

WESTERN CAPE INCLUSIONARY HOUSING POLICY FRAMEWORK

FREQUENTLY ASKED QUESTIONS

1 What is Inclusionary Housing?

- Inclusionary housing requires new private developments in certain well-located areas with high property values, to include some housing units that are affordable (available for rent or sale at prices below the price point of the rest of the development and surrounding developments) – or to contribute towards affordable housing in well located areas in other ways.
- These affordable units are made available for rental or purchase by people who qualify based on their income and other criteria agreed to between the developer and the municipality.
- This requirement is imposed by a municipality as a condition attached to the approval to grant additional development rights to a developer.

2 Why Inclusionary Housing?

- The Spatial Planning and Land Use Management Act (Act 16 of 2013) requires the government to apply the principle of spatial justice to spatial planning, land development and land use management. It requires government, in its spatial plans to address historical and spatial imbalances. It also specifically requires a municipality to designate areas where a national or provincial inclusionary housing policy may apply, in its municipal spatial development framework.
- Our settlements are plagued by the social and economic divisions of our Apartheid past. Land markets and state-assisted housing programmes, with limited funds and pressure to deliver, continue these patterns. Areas that are well served by public facilities and amenities and have easy access to employment opportunities are expensive and it is difficult for many households to afford to live in these areas. Instead, these households find affordable housing opportunities in areas further away and a lot of time and money is spent travelling to school, work, hospitals; etc. This makes it difficult for these households to advance themselves - all their spare time and money is lost to long travel times. Households that have managed to stay in well located areas find themselves pushed out as development interest in an area grows, land values (and resulting taxes) and rents rise and become unaffordable.
- Inclusionary housing is one way to provide affordable housing opportunities in well located areas partnering with the private sector and using the public sector's contribution to the value of the land in these areas.

- Inclusionary housing is a land use planning tool to promote more inclusive, integrated communities in the well-resourced areas of our cities and towns.
- The Spatial Planning and Land Use Management Act (Act 16 of 2013) also requires municipalities to promote the inclusion of affordable housing in residential land development in their land use schemes, as well as include land use and development incentives and provisions to promote the implementation of the municipal spatial development framework and other policies (including national and provincial policies).

3 Who does Inclusionary Housing aim to benefit?

- Intended beneficiaries are households earning between R3,501 and R22,000 a month – the 'gap' market – able to pay rent or a mortgage. The provincial average income is R19,491. Many of our key workers (nurses, teachers, police officers or municipal workers) earn salaries in this region and could benefit from living closer to better opportunities and spending less time and money travelling to work.
- The Municipal Inclusionary Housing Policy will confirm the intended beneficiaries (in terms of the household income to target) in its own Inclusionary Housing Policy.
- The draft Western Cape Inclusionary Housing Policy Framework suggests that Municipalities consider criteria for beneficiary selection, in addition to income; i.e. gender, youth and single-headed households.
- The income group and other criteria that may be eligible to apply for an inclusionary unit in a specific development will be confirmed between the municipality and the developer. The developer/ landlord/ social housing institution will be responsible for beneficiary selection, not the government.

4 Why a Western Cape Inclusionary Housing Policy Framework?

- The Western Cape Government committed to putting this Policy Framework in place in its Provincial Strategic Plan, as part of its commitment to spatial transformation and creating new opportunities for people to move to more central locations.
- The Spatial Planning and Land Use Management Act 2013 (Act 16 of 2013) requires municipalities to designate areas in their Municipal Spatial Development Frameworks where a national or provincial inclusionary housing policy may apply.
- The Western Cape Inclusionary Housing Policy Framework guides municipalities in the development of their Municipal Inclusionary Housing Policy, giving clarity and promoting consistency between municipalities in their approach.
- The draft Western Cape Inclusionary Housing Policy Framework aims to answer the following questions:
 - **What** is Inclusionary Housing?
 - **Why** should it be used as a mechanism for spatial transformation?
 - **On what basis** can Inclusionary Housing be applied in the Western Cape
 - **How** to introduce Inclusionary Housing in municipalities.
 - **What** should be done first?
 - **Who** should do what?
 - **What** are the choices municipalities must make when developing their policies?

5 What is the status of the Western Cape Inclusionary Housing Policy Framework and is it prescriptive?

- The draft Western Cape Inclusionary Housing Policy Framework has been approved as a draft by the Western Cape Cabinet for public notice and comment. The Western Cape Government is now asking for contributions from the public, municipalities, organisations to improve this Policy Framework. It is not a final Policy Framework.
- The approach taken in the draft Policy Framework is to lay out the "full picture" of what inclusionary housing is about and what those developing a municipal inclusionary housing policy will need to consider but it creates the space for the municipalities to make a decision on what works best in their context. The Western Cape Government recognises that each municipality and settlement is different and a one size fits all approach would not work well. Municipalities need to design their policies in a way that works best to serve the needs of people who live in their towns.

6 Who will allocate inclusionary housing units?

- The owner of the development where the inclusionary housing units are provided.
- Households interested in inclusionary units available would need to voluntarily apply for a unit on offer and independently qualify in terms of the criteria agreed to between the municipality and the developer.
- If the available inclusionary unit is for sale, it will not be for free but will be available at a price below the rest of the units available on the open market in that development. The household may still need to be able to get and repay a bond. The developer must be sure that the household can afford to buy that unit.
- If the available unit is for rent, the landlord must be sure that that household can afford the rent and will pay the rent and will be responsible for managing the tenant going forward.

7 How can I find out if the area where I live has an inclusionary housing policy?

Currently, the City of Johannesburg is the only municipality in South Africa to have adopted an inclusionary housing policy. In the Western Cape, the City of Cape Town is in the process of developing its inclusionary housing policy.

This Western Cape Inclusionary Housing Policy Framework sets the process and structure for municipalities in the province to follow in drafting their own policies. Once your municipality does this, the policy will be advertised and made available for public comment by your municipality.

8 Will inclusionary housing be possible in all municipalities?

Not necessarily. It depends on whether there are active developers in a settlement and there is sufficient value in land and land use rights (demand for development) for this value to be shared between the developer and the public through the provision of inclusionary housing units.

9 Where will developers be required to make an inclusionary housing contribution?

The areas of a town or city where an inclusionary housing contribution will be required are, or will be, identified in a Municipality's Municipal Spatial Development Framework.

These areas must be well served by facilities and amenities. They must have good access to employment opportunities, and they must be areas where developers are interested in developing.

10 What kind of developments must make an inclusionary housing contribution?

The draft Policy Framework recommends that an inclusionary housing contribution must be made where:

- A developer applies to change their land use rights to residential or mixed-use land use rights (anywhere in the urban area of the city or town)
- A developer applies for additional residential or mixed-use land use rights (anywhere in the urban area of the city or town)
- A developer wishes to develop land where the municipality has already, proactively changed or increased the land use rights in an area to incentivise the provision of inclusionary housing

The Municipal Inclusionary Housing Policy will determine the minimum size of development that must make an inclusionary housing contribution.

11 What form must the inclusionary housing contribution take?

- Inclusionary housing contributions can be met on the site of the development making the contribution; or
 - On another site available to the developer; or
 - An *in lieu* (financial) contribution can be made
- As long as the contribution results in the development of affordable units in well-located areas identified in Municipal Spatial Development Frameworks.
- The amount of the contribution to be made, according to the size of the proposed development, will be determined in the Municipal Inclusionary Housing Policy.
- The contribution may be in the form of units for rent or for sale – this will be the decision of the developer

12 What does this policy framework mean for developments that are already under way?

Developments that are already under way won't be affected by this policy framework.

13 Is inclusionary housing a tax on private property developers?

- The value of land depends on public infrastructure and services and how economic activity has been generated in the areas by society and government, as a whole, over time. Land use rights granted and enforced by government also give value to land. In both cases, this value is not earned by the landowner.
- Land value is thus socially created and not created only by private developers and landowners.
- Inclusionary housing is a regulatory mechanism to fairly distribute these unearned increments in land value more fairly in the broader public interest.

- In other words, the value is being shared between the developer and the public good. The public good will also be strongly served by well located, high value areas becoming more inclusive.
- If a private sector development project is not viable, it is not possible for a developer to make an inclusionary housing contribution. The draft Policy Framework therefore emphasizes the importance of ensuring that viability of the development is not compromised by the imposition of an inclusionary housing contribution.
- Municipal Inclusionary Housing Policies and Municipal Spatial Development Frameworks must identify these areas where inclusionary housing contributions will be required as soon as possible, so that developers, when negotiating to purchase land, can price this into the cost of buying land or if they already own the land, into the cost of the development and into their development feasibility studies.

14 Is this policy framework appropriate in these times of weak economic growth and weak property markets?

- This Policy Framework identifies the research that a municipality will need to do before it can develop a municipal inclusionary policy. It will take time to commit resources to undertaking this work and to completing this work.
- Municipal inclusionary housing policies will need to be developed, informed by this research and go through public participation.
- Property cycles go through good and bad times
- Now is the time to do the homework to prepare municipal inclusionary housing policies so that these are ready when the property market recovers, and the opportunity arises to build more inclusive communities.

15 What is the difference between inclusionary housing, social housing, FLISP housing and RDP/ BNG housing?

- **Inclusionary housing** is a policy and regulatory mechanism to facilitate making affordable housing available through the property market and work to reduce the exclusionary nature of well located, high value property markets working on their own.
- **The following are state-subsidised housing programmes.**
- **Social housing** is a specific type of affordable rental housing targeted at households earning R1500 – R15,000 per month, that benefits from a state subsidy. Social Housing is governed by the Social Housing Act, 2008 (Act 16 of 2008). Inclusionary housing policy may include social housing as one of the options for the affordable housing generated through the policy.
- The Finance Linked Individual Subsidy Programme (**FLISP**) provides a subsidy for first-time home buyers to assist with purchasing a home. The subsidy is paid to the beneficiary's bank or financial institution and will reduce their monthly loan instalments, making it more affordable to purchase a home. Households with a monthly income between R3 501 and R22 000 may qualify for the FLISP subsidy if they meet all the criteria. The subsidy amount depends on the income of the applicant and ranges between R27 960 – R121 626. A developer may use the FLISP in its development to further improve affordability.
- **RDP or BNG** housing is fully subsidised housing provided by the state to households earning less than R3500 per month. This type of housing is separate from inclusionary housing.

16 Can a beneficiary of an inclusionary housing unit sell this unit in time?

Yes, but the price will be capped, through a title deed restriction or another mechanism such as a requirement to sell the unit back to the developer. This is to ensure that the unit is sold to another household in need of an affordable housing opportunity. Municipal Inclusionary Housing Policies will determine the approach to be used to ensure that the first household to benefit does enjoy some appreciation on the value of the asset they have acquired, but that another household in need of an affordable housing opportunity can still afford to buy this unit. The Western Cape Government will support municipalities to develop this approach.

It is important that all the work to secure affordable housing opportunities in well located areas is not lost because a lucky household that qualifies for such a unit sells or sub-lets this flat or house on the open market. If this happens, it will defeat the purpose of inclusionary housing.

For this reason, inclusionary housing implemented as rented units will be easier to manage and developers may partner with Social Housing Institutions to develop and manage affordable rental units over the long term – because they are experts in doing this. This approach also means that the municipality will not have the long-term administrative burden of overseeing the sale or rental of inclusionary housing units in the private sector to ensure these units remain affordable.