies spatial conditionalities.

1.4.4 Social housing as a driver or shaper of urban regeneration

The potential of social housing in terms of urban regeneration could also be leveraged if there was a more proactive urban regeneration policy that took into consideration the role that social housing can play as a catalyst for such intervention. Although the current housing policy puts the emphasis on the role of social housing as a driver for inner city regeneration, the current urban regeneration framework looks very weak and incomplete in terms of its housing component. There is currently no national urban regeneration policy. The major programmes and strategies come from metropolitan municipalities and give little emphasis to investment in housing as a driver or key element. In Cape Town and Johannesburg, where affordable housing was a key to strategic interventions, mechanisms were not developed for supporting implementation.

2 Recommendations

A first set of recommendation corresponds to short- and medium-term actions that could be implemented to leverage the impact of social housing in our cities. A second set of recommendations concerns paths of research for a better understanding of the opportunities and impact of social housing.

2.1 Action

- To create **stronger linkage of social housing investment to other government programmes** for the regeneration of cities through:
 - Greater clarity on the potential impact of social housing in regeneration programmes and better promotion of existing 'best practices' in the sector (e.g. eKhaya neighbourhood).

- To build **stronger structured relationships between SHIs and municipalities** around strong Service Level Agreements and Memoranda of Understanding, linkage to the municipal rental housing strategies where they exist, and in turn linkage to urban regeneration planning and implementation. This encompasses a better commitment of the municipality to facilitate SHIs development which could take the form of:
 - Mechanisms for the effective release of land and buildings
 - Shortening of land transfer and approval processes to speed up delivery
 - Reduction in municipal charges for social housing, such as Implementation of policies to encourage social housing and the waiving of bulk service charges
 - More generally, municipalities must improve their planning documents in order to align them together and avoid any gaps (at neighborhood scale and precinct scale particularly).
- To develop **stronger partnerships of equality with private developers** for the joint development of mixed income and function land that is both cost- and quality-effective. This can be done on top of coherent contractual relationships with the municipalities and SHIs.
- To develop **a strategic and comprehensive vision for the sector** which could include:
 - A review of the RCG application processes to better target RCG investment and incentivise linkage with other government investment in cities.
 - Strengthening the awarding of the RCG to organisations with competencies to manage the stock in the long term. And as part of this, building on the entrepreneurial strengths of existing SHIs and encouraging their active involvement in extending the management capacity in the sector within the framework of a 'capacity development' plan for the sector.
- To include an **assessment of the effect and impact of the project on enhancing urban regeneration** when deciding on which projects to approve for funding.

•2.2 Practical research for a better understanding of social housing potential

- **Review of the RZ policy and its implementation** to assess whether it is properly helping to target RCG investment to areas of greatest impact.
- **Real assessment of the long-term impact of social housing developments on their surroundings.** The analysis of each area in terms of social and economic opportunities needs refining. More research is required on the impact of social housing in the outer suburbs and 'greyzones'. The spatial analysis in this document doesn't take into account either the informal sector or the connectivity with roads and economic nodes in each area and the long-term impact of social housing in its direct environment. It means coming up with a series of indicators (both quantitative and qualitative) to really measure the impact of social housing according to our typology. It requires longitudinal evaluations, e.g. two assessments over a relevant period of time (for example, time 0 corresponding to the current environment, then time 0 + 5 years, and time 0 + 10 years).
- **A better understanding of the urban dynamics, especially in terms of tenant's trajectories.** There remains much debate about why tenants choose to live in social housing in a particular location and what affects this choice and why they would prefer one location to another if the choice existed. More research is required on what drives households to make choices around entering social housing and how these are linked to spatial preferences and why.

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Appendices

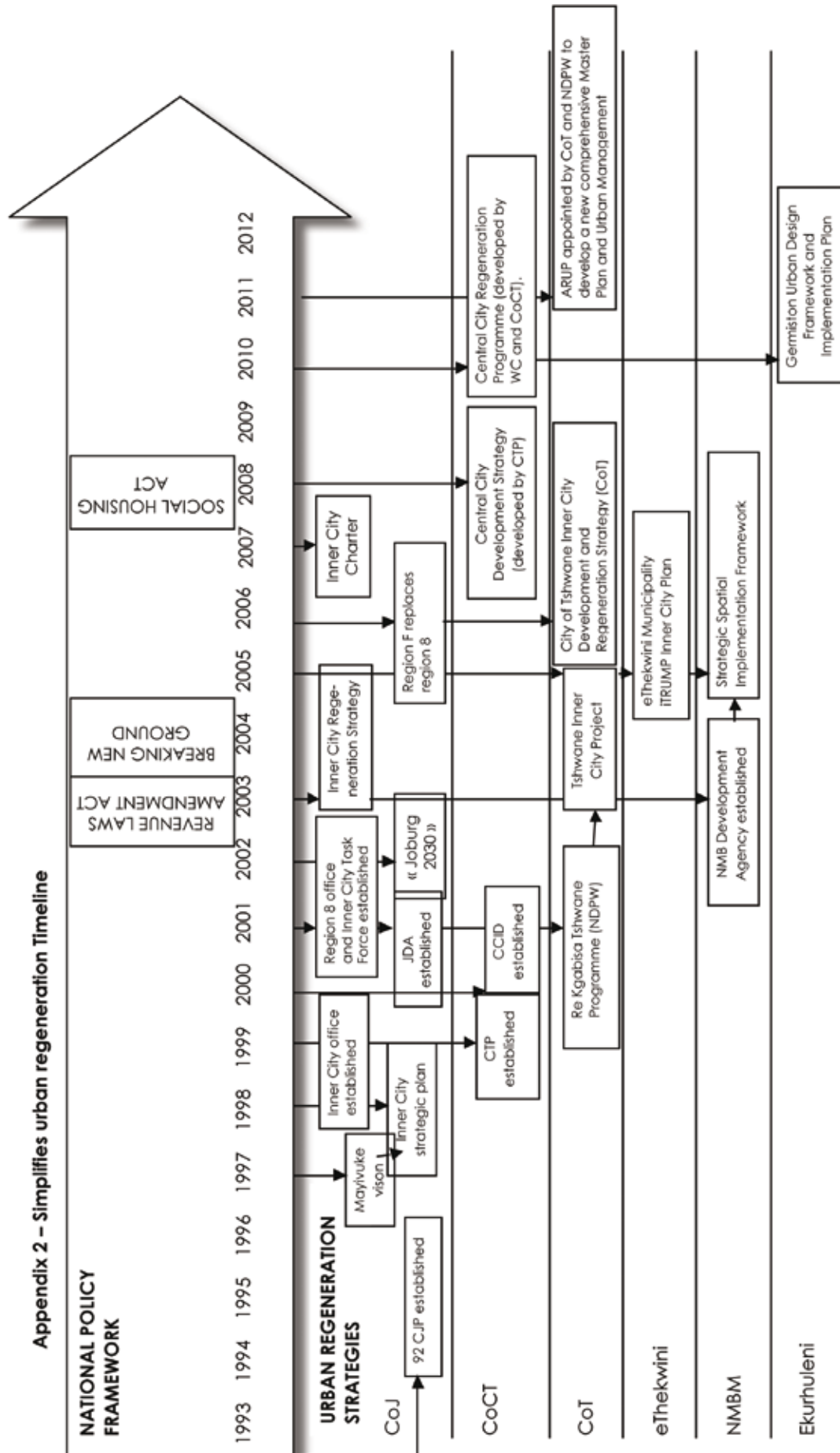
Appendix 1: Schedule sent to SHIs that have received the RCG

Identifying information	Name of the institution		
	Name of the project		
	Address		
		No	
		Street	
		Suburb	
		City	
	Geographic coordinates		
		lat.	
		long.	
	Year project developed		
	Number of units		
	Mix of unit types		
	Shared rooms		
	Bachelor		
	1 bedroom		
	2 bedrooms		
	3 bedrooms		
Type of unit			
	New		
	Refurbishment		
	Upgrade		
	Mix		
Financing	Income	targeting	household
			R1500 - 3500
			R3501- 7500
			% of original tenants

	Financing	Amount
	RCG	
	Institutional subsidy	
	Equity	
	Loan	
	Other	
	Total	
Land development	Size of land (Ha)	
	Ownership at point of acquisition	
	National government	
	Provincial government	
	Local government	
	Parastatal	
	Private owner	
	Other – please specify	
	Type of development	
	Greenfield	
	Brownfield	
	Infill	
	Mix	
	Previous zoning	
	Low-density residential	
	Medium-density residential	
	High-density residential	
	Commercial	
	Industrial	
Recreational		
Public open space		
Institutional		
Other please specify		
Primary land use surrounding area		
Residential		
Commercial		
Industrial		
Recreational		
Public open space		
Institutional		
Other please specify		

		Is the project located in a UDZ?	
		Yes	
		No	
Who initiated the process?			
		SHI	
		Local government	
		NGOs	
		Local resident	
		Private land owner	
		Other please specify	
Who was coordinating?			
		Provincial government	
		Local government	
		Private developer	
		Other please specify	
Relationship between different stakeholders	What were urban development objectives?		
Did project contribute to Urban Regeneration?			
		Yes	
		No	
		If yes, why?	

Appendix 2: Timeline on Urban Regeneration in SA 1993 – 2012



Aconyms

- BBP:** Better Building Programme
- BID:** Business Improvement District
- BNG:** Breaking New Ground
- CBD:** Central Business District
- CCDS:** Central City Development Strategy
- CID:** Community Improvement District
- CJP:** Central Johannesburg Partnership
- CT-CCRP:** Cape Town Central City Regeneration Programme
- CTP:** Cape Town Partnership
- DPLG:** Department of Provincial and Local Government
- HDA:** Housing Development Agency
- ICHUT:** Inner City Housing Upgrading Trust
- ICPS:** Inner City Property Scheme
- JDA:** Johannesburg Development Agency
- JHC:** Johannesburg Housing Company
- JTH:** Johannesburg Trust for the Homeless
- MTEF:** Medium-Term Expenditure Framework
- NDPW:** Department of Public Works
- RCG:** Restructuring Capital Grant
- RDP:** Reconstruction and Development Programme
- RZ:** Restructuring Zone
- SHI:** Social Housing Institutions
- SHIP:** Social Housing Investment Programme
- SHRA:** Social Housing Regulatory Authority
- TUHF:** Trust for Urban Housing Finance
- UDZ:** Urban Development Zone
- URP:** Urban Renewal Programme

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