



Western Cape  
Government

# DRAFT WESTERN CAPE GOVERNMENT INCLUSIONARY HOUSING POLICY FRAMEWORK

Presentation: Stakeholder Engagement

31 May 2021

Department of Environmental Affairs & Development Planning

# Presentation Content

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- Introduction
  - **What** is Inclusionary Housing?
  - **Why** Inclusionary Housing?
- Project Purpose
- How does the Inclusionary Housing mechanism work?
- The Legal and Policy expectation
- How to introduce a municipal Inclusionary Housing Policy
- Next Steps

# Introduction



## Sound familiar?

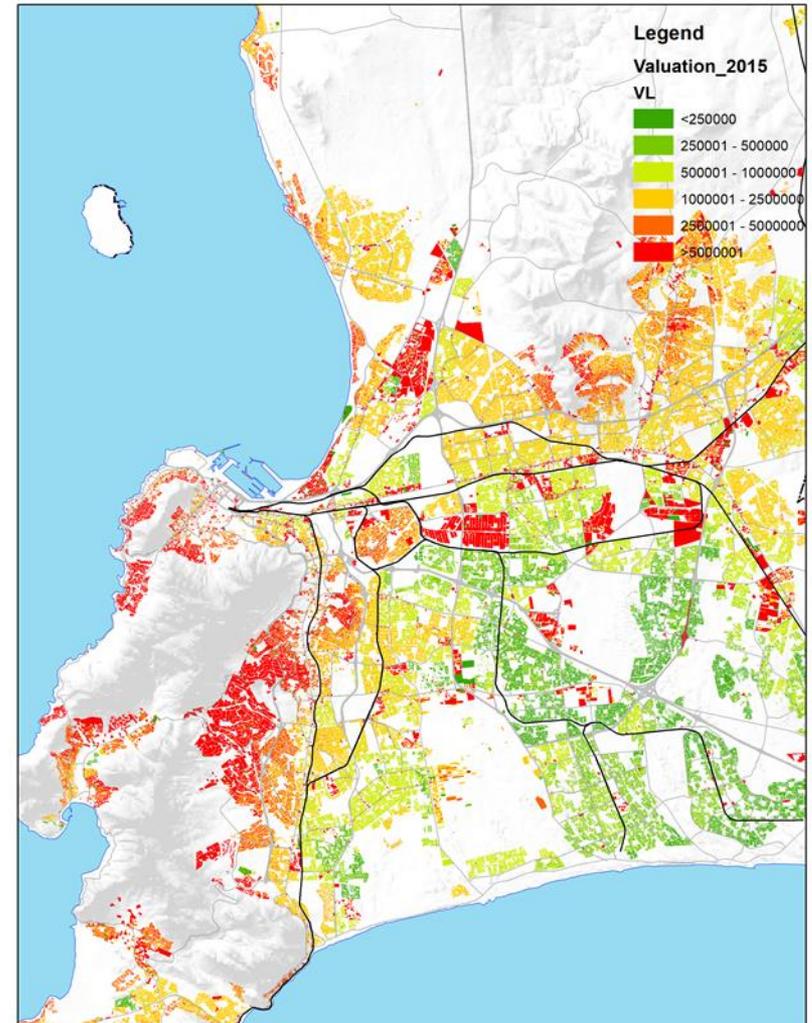
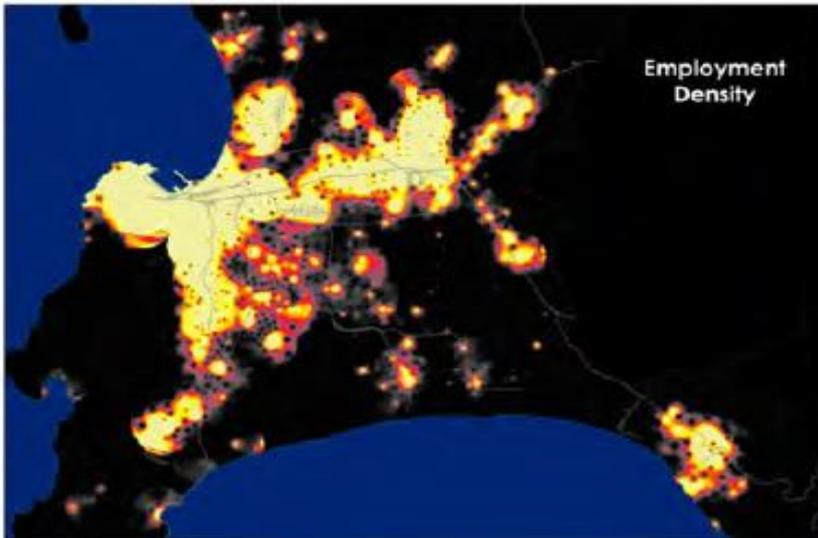
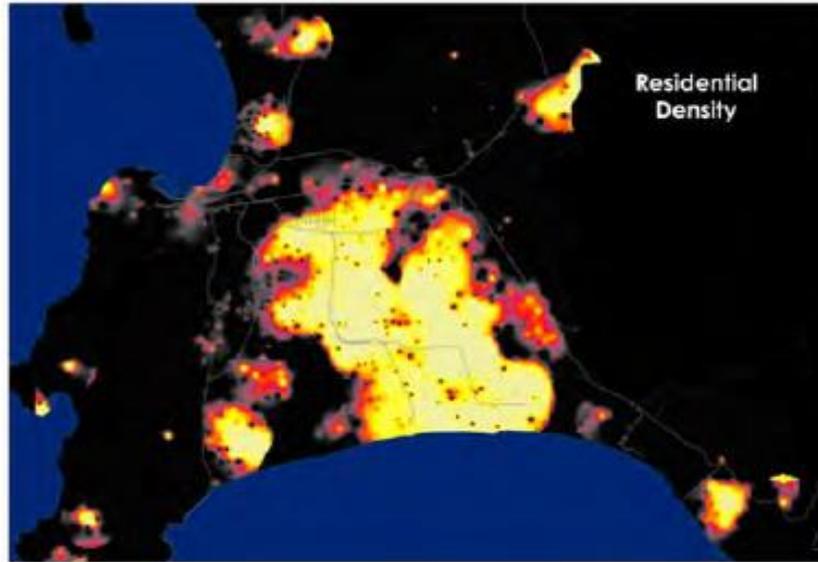
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*Lower-income residents looking for a new home soon face a choice among several undesirable options:*

*extreme commute times, overcrowding, substandard housing, or rents or mortgages that are so high they deplete resources for other essentials. Displaced families are not the only ones who suffer—everyone loses when economic diversity deteriorates. Unequal access to housing drives sprawling development patterns; worsens traffic congestion; pollutes air quality; increases taxpayer dollars spent on basic infrastructure; and decreases racial, cultural, and economic diversity*

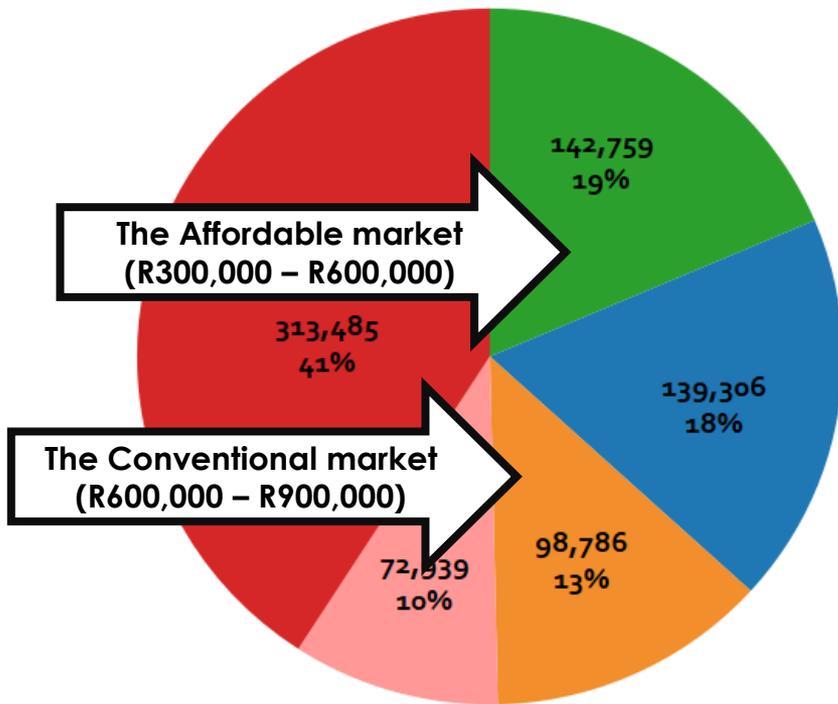
*(Ewing, Pendall, and Chen 2003 quoted in (Jacobus, 2015)).*

# Case Study: Spatial Apartheid in Cape Town



# Case Study: Spatial Apartheid in Cape Town

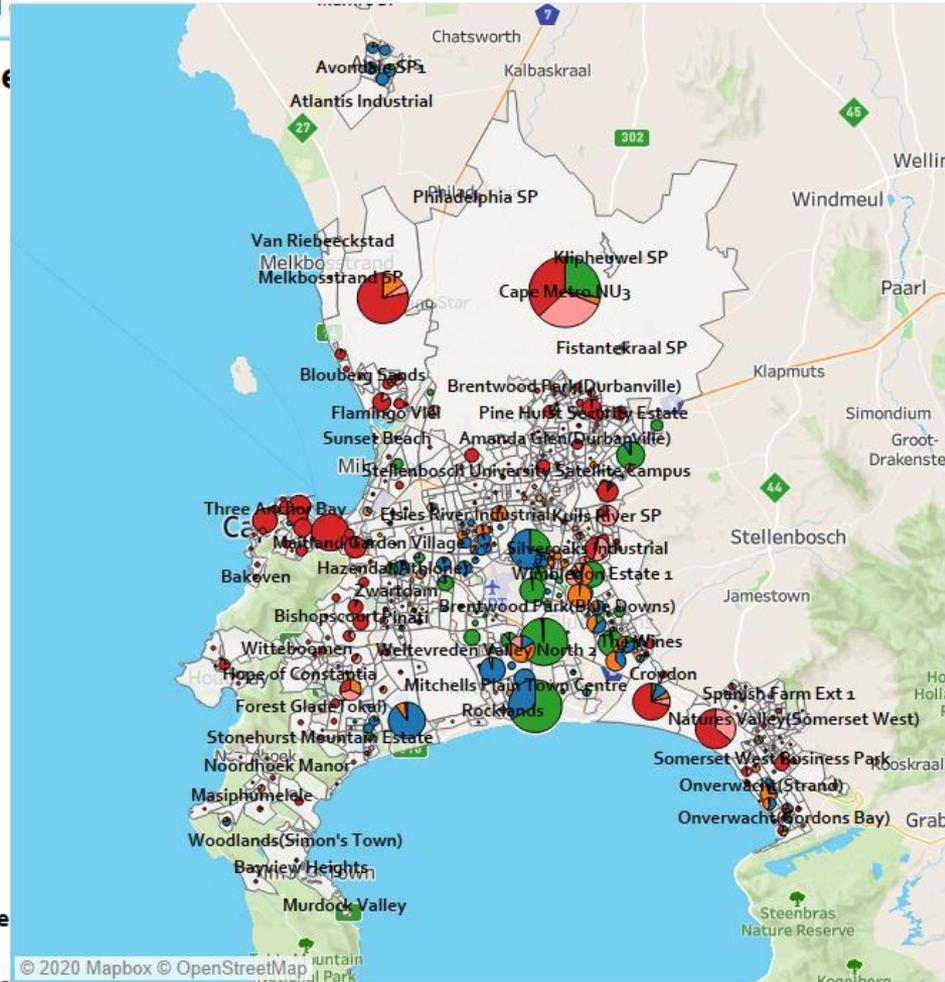
Number of residential properties by market segment  
City of Cape Town, 2019



Data source: CAHF's Citymark, using deeds registry data supplied by Lightstone as at the end of December 2019 (sourced June 2020).

Distribution of new residential transactions by market segment

Distribution of new residential transactions by market segment  
City of Cape Town, 2019



Data source: CAHF's Citymark, using deeds registry data supplied by Lightstone Pty. as at the end of December 2019 (sourced June 2020).

# What is Inclusionary Housing?

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- When a developer applies for new or additional land use rights:
- Inclusionary housing obliges the developer to make a contribution towards affordable housing by providing units for rent or sale *cheaper* than the units s/he is planning to sell or rent
- Depending on where the development is, this contribution will be made within the development, within another development, or in the form of a cash contribution. It must always result in **well-located** affordable housing opportunities

# Why Inclusionary Housing?

Inclusionary housing is a mechanism to promote spatial inclusion and transformation. *It is not, in the first instance, a housing delivery programme and will not deliver at scale.*

**It seeks to leverage enhanced land use rights (land value) in areas with active land markets, in partnership with the private sector to:**

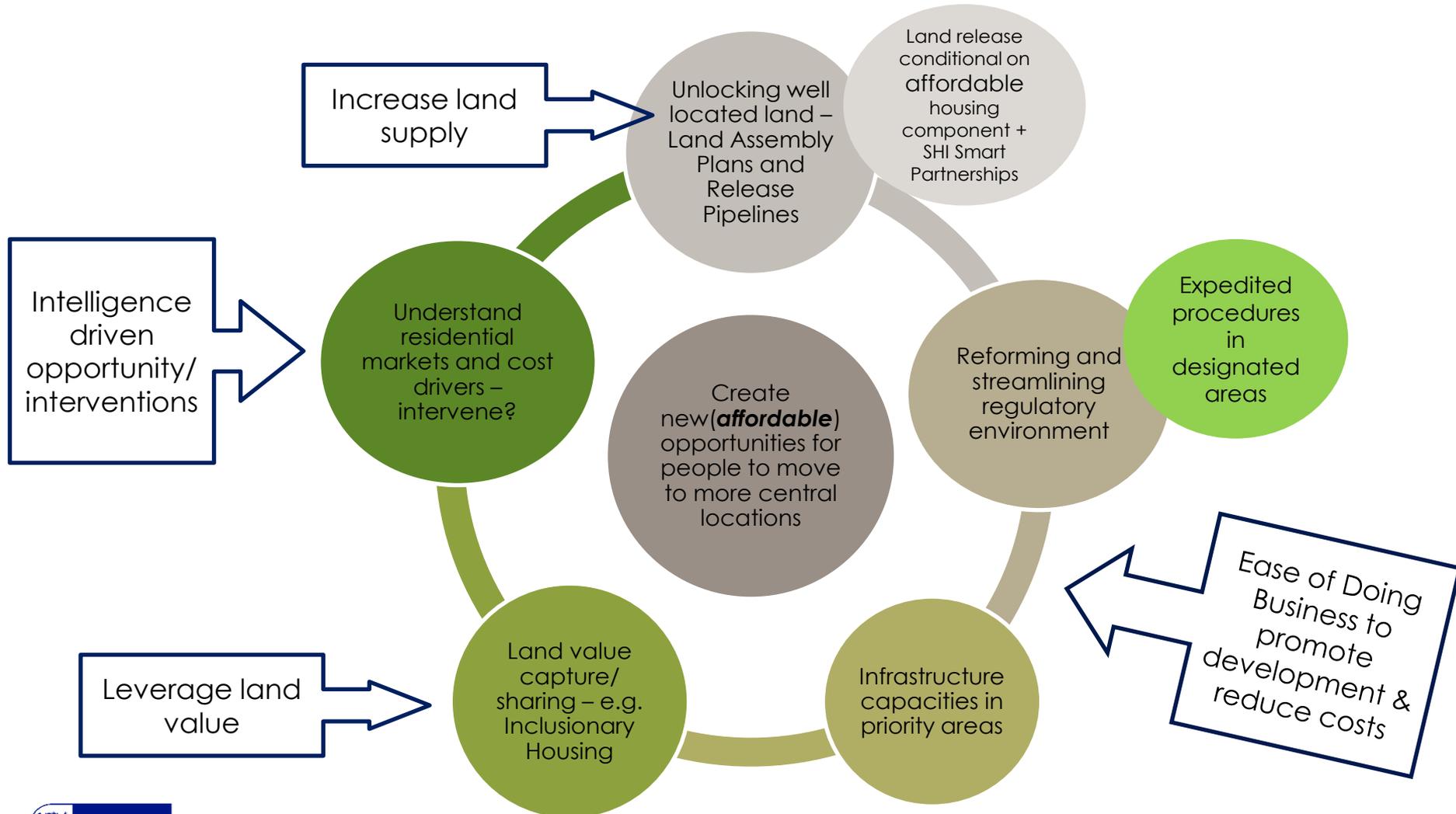
- **Create opportunities for middle to low income households to live in better locations**
- **Break the social divisions caused by the apartheid spatial form**
- **Build more inclusive and integrated communities with better access to the opportunities of our urban settlements ('the urban dividend') and break the glass ceiling for household progress**
- **Build a more socially and economically sustainable future for our settlements**

# Spatial Transformation in the Western Cape



# Spatial Transformation in the Western Cape

## Opportunities for more centrally located housing via land and planning



# Preface

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- The WCG has led the application of inclusionary housing within mixed use / market development in the **Game Changer Conradie Better Living Model Project** in the 2014-2019 term
- The lessons learnt and application of the concept is now being extended to the **Founders Garden/ Artscape Precinct** on the Foreshore
- This learning is a springboard for the next step – to scale up through the **development of a policy to assist municipalities to apply inclusionary housing in their work and to provide a clear and consistent approach in the Western Cape Province**

# **Purpose** of a Western Cape Inclusionary Housing Policy Framework

# Purpose of a WC Inclusionary Housing Policy Framework

## SIMPLY PUT, THE POLICY FRAMEWORK AIMS TO ANSWER:

- **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** can Inclusionary Housing be introduced in municipalities?
- **What** should be done first?
- **Who** should do what?
- **What** are the policy considerations?
- **How** can the state provide greater certainty and predictability for developers?

# Notes on the approach #1

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- Inclusionary Housing is applied via planning permissions – this is primarily, albeit not exclusively, a municipal competence
- Given the nature of the Western Cape’s settlement patterns...

**Who** should benefit from Inclusionary Housing?

**Where** should inclusionary housing be built?

Appropriate and feasible options for **how** the obligation is met?

... May differ between cities and towns

- The WC Policy Framework therefore does not take a prescriptive approach but seeks to create an **enabling framework**

## Notes on the approach #2

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- It is a sophisticated tool
- It does require extensive capacity in government
- **Let's get started:**
  - To work together on how we can and should apply Inclusionary Housing in the SA/ WC context – build culture & practice
  - An opportunity to leverage systemic improvements in how we:
    - Understand residential land markets
    - Understand where opportunities exist to support housing and affordable housing supply
  - Together we can learn by doing and build a body of evidence from practice and institutionalising monitoring and evaluation
  - Avoid closing opportunities for developers, municipalities, etc. to find innovative solutions to making inclusionary housing work

*A sustainable future for our cities, towns and society is everyone's concern*

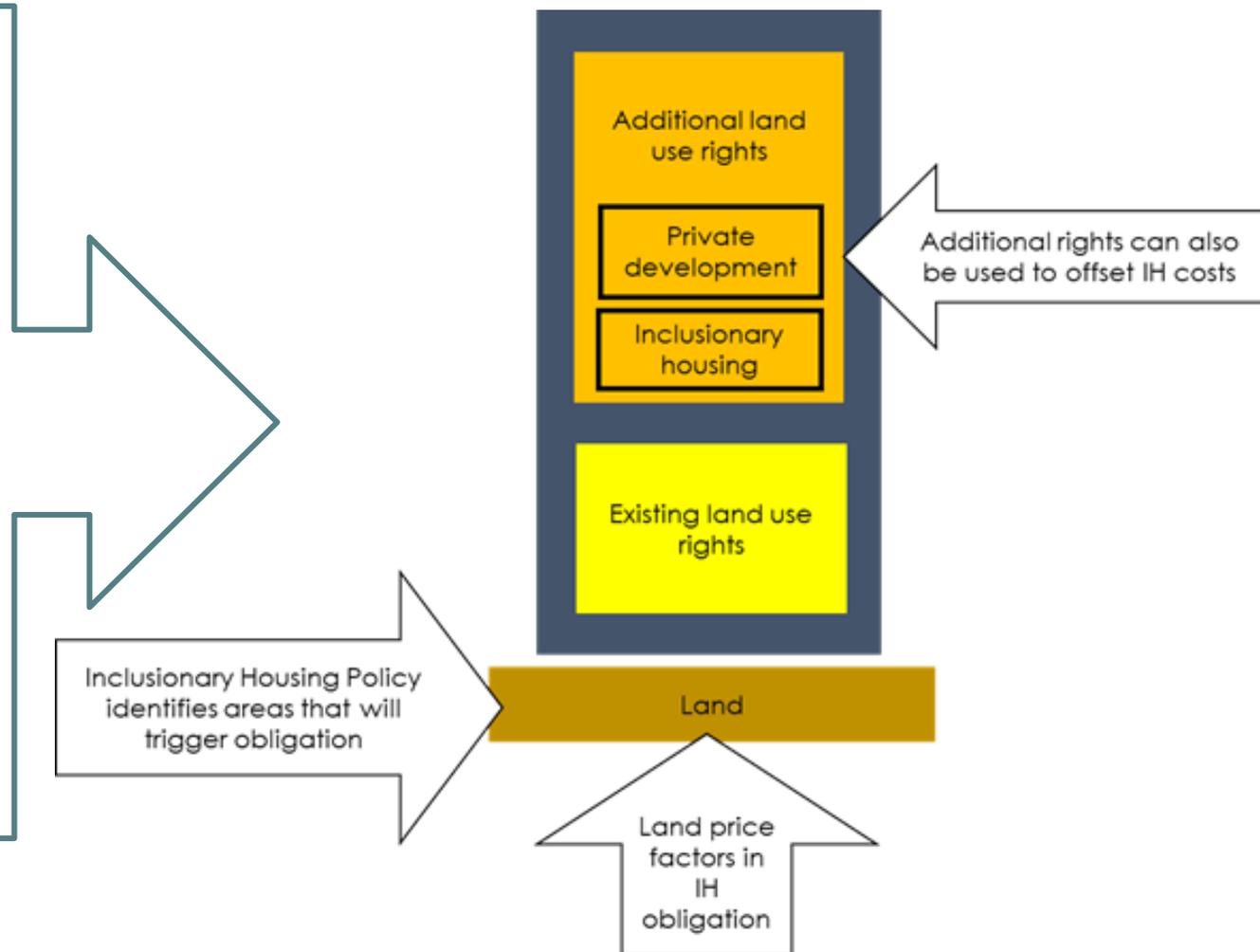
**How** does the Inclusionary Housing mechanism work?

# How does Inclusionary Housing work?

*Inclusionary housing is not a tax*

## KEY PRINCIPLES:

1. Society at large contributes to land value
2. The 'IH obligation' must not compromise the developer's project viability/hurdle rate



# How is an Inclusionary Housing requirement imposed?

*As a condition of planning approval.*

Within the **designated area** in the MSDF, Western Cape municipalities, and the WCG where relevant, should apply inclusionary housing provisions where:

- a) **A change to mixed use or residential land use rights is applied for, or additional rights are applied for in favour of mixed or residential use** - where this gives significant additional value to the land and the size of the proposed development exceeds the threshold identified in the municipal Inclusionary Housing Policy
- b) An application is made to develop property within an **Inclusionary Housing Overlay Zone or an area where the municipality has proactively upzoned** the land through another regulatory mechanism and has set out the concomitant requirements that must be met if taking up these rights; i.e. where additional rights are already permitted subject to the provision of inclusionary housing

# Where is Inclusionary Housing feasible?

*As inclusionary housing is delivered through partnership with the private sector, it can only be applied where there are active land markets and there is demand driving developers to develop*

- Inclusionary housing will not be feasible in all Western Cape municipalities because of:
  - Stagnant residential housing markets (low levels of private sector activity) *and/or*
  - Low demand because housing need is predominantly from households earning less than R3,500 or the settlement is depopulating
- The Western Cape's economic centres – Paarl, Stellenbosch, Saldanha, Hermanus, Mossel Bay, George, Knysna, Plettenberg Bay – are likely to be candidates for inclusionary housing policies informed by:
  - Residential market studies / housing market intelligence
  - Income profiles
  - % change in residential property values
  - Property transactions (new build)
  - Residential rental returns

*"The rate of building generally has more impact on the number of affordable units created than the level of the inclusionary requirement"  
(Development Action Group)*

# The Legal and Policy Expectation

# The Legal Basis for Inclusionary Housing Policy

## Spatial Planning & Land Use Management Act, No 16 of 2013 : Spatial Planning

- 7. The following principles apply to spatial planning, land development and land use management:
  - (a) The principle of **spatial justice** whereby- ...
    - (i) past spatial & other development imbalances must be redressed through improved access to and use of land
    - (iii) spatial planning mechanisms, including land use schemes, must incorporate provisions that enable redress in access to land by disadvantaged communities and persons
    - (vi) a Municipal Planning Tribunal considering an application before it, may not be impeded or restricted in the exercise of its discretion solely on the ground that the value of land or property is affected by the outcome of the application.
  - (b) the principle of **spatial sustainability** whereby spatial planning and land use management systems must-
    - (iv) promote and stimulate the effective and equitable functioning of land markets
  - (c) the principle of **efficiency** whereby-
    - (i) Land development optimises the use of existing resources and infrastructure
  - (d) the principle of **good administration**
- Section 12. ..spatial development frameworks must address **historical and spatial imbalances**
- Section 21. A municipal spatial development framework must -
  - (i) identify the designated areas where a **national or provincial inclusionary housing policy** may be applicable

# The Legal Basis for Inclusionary Housing Policy

## Spatial Planning & Land Use Management Act, 2013 (Act 16 of 2013) : Land Use Management

- Section 24 (2). A land use scheme adopted in terms of subsection 91) must -
  - (d) include provisions to **promote the inclusion of affordable housing** in residential land development
  - (e) include land use and development incentives to promote the effective implementation of the spatial development framework and other development policies;
  - (f) include land use and development provisions specifically to promote the effective implementation of national and provincial policies
  - (g) give effect to municipal spatial development frameworks and integrated development plans.

## Land Use Planning Act, 2014 (Act 3 of 2014)

Section 40 (2) Conditions imposed in accordance with subsection(1) may include, but are not limited to, conditions relating to –

- (d) **settlement restructuring**

# The Legal Mandate for Provincial Inclusionary Housing Policy

Section 125(2)(d) of the **Constitution of the Republic of South Africa, 1996**, which empowers the Premier together with the Cabinet, to develop and implement provincial policy.

Furthermore, the WCG is expressly mandated by the Constitution to support municipalities in the exercise of their functions. In this regard:

- Section 154(1) of the Constitution provides that the national and provincial governments, by legislative and other measures, must **support and strengthen the capacity of municipalities** to manage their affairs and to perform their functions
- Section 155(7) of the Constitution provides that the national government, subject to section 44, and the provincial governments have the legislative and executive authority to see to the **effective performance by municipalities** of their functions in respect of matters listed in Schedules 4 and 5, by regulating the exercise by municipalities of their executive authority referred to in section 156(1)

# The Policy Mandate

## NATIONAL

**National  
Development  
Plan  
Chapter 8**

**Integrated  
Urban  
Development  
Framework  
Policy Level 3**

**National  
Spatial  
Development  
Framework  
Spatial Outcome 2**

**Medium Term  
Strategic  
Framework  
Spatial Integration**

## PROVINCIAL

**Provincial  
Strategic Plan  
VIP 4: Mobility and  
Spatial  
Transformation**

**Living  
Cape  
Human  
Settlements  
Framework**

**Provincial Spatial  
Development  
Framework  
Settlement Policy  
Objectives  
Provincial Spatial Policies**

**Minister's  
Priorities  
Spatial  
Transformation**

# How to introduce Inclusionary Housing in municipalities

- **What** should be done first?
- **Where** should it be applied?
- **Who** should benefit?
- **What** are the policy considerations?

# What should be done first?

## INITIAL MUNICIPAL ACTIONS TO INTRODUCE INCLUSIONARY HOUSING

1. Define the affordability gap in the residential market and the opportunities should be provided to promote spatial transformation which

opportunities should be targeted by an IH Policy)

**Important work anyway**

2. Undertake feasibility study to understand the potential for inclusionary housing (% the cost drivers of residential development) & the

development typologies in the area distribution

3. Draft, consult & approve Inclusionary Housing Policy

3. Designate whole urban area of city/ town as IH “trigger area” and ‘priority areas for investment in land development/ restructuring’ as IH “receiving areas” and where there is preference for on site provision in MSDF via compilation / amendment

3. Municipal Planning By-Law amended to authorize the application of the municipal inclusionary housing policy and imposition of related conditions + Municipality ‘upzones’ priority areas for investment in land development/ restructuring/ integration/ densification. **Mandatory** IH provision linked to added value of upzoning.

4. Apply Inclusionary Housing Policy

# Where should IH Policy apply?

The MSDF is important to enabling Inclusionary Housing Policy

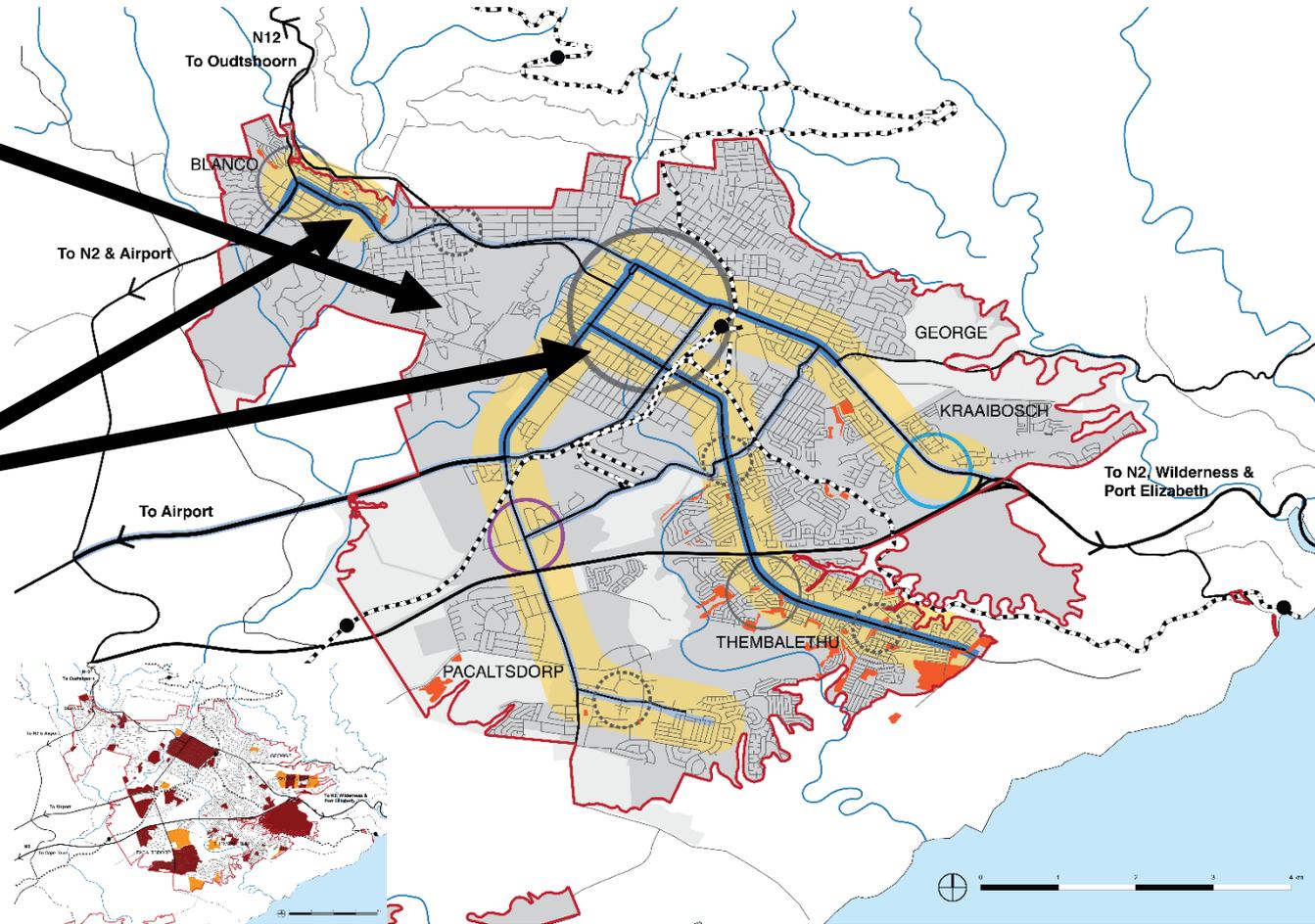


# Where should IH Policy apply?

## Spatial Targeting

“Trigger Area”

“Receiving Area”/  
Overlay zone area



**NOTE: The George SDF is being used for illustration purposes only**

# Who should benefit?

## The 'GAP' or Affordable Housing Market

Household income (monthly)	Ownership	Rental
0 – R1 500	Breaking New Ground (BNG subsidized house)	Public rental stock & CRUs (City owned and managed)
R1 500 – R3 500		
R3 501 – R10 000	Gap market (FLISP subsidy)	
R10 001 – R15 000		Social housing (Managed by SHIs)
R15 001 – R22 000		
R22 001 +	Private sector	Private sector

**NOTE: FSC  
Affordable Limit:  
R26,100**

# Who should benefit?

- Employed households with a stable income (able to pay rent)
- Upper income threshold - Social Rental threshold R15,000; FLISP ownership threshold R22,000
- Earning between approx. R10,000 and R26,000 per month (estimated at approximately 46% of the South African housing market)\*
- Properties valued between R300,000 – R600,000
- On average, a registered nurse earns R20,594\*\*, a teacher earns R15,000 – R25,000, and a SAPS employee earns R17,109 a month\*\*\*
- Ideally municipal / town specific market studies determine relevant income target

• Note that a developer may partner with a Social housing Institution to deliver its inclusionary housing contribution – the SHI can then also leverage subsidies. SHIs must accommodate a range of incomes within the income bracket determined by the Social Housing Regulatory Authority up to R15,000.

\*\* <https://za.indeed.com/salaries/registered-nurse-Salaries--Western-Cape#:~:text=The%20average%20salary%20for%20a%25%20above%20the%20national%20average.>

\*\*\* [https://www.payscale.com/research/ZA/Employer=South\\_African\\_Police\\_Services/Salary](https://www.payscale.com/research/ZA/Employer=South_African_Police_Services/Salary)

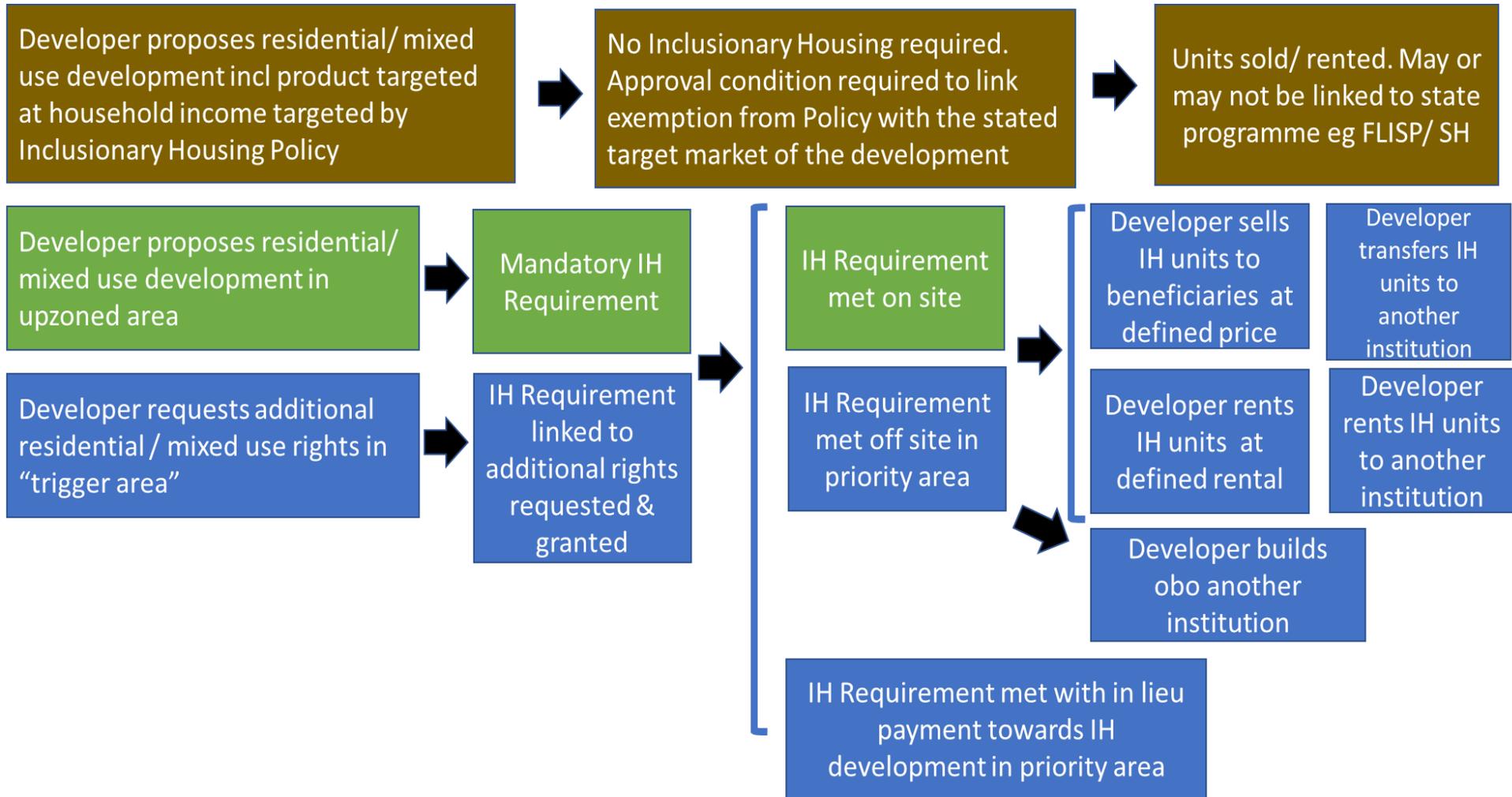
**Key workers are an important target market**

# Who should identify beneficiaries?

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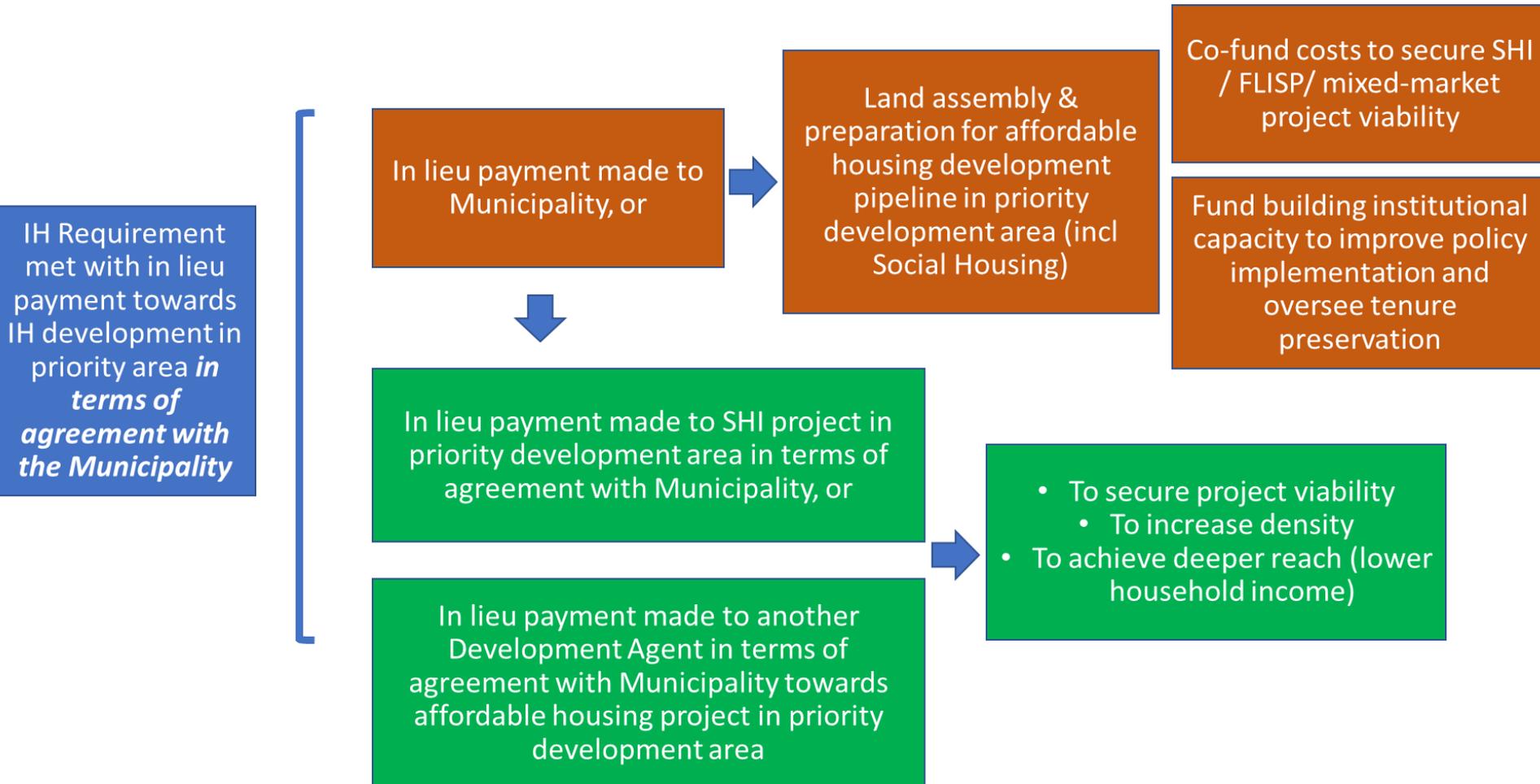
- **Not Government!**
- Draft Western Cape Inclusionary Housing Policy Framework identifies principles and considerations
- Municipal Inclusionary Housing Policies should set out criteria:
  - Income targeting
  - Household structure diversity (families, single headed families and smaller)
  - Human rights & vulnerable groupings: gender, youth
- Inclusionary Housing Agreements linked to planning permissions must record the municipal – applicant agreement on criteria to be applied in that project based on the Municipal policy
- Housing waiting lists may be a resource through which to market and invite applications
- Social Housing Institutions have their own, established processes

# Policy Considerations: Developer Obligation Options



# Policy Considerations: Developer Obligation Options

## In Lieu Scenarios



# Policy Considerations: Affordability Preservation

**Practical considerations and administrative expectations on municipalities lean towards social rental Mechanism – but developer's choice**

Requirement for IH units calculated in price paid for land – units constructed and rented at targeted price – lease agreement allows for regular income certification; annual reporting to municipality

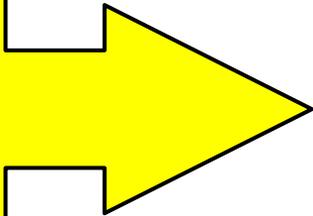
Requirement for IH units calculated in price paid for land – units constructed and sold at targeted price– title deed restriction to limit who unit may be on-sold to, at what price (FLISP may be used but can FLISP be combined with such a restriction?)

Requirement for IH units calculated in price paid for land – units constructed and handed over at no cost to institution that will rent and manage these units (Residual land value absorbs cost of constructing IH units)

# Policy Considerations: Incentives

## De-risk development

**s.21 (l) of SPLUMA requires MSDFs to identify the designation of areas in which – (ii) shortened land use procedures may be applicable and land use schemes may be so amended – an important incentive to complement/improve the opportunity for Inclusionary Housing.**



- Additional density allowance
- Reduced parking requirements
- Expedited planning permission via overlay zone upzoning designated areas
- FLISP/ SHI co-funding
- Other?

- Infrastructure planning and availability alignment
- Deferred developer contributions

**The need for cost offsets to be determined by Feasibility Study**



# Next steps



# Next Steps

**DEADLINE FOR  
PUBLIC INPUT:**

**13 JULY  
2021**

**By post:**

The Head of Department  
Department of Environmental Affairs & Development  
Planning  
Directorate: Spatial Planning  
Private Bag X9086  
Cape Town  
8000

**By hand:**

Ms Catherine Stone  
Department of Environmental Affairs & Development  
Planning  
Directorate: Spatial Planning  
4th Floor, Property Centre  
1 Dorp Street  
Cape Town

**By e-mail:**

[Michael.Hathorn@westerncape.gov.za](mailto:Michael.Hathorn@westerncape.gov.za)

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Thank you

# Questions and discussion

# Contact Us



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