WESTERN CAPE
PROVINCIAL SPATIAL DEVELOPMENT FRAMEWORK

Inclusionary Housing Discussion Document

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INCLUSIONARY HOUSING DISCUSSION DOCUMENT

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1. INTRODUCTION

1.1 Inclusionary Housing Defined

Inclusionary housing, also referred to as mixed-income housing in many countries, is one of many different kinds of housing delivery programs. It is usually a government driven program to promote mixed-income housing delivery through regulations and/or incentives that require or encourage property developers to include a proportion of housing units for low and moderate income households.

In their efforts to date to introduce inclusionary housing in South Africa, the national Department of Housing (NDOH) and the Provincial Government of the Western Cape (PGWC) have adopted different definitions of who the low and moderate income households targeted for inclusion in new property developments are[1]. The NDOH are advocating that a proportion of all new residential units developed are targeted at home ownership (referred to as 'gap housing') for households earning above R3 500 per month and less than approximately R10 000 per month, and/or rental (referred to as 'social housing') for households earning above R2 700 per month and less than R7 000 per month. PGWC are also targeting this rental market for inclusion in new residential projects, but for home ownership they are targeting inclusion of the subsidy housing market (i.e. households earning between R1 500 and R3 500 per month) and not the gap market.

There are significant implications arising from these different approaches. Towards coherent and effective inclusionary housing delivery in the Western Cape, this Discussion Document raises key issues for debate, explores options, and makes recommendations on taking the initiative forward.

[1] See Appendix A for a segmentation and assessment of South Africa's lower income housing market, and an outline of the inclusionary housing implications.

1.2 The Rationale for Inclusionary Housing

The two main reasons why countries introduce inclusionary housing programs are to increase the local supply of affordable housing, and to counter segregationist urban planning policies in order to create more integrated and inclusive neighbourhoods. This is done by bringing together a mix of income groups, which in many instances also translates into a mix of different racial groups.

In the South African context, however, inclusionary housing has limited scope to provide affordable housing to low-income households at the kind of scale which is required. The reason for this is that a 20% inclusionary housing requirement for all new private sector housing projects would only deliver some 8 800 affordable units per annum. Whilst this rate of delivery would not make a significant dent in South Africa's housing backlog, it does contribute to mobilizing the private sector into the delivery of affordable housing.

The literature[2] on inclusionary housing points out that the rationale for mixing individuals from different income groups in one residential development is that it has specific social spin-offs. Firstly it results in a "de-concentration of poverty" (Schwartz, 1997). A concentration of poverty in human settlements has severe social costs. According to the Joseph Rowntree Foundation (2005), "research studies from both the United States and the United Kingdom indicate that concentrated poverty limits opportunities for people above and beyond their own personal circumstances as it reduces local private sector activity, limits local job networks and employment ambitions, exerts downward pressure on school quality, stimulates high levels of crime and disorder and exacerbates health inequalities".

[2] See Appendix B for a literature review and case studies of inclusionary housing issues and options.

Housing is more than just shelter as it determines an individual's access to other services and facilities like schools, clinics, job opportunities, shops, etc. As such the location of housing "defines the geography of opportunity"[3]. Inclusionary housing has the potential to address negative social factors by putting low-income families closer to economic opportunities thereby "reducing the mismatch between available jobs and housing supply" (Calavita et al, 2004).

Putting low-income households closer to work opportunities also has positive spin-offs for the economy. Low-income families spend the greatest proportion of their income on housing and transport. According to the State of the Cities Report (2006) very poor households in South Africa's major cities spend up to 58% of their income on housing and transport and poor households spend 23% of their income on transport alone. Providing affordable housing to low and moderate income families closer to their places of work will ensure that they have more disposable income which they can use to pay for goods and services which in turn will stimulate local economic development (Brunick, n.d.).

Others argue that living in mixed-income communities gives young children access to better schools and to positive role-models. These positive socio-economic spin-offs can however only be achieved if the inclusionary housing program is specifically designed to facilitate low-income households' access to improved social services and economic opportunity.
The Joseph Rowntree Foundation (2005) argues that mixed-income developments "should proceed from areas of market strength, nearby employment, amenities and infrastructure". This sentiment is shared by South African property economist Francois Viruly who argues that inclusionary housing has to be built near infrastructure such as parks, clinics and schools[4]. This, he argues, will eventually determine the success of inclusionary housing developments in South Africa. If not, inclusionary housing will not result in any positive benefits for low-income families and will not even achieve any meaningful integration between different income groups.

1.3 Origins and Status of Inclusionary Housing

The initiative to promote inclusionary housing delivery in South Africa is being pursued at national and provincial levels, as well as by some local authorities.

1.3.1 National Initiatives

At a national level, in September 2004 the Minister of Housing announced the intention to introduce an inclusionary housing measure, and the initiative got off the ground at the September 2005 Housing Indaba in Cape Town when government and the property industry committed themselves to collaboration in accelerating housing delivery so as to reduce the housing backlog. Arising out of this public - private partnership the property development sector has agreed in principle to set aside a percentage of the total value of commercially driven housing developments for investment in the low-cost housing market.

In March 2007 the national Department of Housing (NDOH) released their draft national inclusionary housing policy framework for comment and commissioned a Regulatory Impact Assessment (RIA) of the draft policy. Based on comment received and the outcomes of the RIA, South Africa's Inclusionary Housing Policy (IHP) was released in September 2008. Currently new inclusionary housing legislation[5] and implementation guidelines are being drafted, and a national Implementation Roll-out Plan is to be released.

1.3.2 Provincial Initiatives

[3] Joseph Rowntree Foundation, 2005
[4] "Mixed-income, mixed reaction", 05 May 2007. www.eprop.co.za

[5] See Appendix A for an overview of inclusionary housing's legislative and policy framework

a) Western Cape Provincial Spatial Development Framework
A key theme of the Western Cape Provincial Spatial Development Framework (WCPSDF), endorsed by the provincial cabinet in December 2005, is redressing the apartheid legacy of the distorted structure and dysfunctional nature of human settlements in the province. To these ends the WCPSDF introduced a range of policies, one of which requires that all development applications include a social and subsidy housing component to facilitate integration of communities and redress the imbalances in spatial, economic and social structures prevalent in the Western Cape.

b) Imposition of Inclusionary Housing Conditions
To implement the WCPSDF's inclusionary housing recommendations, the Department of Environmental Affairs and Development Planning (DEA&DP) began prescribing an inclusionary housing requirement when issuing a Record of Decision (ROD) on development applications in terms of the Environmental Conservation Act (ECA).

Developers subsequently challenged the legality of this inclusionary housing condition. On 26 October 2007 in the so-called 'Longlands' case (No: 5542/2007) the High Court (Cape of Good Hope Division) judge ruled that the inclusionary housing conditions imposed by DEA&DP in the ROD did not relate to the impact of the proposed development on the environment, and thus their imposition in terms of the ECA was *ultra vires*.

c) Western Cape Inclusionary Housing Study
Another Western Cape inclusionary housing initiative was the commissioning of a study in February 2007 to explore the introduction of an inclusionary housing requirement in the province. Subsequent to DEA&DP, supported by the Urban Environmental Management Programme, commissioning service providers to undertake this study, the national Department of Housing released their draft Inclusionary Housing Policy for comment.

In the course of the provincial study a Background Information Document was prepared, baseline research was documented, national and Western Cape housing stakeholders were consulted, and a report on Inclusionary Housing Issues and Options was produced. The study highlighted inconsistencies between the draft national IHP and the WCPSDF's approach to inclusionary housing. The study also pointed out that either national or provincial legislation needs to be introduced before a compulsory inclusionary housing requirement can be enforced.

In response to a request from the national Department of Housing for the Western Cape to hold back on finalizing its arrangements for implementing inclusionary housing, in November 2007 the provincial Steering Committee suspended their study pending clarity on the revision of national policy and the formulation of legislation and regulations. Whilst the draft national legislation and regulations for inclusionary housing are not yet available for review, with the revision of the national IHP in September 2008 the Western Cape study has progressed with the setting-out of the province's inclusionary housing intentions in this discussion document.

1.3.3 Municipal Initiatives

In the absence of national or provincial inclusionary housing legislation, there is nothing stopping local authorities taking the initiative to introduce their own inclusionary housing policies. This is exactly what Knysna has done, where the local council has adopted an inclusionary housing policy. Whilst the municipality currently does not have the legislative basis to make inclusionary housing compulsory, the policy nonetheless has proved useful in their negotiations with property developers.

In the USA there is no national inclusionary housing legislation, and some states have adopted legislation. In states where there is no legislation in place many cities have used the provisions of their local planning ordinance to enforce inclusionary housing provision in new developments.

1.4 Purpose of the Discussion Document

With inclusionary housing in its formative stages in South Africa, it is opportune for the Western Cape government to issue a discussion document now. With the aim of soliciting inputs and suggestions from the provincial government's social partners on how best to introduce an inclusionary housing requirement in the Western Cape, this Discussion Document serves the following purposes:

- To explain the national inclusionary housing policy and how it compares with the approach put forward in the WCPSDF.
- To investigate how national and provincial inclusionary housing policy and legislation could be aligned, and the roles of the three spheres of government.
- To explore the practicalities of applying an inclusionary housing requirement when state, provincial, or municipal land is disposed of.
- To explore the practicalities of applying an inclusionary housing requirement to all private residential developments.
- To highlight topics for discussion in deciding on how best the Western Cape should move forward with inclusionary housing.

1.5 Scope and Contents of the Discussion Document

This Inclusionary Housing Discussion Document forms part of the suite of explanatory manuals that DEA&DP have prepared to guide implementation of the WCPSDF.

The balance of the Discussion Document is structured as follows:

- Section 2 reviews the national IHP, compares it to the approach put forward in the WCPSDF, and explores the scope for policy and legislative alignment.
- Section 3 explores practical considerations in applying an inclusionary housing requirement when publically owned land is disposed of.
- Section 4 explores practical considerations in applying an inclusionary housing requirement when privately owned land is developed.
- Section 5 concludes the document by summarising key issues related to the roll-out of inclusionary housing in the Western Cape, and makes recommendations on moving forward.

For background to the topics covered in the Discussion Document the following appendices should be referenced:

A: An explanation of inclusionary housing in the context of the affordable housing market.

B: A review of literature and case studies of inclusionary housing issues and options.

C: An overview of inclusionary housing's legislative and policy framework.

2. TOWARDS A COHERENT INCLUSIONARY HOUSING POLICY

Towards alignment of inclusionary housing policy and a coherent approach to its roll-out in the Western Cape, in this section the following key features of national and provincial inclusionary housing policies are examined:

- Contextual considerations
- Objectives
- Policy principles
- Inclusionary housing delivery strategies
- Planning for inclusionary housing delivery
- Incentives
- Institutional arrangements
- Legislative requirements
- Funding
- Overall Implementation considerations

To conclude the section a summary of the national and provincial approaches to inclusionary housing is presented. Throughout the section points for discussion in working out how best to take inclusionary housing forward in the Western Cape are highlighted in bold italics.

2.1 Contextual Considerations

Apartheid left human settlements in South Africa highly segregated. The advent of democracy has not significantly changed the social and spatial disparities which still pervade the built environment. Most of the poor still live in homogeneous dormitory townships on the urban periphery, and more and more of the wealthy live in gated security estates. The national inclusionary housing initiative is one of a range of initiatives (e.g. the promotion of Social Housing linked to Urban Restructuring Zones) being pursued to improve urban integration. The WCPSDF also takes on this challenge and to address this strategic priority the province has issued a Settlement Restructuring Explanatory Manual.

The other two key South African contextual considerations which have informed the national IHP are:

(i) *Low Density Human Settlements*

By international standards South Africa's cities and towns have very low densities. Towards more efficient urban performance, local authorities are promoting densification by allowing homeowners to sub-divide and build second dwellings on their properties. Whilst most countries exclude smaller sub-divisions/projects from inclusionary provisions, the IHP argues that because of South Africa's low density circumstances these small scale developments should be incorporated in inclusionary housing provisions.

The WCPSDF (2005) was not specific regarding the threshold at which an inclusionary housing provision will apply, but the provincial study identified the need for a minimum threshold.

Discussion points: ***What will the impact be on the WCPSDF's densification targets if it adopts the national proposal of inclusionary provisions applying to sub-divisions and 2nd dwellings? What are appropriate prescriptions in the Western Cape context? Is it practical and desirable for the Western Cape to set different inclusionary housing prescriptions to those of national?***

(ii) *High Income Inequality*

There is a significant disparity between the price of 'market' and 'affordable' housing units in South Africa, and even more so between 'market' and subsidy units. These so-called housing 'price cliffs' are much greater in South Africa than in other countries where inclusionary housing has been successfully introduced. The national policy does not advocate the inclusion of affordable units in housing developments where there are steep 'price cliffs', as the externality impact of the affordable units may make these projects entirely unviable. Where there are steep 'price-cliffs' the IHP allows a developer, in certain circumstances, to meet inclusionary requirements via delivering affordable housing at another site.

The WCPSDF (2005) does not address the issue of 'price cliffs', notwithstanding the fact that property prices are significantly higher in the Western Cape than in the rest of the country.

Discussion point: ***What will the impact be on the WCPSDF's integration targets if the province follows the national approach to steep 'price-cliffs'?***

2.2 Objectives

In light of these contextual considerations the national IHP sets the primary objective of inclusionary housing as promoting greater social integration in South Africa's human settlements, and breaking down the highly segregated processes of built environment creation. Boosting the supply of affordable housing[6] (both for purchase and rental) is identified as a secondary objective of the national policy.

The WCPSDF's inclusionary housing policy statements have been formulated to give effect to PSDF Objective 6, which is to reverse apartheid's spatial patterns (i.e. create more socially, racially and functionally integrated human settlements). Whilst social integration is the primary objective of both the national and provincial inclusionary housing policies, they differ significantly with respect to the housing markets they target[7] for inclusion in property developments. The national inclusionary target market is affordable housing (gap and social components), whereas the WCPSDF targets the inclusion of subsidy and social housing in new private sector property developments.

Discussion points: ***As the private sector has no influence over the allocation of housing subsidies, how realistic is it for the Western Cape to target the inclusion of subsidy housing in property developments. Given that the 'price-cliffs' between "market' and 'subsidy' housing units are significantly steeper, how viable will inclusionary housing be in the Western Cape?***

2.3 Policy Principles

The following key principles underpin the national IHP:

(i) **'Win-win' outcomes** are sought (i.e. there should be no mandatory inclusionary housing requirement unless this is supported by reasonably proportional incentives). This principle is founded on the Treasury's position that inclusionary housing requirements cannot be imposed as an additional tax on property developers.

The WCPSDF (2005) presents its inclusionary housing requirement as a guideline (i.e. *UR6: All high and middle income residential, non-polluting industrial and commercial projects located on privately owned land should provide for 10% social housing and 10% subsidy housing, either on site or, if the site is too small, nearby*). Whilst reference to "*all*" projects implies a mandatory requirement, reference

[6] The IHP defines affordable housing for ownership as units that can be purchased at or below the price at the top of the "affordable housing range" (as defined in the Financial Services Charter) plus 40% (i.e. equivalent to housing units priced below R350 000 at 2008 prices). Where developers develop sites only for sale, then the affordable sites may not exceed one third of the top of the affordable house price range (as defined above). Affordable housing for rental is defined in the IHP as the range between the rent that that someone earning R1500 per month can pay and the rent that someone earning at the top of the FSC range per month plus 20% can pay.

[7] See Appendix A for an analysis of inclusionary housing in the context of the affordable housing market.

to "*should*" implies discretionary application of the policy. The WCPSDF does not mention the provision of incentives to match the inclusionary housing prescription.

Discussion points: ***If the Western Cape does not follow the principle of offering incentives to match the inclusionary prescription, can it counter possible challenges from the Treasury? What will the economic impact on the local property industry be if it is more expensive to do developments in the Western Cape than in the rest of the country?***

(ii) Given varied project circumstances, **flexibility** in applying an inclusionary housing requirement is essential. Examples cited in the national policy of where local nuance is required are: areas where infrastructure will not take additional densities; and areas lacking in community facilities (e.g. projects in the urban periphery). For this reason the IHP's inclusionary prescription is between 10% and 30% for developments of more than 10 units.

The WCPSDF (2005) inclusionary housing guideline quoted above is flexible regarding on or off site provision of the inclusionary requirement, but fixed regarding the % of inclusionary units to be provided. In the course of the provincial study this issue was debated extensively and the recommendation was made to amend the provincial inclusionary prescription to 20% or more.

Discussion points: ***Given the need for flexibility in applying inclusionary housing requirements, is 20% a realistic minimum prescription in the Western Cape? Would it not be preferable for the Western Cape to adopt the national prescription range of between 10% and 30%?***

(iii) Decisions on how much inclusionary housing should be provided and what incentives to offer are best made at the **local level**. To this end the national IHP targets local government as the main implementers of inclusionary housing.

The WCPSDF sets a provincial inclusionary housing percentage, but is not explicit about the role of local government.

Discussion points: ***Shouldn't Western Cape municipalities work out what inclusionary prescription is appropriate in their context, within national/provincial parameters? Do they have the capacity to fulfill this role? Alternatively, should a municipality obtain discretion to set inclusionary targets once they achieve housing accreditation?***

(iv) The IHP is formulated from the premise that whilst flexibility and local nuance is required, **national consistency** in the inclusionary housing approach and process is desirable to avoid confusion in the property development industry. Consistency is also required between inclusionary and social housing policies. The IHP stipulates that national government will articulate desired outcomes, set direction, provide certain incentives, and specify key parameters to ensure that a similar basic logic is followed uniformly across the country. National legislation is to be introduced requiring local government to draw up inclusionary housing plans within national/provincial parameters.

Discussion point: ***How should the WCPSDF's inclusionary housing policy be reconfigured so that it follows a similar basic logic to that of the national IHP?***

(v) The principle that **existing land use rights are protected** by law, and need to be respected is common to both the national IHP and the WCPSDF.

(vi) In line with the national IHP principle that **due process needs to be followed** in applying inclusionary housing prescriptions, new national legislation is to be introduced. Whilst it is the intention of the Western Cape government to make the WCPSDF's inclusionary housing policies mandatory in terms of provincial legislation, until appropriate legislation is in place inclusionary prescriptions cannot be enforced.

Discussion point: ***As the Constitution designates housing as a concurrent national and provincial legislative competence, is it preferable for the Western Cape to promulgate its own inclusionary housing legislation?***

2.4 Inclusionary Housing Delivery Strategies

The national IHP introduces two inclusionary housing delivery strategies, namely:

(i) Pro-actively negotiating inclusionary housing deals when superfluous vacant or underutilized public (i.e. state, state owned enterprises, provincial or municipal) land is disposed of to property developers. The IHP calls this strategy the Voluntary Pro-Active Deal-Driven (VPADD) inclusionary housing delivery approach. Section 3 of the Discussion Document unpacks this delivery strategy and explores its implementation implications.

(ii) Government applying a mandatory, but incentive-linked, inclusionary housing prescription when approving enhanced residential use rights on private land. The IHP calls this strategy the Town Planning Compliant (TPC) approach. Section 4 of the Discussion Document unpacks this delivery strategy and explores its implementation implications.

The PGWC is already applying inclusionary housing prescriptions when it disposes of its strategic land parcels. Section 3 explores how to strengthen and accelerate this mode of delivery. Issues related to the roll-out of the TPC approach in the Western Cape are dealt with in Section 4.

2.5 Planning for Inclusionary Housing Delivery

The IHP calls for municipalities to draw up Inclusionary Housing Plans based on a careful assessment of current realities within their jurisdiction. The Inclusionary Housing Plan needs to specify how, where and when the delivery strategies for public and private land are to be implemented. A municipality's Inclusionary Housing Plan needs to form an integral part of their Human Settlement Plan (also sometimes referred to as the Housing Sector Plan), which in turn is an important input into the municipal Integrated Development Plan (IDP). In addition, informed by consultation with interested and affected parties, the municipality's Spatial Development Framework (SDF) needs to be revised so that it reflects what inclusionary prescriptions apply in different parts of its urban areas (see Section 4 for guidelines in this regard).

It is clear that the IHP tasks municipalities with significant new responsibilities in preparing plans for inclusionary housing delivery. The Western Cape's inclusionary housing study established that municipalities do not currently have the in-house planning capacity to take on this challenge, and some were of the opinion that they were being given an unfunded mandate.

Discussion points: ***How best can national and provincial government help build the capacity of municipalities so that they are in a position to take the lead in planning for inclusionary housing delivery? What is a realistic timetable for building the required local planning***

capacity? What resources (e.g. staff, budgets for service providers, etc) and tools (e.g. updating of WCPSDF explanatory manuals on SDFs, HSPs, and Settlement Restructuring) do they need for the task?

2.6 Incentives

The national IHP is predicated on the principle that inclusionary prescriptions should be matched by equivalent incentives, so as not to make property development projects unviable. The IHP identifies six different types of incentives that will be offered, namely:

- Fiscal benefits (e.g. possibility of a tax credit scheme), the details of which are being investigated by the National Treasury.
- Land, in the case of inclusionary projects on public land.
- Fast tracking the approval of inclusionary projects on public land.
- Enhanced development and use rights on private land.
- Either provision of bulk or link infrastructure, or waivers or reductions to developers bulk services contributions.
- Access to government housing subsidies (e.g. Credit Linked Individual Subsidies and Social Housing Subsidies).

Whilst the 2005 WCPSDF did not give attention to incentivising inclusionary housing delivery, the province's subsequent study has placed this issue on the agenda. Although provinces have no discretion to introduce income tax benefits, the study identified the following opportunities for PGWC to tailor a package of provincial incentives: speeding up the release of superfluous provincial land; amending the provincial Model Zoning Scheme Bylaw to allow for enhanced rights in inclusionary projects; allocating housing subsidies; and investing in bulk infrastructure in areas eminently suitable for inclusionary housing (e.g. through the Municipal Infrastructure Grant (MIG), assuming national allocations for this purpose).

Discussion points: ***What are other options for PGWC to incentivise inclusionary delivery? What is the scope for municipalities to offer local incentive packages?***

2.7 Institutional Roles & Responsibilities

Table 1, on the following page, summarises the roles and responsibilities of the three spheres of government and private developers put forward in the national IHP.

TABLE 1: INCLUSIONARY HOUSING POLICY - ROLES & RESPONSIBILITIES OF GOVERNMENT SPHERES AND DEVELOPERS				
	NDOH	**PROVINCES**	**LOCAL AUTHORITIES**	**PRIVATE DEVELOPERS**
POLICY PARAMETERS AND LEGISLATION	Sets overall targets and parameters Introduces legislation requiring LA's to draw up IH Plans	Augments national parameters where desirable or necessary Possible provincial legislation		
IHP PLANS	Draws up plan for involvement in VPADD	Draw up plans for involvement in VPADD	Draw up IH Plans for achieving inclusionary outcomes (both VPADD and Town Planning Compliant (TPC) approaches)	
INCENTIVES	Land for VPADD Tax Credit Scheme (Treasury)	Land for VPADD Housing subsidies (for VPADD and TPC)	Land for VPADD Density bonuses for TPC Bulk and Link infrastructure for both VPADD and TPC. Fast-tracking of development regulation processes (VPADD).	
IMPLEMENT	May initiate and drive priority initiatives (VPADD)	May initiate and drive provincial priority initiatives (VPADD)	Prime implementer of TPC May initiate and drive VPADD initiatives	Can initiate VPADD initiatives. Partner in other VPADD initiatives Implement TPC projects
FACILITATE	Access to land via national SPV (HDA)	Drawing up of IH plans by LA's	Private Sector projects	
MONITORING & EVALUATION (M&E)	Monitor achievement of national outcome indicators.	Monitor performance of local authorities and report regularly to national	Report on performance regularly.	

The WCPSDF did not specify institutional arrangements for applying inclusionary prescriptions.

2.8 Legislative Requirements

NDOH are currently drafting national inclusionary housing legislation and regulations. The IHP states that this legislation will:

- Require local authorities, as the main implementing arm of the TPC component of inclusionary delivery, to draw up and implement local IHP plans.
- Require all spheres of government to apply IHP schemes in line with national policy and parameters (and prescribe clearly where such parameters are articulated).
- Specify reporting requirements and responsibilities.

In the provincial inclusionary housing study PGWC indicated its intention to provide for the introduction of inclusionary housing regulations in their redrafting of the Western Cape Planning and Development Act (PDA). Their intention is not inconsistent with the national IHP, which provides for the possibility of provincial inclusionary housing legislation.

2.9 Overall Implementation Considerations

2.9.1 Marketing Risk

Whilst national policy is that marketing risk can be negotiated on a project by project basis, it proposes the following rules:

- For all units for sale the marketing risk falls with the developer.
- For all rental units not using social housing subsidies, the marketing risk falls with the developer.
- For all rental units using social housing subsidies, the marketing risk will either fall with the developer (if the project is accredited in terms of the Social Housing Policy), or with an accredited Social Housing Institution.

In exploring implementation arrangements in the provincial study the need for the Western Cape to align with national risk management arrangements was identified, as was the need to synchronise implementation of social housing and inclusionary housing policies. Furthermore, the need to amalgamate Urban Restructuring Zones (URZ) and areas highly suitable for inclusionary housing was also identified.

2.9.2 Retaining Inclusionary Housing Stock Over Time

The IHP recognizes that there are contradictions between the goals of using inclusionary housing as a stepping stone into the property ladder for lower income people (i.e. allowing people to benefit from property value appreciation), and retaining inclusionary housing as affordable stock. Accordingly the IHP proposes that "controls on turnover of inclusionary housing stock are necessary to avoid speculation and rampant downward raiding". To this end the IHP Implementation Guidelines stipulate that:

- For the first 5 years units can be sold at original price plus building inflation.
- Improvements can be factored in at cost plus escalation
- If any unit is sold within 5 years the new owner must be eligible for inclusionary housing purchase and will be subject to the same restrictions for 5 years after date of purchase.
- After 5 years units can be sold at market price.
- Sites only may not be sold for 5 years after date of registration.
- A top-structure must be built on a site within 2 years of registration of ownership.

The IHP also identifies contradictions between attracting private sector investment in rental housing and imposing controls on rents that can be charged. The IHP Implementation Guidelines stipulate that unsubsidised private rents are to be maintained for 5 years, and social housing for 15 years.

2.9.3 Project Design

The key design principle put forward in the national IHP is that the strict separation in space of affordable units from market units should be avoided as far as is possible. A uniform architectural style is desirable, the project should blend in with the surrounding communities, and be integrated as far as possible. For the affordable units a minimum floor area of 40m2 is prescribed, and it must have an internal bathroom and kitchen.

The WCPSDF Settlement Restructuring Manual provides practical guidelines on how projects should be designed to achieve integration objectives.

2.9.4 On-Going Management of Stock

According to the national IHP, units for purchase will be managed by individuals and Body Corporates. Private rental units will be managed by private landlords and social housing stock by Social Housing Institutions.

2.9.5 Allocations:

The national IHP states that whoever takes the risk controls the allocation of housing units, regardless of whether the units are subsidised or not. If government wishes to control the allocation of units, it will need to purchase the affordable units from the developer. Where the developer takes the risk, they also control the affordable housing unit mix subject to policy requirements.

2.10 Summary of National & Provincial Policies

To conclude this section Table 2, on the following page, presents an overview of the key features of the NDOH and PGWC inclusionary housing policies, as well as comments and proposals emanating from the provincial inclusionary study.

TABLE 2: KEY FEATURES OF NATIONAL AND WESTERN CAPE INCLUSIONARY HOUSING POLICIES

	National IH Policy (NDOH 2008):	W Cape IH Policy (WCPSDF 2005)	W Cape IH Study Observations:
Current status	Official policy of NDOH with Implementation Guidelines	Policy statement (guideline) endorsed by provincial cabinet	Policy differences need to be debated and reconciled
Legislative intent	Inclusionary Housing Act with regulations	Provide for IH regulations in new Planning & Development Act	Legislative alignment needed within constitutional mandates
Target markets & incomes	Gap housing (>R3500<R10000 pm/hh) Social housing (>R2700<R7000 pm/hh)	Subsidy housing (>R1500<R3500 pm/hh) Social housing (>R2700<R7000 pm/hh)	Target gap & subsidy as risk of failure if wide gap between market & affordable units
Delivery models	Negotiated provision on public land Mandatory provision on private land	Public land not specified Mandatory provision on private land	National delivery models appear appropriate
Where applicable	Inside urban edge	Not specified	Towards integration apply inside edge of all settlements
Applicable projects	New residential & mixed use (with residential component) requiring enhanced land use rights	New residential, non-polluting industrial & commercial. Mixed use not specified.	Appropriate in new residential & mixed use that has a residential component
Threshold applicable	Subdivision into 2 or more portions, or development of 2nd dwelling on erf	Not specified	To promote densification apply to all projects => 5 new units
Inclusionary prescription	Public land: >30%<60% incl. units Private land: • 2 to 10 market units = 1 incl. unit • >10 market units = >10%<30% incl. units	Public land not specified Private land (10% subsidy & 10% social units)	Public land: >30%<60% incl. units Private land: >10%<30% incl. units
Incentives offered	Fiscal, land, subsidies, rapid approvals, bulk infra rebates, housing subsidies	Not specified	Develop national, provincial & local incentive packages
Allow off-site provision	Yes in another inclusionary project if steep price-cliffs or site not suitable. Possible inclusionary fee levied in lieu of no provision elsewhere.	Yes nearby if site too small.	Flexibility of national system preferred, but complex to administer
Responsibility for planning	Municipalities	Not specified	Preferable to plan at local level but municipalities lack capacity
Implementation responsibility	Public land (national, prov or local gov) Private land (developer)	Not specified	National proposal endorsed

3. INCLUSIONARY HOUSING DELIVERY ON PUBLIC LAND

Drawing on the national IHP Implementation Guidelines and the outcomes of the Western Cape's inclusionary housing study, this section explores the roll-out of inclusionary housing delivery on public land. The details of this delivery strategy are explained, and guidelines are presented on:

- formulating the required delivery strategy and implementation plans,
- identifying public land suitable for inclusionary projects, and
- the role and responsibilities of the three spheres of government in implementing the strategy.

3.1 Overview of the Strategy

The strategy of pro-actively negotiating inclusionary housing delivery on state land is referred to in the IHP as the Voluntary Pro-Active Deal-Driven (VPADD) delivery approach. There is no compulsion to deliver in this approach. It is based on willing partners (i.e. government as the seller of superfluous and a property developer as the purchaser) working out a mutually beneficial arrangement which delivers a housing environment that is "socio-economically more inclusive".

The VPADD approach is project driven on specific publically owned sites, as opposed to the TPC approach which has area wide application on all private land in towns and cities.

The inclusionary prescription on government owned land parcels made available for development should be greater than the maximum prescription on private land (i.e. >30%), but must not exceed 60% (beyond which projects become affordable housing projects rather than inclusionary projects). Whilst the national Treasury is investigating tax concessions to incentivise private sector delivery of affordable housing, it is envisaged that these will only apply on private land and not public land made available for development purposes.

In the provincial inclusionary housing study representatives of the South African Property Owners Association (SAPOA) and Western Cape property developers endorsed the strategy to release superfluous government land for inclusionary projects. They expressed reservations, however, over mandatory inclusionary prescriptions on private land given their concerns that this would impact negatively on project viability.

The Western Cape Provincial Government is already proactively promoting inclusionary housing in the disposal of its strategic land parcels. Moving forward with the roll-out of this strategy the challenge is to accelerate the process. In addition to engaging with municipalities on how best this land should be used, provincial support to municipalities is also required to implement the strategy.

3.2 Planning for Inclusionary Delivery on Public Land

As all spheres of government may participate in VPADD projects, they are all required to become involved and develop a pro-active plan. Each sphere should produce multi-year VPADD Plans tied to their normal planning processes (e.g. IDP's).

Whilst any sphere may initiate and facilitate an inclusionary housing project, as a general rule partnerships between spheres should be pursued. Practically most inclusionary projects on government land will involve more than one sphere (e.g. the municipality as the provider and maintainer of services, the province as administrator of subsidies and national as a developer or facilitator (via the HDA).

3.2.1 Preparing Municipal Inclusionary Housing Plans

As part of their Inclusionary Housing Plan, local government is tasked with identifying inclusionary projects to pursue with the private sector on superfluous government owned land. The IHP's Implementation Guidelines specify that the municipality's Inclusionary Housing Plan should address the following aspects regarding the delivery of inclusionary housing on superfluous government owned land:

(i) Identification of parcels of vacant or underutilized state land inside the urban edge to be released for inclusionary housing projects.
(ii) Identification of strategically located land parcels inside the urban edge that are targeted for acquisition by the state for inclusionary housing projects.
(iii) The number of affordable units targeted in all projects (i.e. the inclusionary prescription applicable to the different land parcels).
(iv) The start and completion dates of projects.
(v) Programme milestones.
(vi) Incentives to be offered.

The contents of this plan should not be publicized by the municipality.

3.2.2 Procuring Land

For municipalities to assemble an integrated plan for the disposal of all government owned land implies the need for national and provincial government to liaise closely with local government. In this regard the Housing Development Agency (HAD) that NDOH are setting up to assemble state owned land for housing purposes will have a key role in the roll-out of inclusionary projects.

There is also an important role for provinces to expedite the disposal of their superfluous land. To this end the Western Cape inclusionary study identified the need for close liaison between the provincial Departments of Public Works and Transport, Local Government and Housing, and Environmental Affairs and Development Planning in assembling and rolling out a rapid land release program. In addition the need for a provincial land disposal special purpose vehicle (SPV) was identified.

In all cases when government owned land is disposed of to the private sector the provisions of the Public Finance Management Act (PFMA) and the Municipal Finance Management Act (MFMA) will apply. Calls for bids must clearly spell out required role for private sector players (e.g. developers or contractors or both).

3.2.3 Identifying Suitable Land

As the VPADD strategy is land-driven it focuses on:

- Major settlement restructuring projects (activity spines, nodes, etc). The WCPSDF Settlement Restructuring Explanatory Manual should be referenced for detailed guidelines on identifying, planning and designing integration projects.
- Projects in low-income areas (townships etc.), by using land and other incentives as an inducement to bring higher/middle income development into poorer areas. The WCPSDF Settlement Restructuring Explanatory Manual also provides guidelines in this regard.

Superfluous public land should not be made available for inclusionary projects just because it is owned by a sphere of government. Within the prescripts of the PFMA and MFMA the creative use of suitable land should be negotiated with successful bidders, and land swaps should also be considered.

3.3 The Role of Government

3.3.1 National Government

The IHP's Implementation Guidelines stipulate that "as a general rule national should act as a 'watcher of the scoreboard' and a facilitator of implementation". They should only become involved as a driver/developer of inclusionary housing projects where national demonstration is required, where impact at scale can be achieved, or where they are requested to take the lead by other spheres to augment capacity.

As a central component of the HDA's mandate is to facilitating access to land, and land is the key resource in VPADD projects, they have a significant role to play. In additional national government will be responsible for monitoring and evaluating VPADD throughout the country.

3.3.2 Provincial Government

The role of provinces in implementing VPADD projects, as stipulated in the national IHP is as follows:

- Accessing provincially owned land for VPADD purposes
- Facilitation of municipal VPADD projects
- Provision for and administration of housing subsidies:
  - Provinces are to set aside subsidies for VPADD projects consistent with its capacities given other goals, objectives and priorities.
  - Developing own Provincial VPADD
- Estimating needs based on VPADD plans of various spheres as well as estimates of anticipated cash flows.
- Monitoring and evaluation of Municipal VPADD's
- Reporting to NDOH

The Western Cape inclusionary housing study also identified PGWC's intention to formulate inclusionary housing regulations tailored to local conditions. Other priorities identified were:

- Rapid release of provincial land, with possible establishment of a provincial task team or SPV to expedite this process.
- Assisting municipalities in auditing public land (see WCPSDF Settlement Restructuring Explanatory Manual for detailed guidelines on undertaking land audits, determining the suitable use of this land, and planning for its integrated development.
- Building the capacity of municipalities to plan for and manage VPADD delivery, including providing tools to assist them (e.g. updating WCPSDF SDF Manual and DLG&H's Human Settlement plan Manual.
- Conclusion of the law reform process.
- Piloting the VPADD strategy with the municipalities participating in the BESP programme.
- Tasking the DFU with facilitating implementation of the VPADD strategy.

3.3.3 Local Government

According to the IHP Implementation Guidelines the municipal plan for the VPADD approach should, inter alia:

- Outline which land parcels will be put out via formal procurement processes for partnerships with private sector clients and when.
- Outline a plan for the acquisition of strategically located land (which plan should not be public knowledge).
- Invite private sector land owners and developers to bring forward proposals for inclusionary projects.
- Work closely with the Province and the National HDA to make land and other resources available for inclusionary housing.

In addition to land, the IHP states that local authorities may also introduce other incentives for VPADD projects such as reductions in bulk contributions and the provision of density bonuses. They may not promise special fast-tracking of the regulatory process for VPADD projects.

The NDOH intends setting up a dedicated unit with the capacity to support and facilitate the implementation of VPADD provisions. PGWC's DFU also has a major role to play in this regard.

4. INCLUSIONARY HOUSING DELIVERY ON PRIVATE LAND

Drawing on the national IHP Implementation Guidelines and the outcomes of the Western Cape's inclusionary housing study, this section explores the roll-out of inclusionary housing delivery on private land. The details of this delivery strategy are explained, and guidelines are presented on:

- formulating the required delivery strategy and implementation plans,
- identifying public land suitable for inclusionary projects, and
- the role and responsibilities of government in implementing the strategy.

4.1 Overview of the Strategy

The strategy of mandatory, incentive-linked, inclusionary housing delivery on private land where usage rights are enhanced is referred to in the national IHP as the Town Planning Compliant (TPC) approach. Whilst this mode of delivery is compulsory, it is envisaged that the mandatory inclusionary housing requirement will be proportional to the incentive offered so as to achieve a 'win-win' outcome. TPC strategy focuses on areas in which high and middle income housing is built.

4.1.1 Application

The key instruments to be used to incentivise delivery are those related to the overall land use planning and development control processes (i.e. land use approval is made contingent on meeting specified inclusionary requirements in return for being awarded certain development rights). The IHP stipulates that inclusionary prescriptions must apply when securing the following land use rights for residential development:

- Township establishment
- Rezoning
- Subdivision into 2 or more sites
- Sectional title, shareblock developments
- Building permit applications for 2nd and 3rd dwelling units

4.1.2 Inclusionary Prescriptions

The National IHP allows municipalities to set different inclusionary requirements for different areas within their jurisdiction. The minimum inclusionary requirement is, however, 10% of units in a project while the maximum compulsory prescription allowed is 30%. In terms of thresholds:

- For developments involving between 2 and 10 units, 1 inclusionary unit must be provided
- For developments involving more than 10 units the inclusionary requirement to vary between 10% and 30%.
- The minimum requirement can be adjusted but never below 10% except with the permission of the MEC.
- Local authorities must decide on what prescriptions to apply on an area by area basis

Inclusionary prescriptions will not be imposed retrospectively, only when enhanced land use rights are applied for. The IHP states that "new rights have to be applied for and considered, not only in relation to the policy intentions of the local authority, but also in relation to the rights of other rights holders who may be affected via externality impacts. Because the award of such rights involves the consideration of inter alia the public interest, the opportunity arises to introduce inclusionary requirements and to compensate/reward the owner via the granting of density bonuses or other use rights".

As each province has its own town planning ordinances, the opportunities and mechanisms for applying inclusionary measures will vary. The national IHP recognises that land use rights are generally encoded in the zoning provisions of town planning schemes. As many of these schemes are currently being revised, the IHP identifies this as an opportunity to build inclusionary provisions into them and signal to the public at large "that township establishment, rezoning and sub-division applications are likely to succeed if they include inclusionary intentions".

A number of complex issues need to be addressed in implementing this strategy in the Western Cape.

Discussion points: How best can province facilitate the amendment of land use management instruments (i.e. provincial and municipal zoning schemes) to incorporate inclusionary housing provisions? Given current limitations in municipal capacity, is it practical for them to function as the primary implementation agents in the short term? How should the strategy be rolled-out in the Western Cape? (i.e. target all municipalities across the province, province takes leading role until municipalities achieve housing accreditation, pilot in metropolitan Cape Town, pilot in municipalities that are part of Phase 1 of the Western Cape's Built Environment Support Programme (BESP), other options?)

4.1.3 Price Cliffs

The IHP's parameters for dealing with price cliffs are:

- In projects where the average price per unit exceeds the top of the range for affordable housing + 40% x 3 (at present R1,050 million) the top of the affordable housing range can be increased to the current cut-off for the waiving of transfer costs on purchase (currently R500 000). Local authorities can in such instances (and at their discretion) require that up to half of the inclusionary units be below the top of the affordable housing range +40% (currently R350 000).
- In instances where the average price per unit exceeds the top of the range for affordable housing + 40% x 6 (at present R2,1 million) inclusionary requirement can:
    - be met off-site, but only in another inclusionary housing project (where more inclusionary housing is provided than is required), or
    - be met on site in terms of the cut-off amount for waiving transfer costs (R 500 000), or
    - be met by paying a fee in lieu of inclusionary provision.

4.1.4 Fees in Lieu of On-site Provision

The IHP Implementation Guidelines set fees in lieu of inclusionary provision at 3% of the selling price of all units in the project, up to a maximum cash amount which does not exceed 50% of the cutoff price for waiving transfer costs (i.e. 50% of R500 000) x the number of inclusionary units. Fee must be paid by the developer into the Municipal General Revenue account up-front. Record must be kept of all inclusionary housing fees paid, and these should be ring-fenced for inclusionary housing incentives.

Twenty-five per cent the fees in lieu of inclusionary provision must be paid up-front as a condition of development approval. The balance should be paid on a per unit basis as the first units in the project are sold.

4.2 Planning Inclusionary Delivery on Private Land

4.2.1 Municipal Inclusionary Housing Plan

The IHP's Implementation Guidelines specify the following requirements for the municipality's Inclusionary Housing Plan regarding the delivery of inclusionary housing on private land inside the urban edge:

(i) Follow consultative processes when determining what prescription to apply in different areas (i.e. between 10% and 30%).
(ii) Clearly delineate areas where different prescriptions apply.
(iii) Publicise the results.

4.2.2 Spatial Application of the Inclusionary Prescription

Logic needs to underpin the delineation of areas inside the urban edge of different inclusionary prescriptions. In principle those areas which are highly suitable for inclusionary housing (as measured against the suitability criteria specified below) and in which it is envisaged that substantial incentives will be provided (as measured against the incentives criteria specified below) should carry proportionally greater inclusionary requirements than areas which are less suitable and in which fewer incentives are envisaged.

According to the IHP it is possible for municipalities to have a single "inclusionary area" and in this case the same inclusionary prescription will apply across its urban jurisdictions. This should occur if incentives are to be applied uniformly across the jurisdiction and if all areas are considered equally "suitable" for inclusionary housing.

In most cases different areas within the municipality's urban jurisdiction will vary according to their suitability for inclusionary housing. In suitable areas with good potential for providing incentives proportionately more onerous inclusionary requirements should apply (i.e. up to 30%). Other areas may be entirely unsuitable and have proportionally smaller requirements (i.e. at minimum 10%).

The IHP's suitability criteria that need to be applied in delineating areas of different inclusionary prescriptions are as follows:

- Availability of affordable schools and other community facilities
- Municipal rates
- Access to public transport
- Willingness of government to invest in overcoming suitability shortcomings.

These criteria are consistent with the guiding principles for urban integration and the designation of urban restructuring zones as set-out in the WCPSDF Settlement Restructuring Explanatory Manual. Detailed guidelines and toolkits are provided in this Manual.

The IHP's applicable incentives criteria to apply are as follows:

- The type and scale of density incentives offered?
- Investment by the municipality or other spheres in bulk infrastructure?
- Investment by the municipality and other spheres in public facilities and places?
- Waiver or reduction of bulk contributions?
- Electricity to be provided?

4.3 Implementation Considerations

4.3.1 Density Bonuses

The IHP points out that the granting of density bonuses as an incentive needs to be handled carefully. The issue is not just about the scale of densities permitted, but also about density in relation market demand (e.g. in some areas relatively low densities and large sites is part of market appeal).

4.3.2 Inclusionary Surpluses and Inclusionary Housing Credits

Developers should be encouraged to provide inclusionary units over and above the minimum prescription. The IHP states that surplus provision should be possible everywhere and should be incentivised via the possibility of selling inclusionary housing credits. The policy principle is that in the event of a developer providing a surplus over and above the minimum requirement then inclusionary housing credits will be issued for the surplus.

According to the IHP's Implementation Guidelines a National Inclusionary Housing Credit Scheme will be implemented. The envisaged terms of this scheme are listed in the Guideline as follows:

- Inclusionary housing credits will be sold at the price the market will bear.
- Inclusionary housing credits will be issued to a developer by the NDOH only on the building of inclusionary housing for sale or rental in excess of the inclusionary prescription for an area (and verified by an independent auditor).
- The NDOH will register the credit awarded on a National Inclusionary Housing Database. Registration must indicate the Credit number, who owns the credit, and on which property the credit has been awarded.
- A developer may submit inclusionary housing credits in his/her possession in partial or complete fulfillment of inclusionary requirements for an area. Alternatively credits can be traded in the marketplace. All sales must be recorded on the National database which should be open to public viewing.
- Where a Credit is used to meet an inclusionary requirement, the Credit must be physically surrendered to an accredited auditor (who is simultaneously auditing developer compliance). The auditor must then forward the Credit Certificate to the NDOH for cancellation.
- Payment goes directly to the original developer of the inclusionary housing minus a fee to the NDOH for the administration of the scheme.
- The scheme will apply in instances where stands only are delivered (Credits equal to one third of a full credit will be issued).
- Inclusionary housing credits may be traded across municipal and provincial boundaries

4.3.3 Adjustments for Project Viability

In response to developer concerns regarding the viability of inclusionary projects, the NDOH (with support from the Banking Association) has developed a model which can be used by municipalities to calibrate their inclusionary housing requirements in particular circumstances. The model allows one to check the viability of a project based on alternative inclusionary requirements.

The NDOH envisage using the calibration model to refine the inclusionary requirement. The model will be posted on the NDOH website and be accessible for use by municipal officials. It will be applied to particular projects and in special circumstances allow for variation from the area prescription.

4.3.4 Rolling out the TPC Approach

Once enabling national legislation is in place, NDOH intend piloting the TPC approach in the Cities Network municipal areas. Once the approach has been tested here the intention is to extend its roll-out incrementally, in accordance with a municipal implementation timeline framework which NDOH will gazette.

Whilst other municipalities may also participate once legislation is enacted, the IHP's Implementation Guidelines state that the permission of the MEC must first be obtained. The Western Cape inclusionary housing study identified the opportunity to use the BESP programme to prepare municipalities for the introduction of of a mandatory inclusionary housing prescription, and in the process learn lessons for wider application throughout the province.

5. CONCLUSIONS & RECOMMENDATIONS

There are no firm timelines in place for the implementation of inclusionary housing nationally or in the Western Cape. Considerable work still needs to be done in putting the legislative framework in place and promulgating implementation regulations. Whilst there are still a number of unanswered questions, the inclusionary housing initiative is gaining momentum and greater clarity is emerging.

As basis for the PGWC and its social partners deliberating on how best to introduce inclusionary housing in the Western Cape, this Discussion Document has covered:

- a review of progress with the roll-out of the inclusionary housing initiative,
- an examination of congruence and differences between national and provincial policy,
- an explanation of the inclusionary housing delivery strategies being pursued on public and private land,
- guidelines for planning and implementing these inclusionary housing delivery strategies, and
- key issues and options that need to be considered in deciding on the way forward.

Towards realistic, coherent and effective inclusionary housing delivery in the Western Cape the following recommendations are made:

(i) Policy Alignment:

The WCPSDF's inclusionary housing policy should be revised to align, where appropriate, with national policy and to reflect unique provincial conditions. In this regard:

a. The Western Cape should only target the gap and social housing markets for inclusionary delivery.
b. Housing for the poor (<R3 500 pm/hh) remains the provincial priority regarding the allocation of available subsidies, and greater attention should be given to securing land close to urban opportunities for the low income housing market.
c. The current social housing policy should be integrated with the revised inclusionary housing policy, and urban restructuring zones should be consistent with areas where a high inclusionary housing prescription applies.
d. Inclusionary housing prescriptions should apply on all new residential and mixed use (with a residential component) projects inside the urban edge.
e. For reasons of not inhibiting the province's priority densification initiative, the minimum compulsory inclusionary prescription should apply from a threshold of 5 or more units, and not the 2 as proposed in the national policy.

(ii) Legislative Framework

Whilst PGWC should make provision in the redrafting of the PDA for the promulgation of provincial inclusionary housing regulations, they should engage with the drafters of national legislation to ensure consistency between national and provincial legislation.

(iii) Roll-out of Inclusionary Delivery

In the short term the Western Cape should strengthen and accelerate its current initiative to specify inclusionary prescriptions when disposing of strategic provincial land that is suitable for this purpose. To this end an interdepartmental task team (DPW&T, DLG&H, DEA&DP) should be set-up to oversee the extension of this program throughout the province, assist municipalities, and investigate the establishment of a provincial SPV to assemble land release.

In the short term PGWC and municipalities should encourage voluntarily provision of inclusionary housing in new private sector development projects. The national IHP Implementation Guidelines and the WCPSDF Settlement Restructuring Explanatory Manual should be referenced for planning and implementation guidance.

Whilst inclusionary legislation is being formulated PGWC should pilot the gearing-up of municipalities so that they are in a position to introduce the compulsory inclusionary prescriptions once legislation is enacted. The City of Cape Town and municipalities participating in the BESP programme should participate in this pilot.

Consideration should be given to making municipalities lead agent of inclusionary housing implementation once they achieve housing accreditation.

(iv) Institutional Arrangements

PGWC should set-up an interdepartmental task team (DPW&T, DLG&H, DEA&DP) to oversee: input from stakeholders using the Discussion Document as reference point; revision of the Western Cape's inclusionary housing policy; liaison with NDOH on legislative consistency; developing a package of provincial incentives; faciltating the roll-out of provincial delivery programs, and capacity building to municipalities.

(v) Facilitating Inclusionary Delivery

Once there is clarity regarding the legislative framework the WCPSDF CDF Manual and DLG&H's HSP Manual should be updated to incorporate inclusionary housing provisions.

(vi) Capacity Building

The DFU should be resourced to initiative a program of provincial and municipal capacity building to plan for and manage the implementation of inclusionary housing.

LIST OF ACRONYMS

BESP	Built Environment Support Programme
C.A.P.E.	Cape Action Plan for People and the Environment
CBO	Community Based Organisation
CMIP	Consolidated Municipal Infrastructure Programme
DEA&DP	Department of Environmental Affairs and Development Planning
DFU	Development Facilitation Unit
DLA	Department of Land Affairs
DLG&H	Department of Local Government and Housing
DPLG	Department of Provincial and Local Government
DPW&T	Department of Public Works and Transport
ECA	Environmental Conservation Act
EIA	Environmental Impact Assessment
EMP	Environmental Management Plan
HOA	Home Owners' Association
HSP	Human Settlement Plans
IDP	Integrated Development Plans
IHI	Innovative Housing Institute
IHP	Inclusionary Housing Policy
LED	Local Economic Development
LUPO	Land Use Planning Ordinance, 1985 (Ordinance 15 of 1985)
MIG	Municipal Infrastructure Grant
MFMA	Municipal Finance Management Act
MPDU's	Moderately Priced Dwelling Units
MSA	Municipal Systems Act (Act 32 of 2000 as amended in 2003)
NDOH	National Department of Housing
NEMA	National Environmental Management Act, 1998 (Act 107 of 1998)
NGO	Non-Governmental Organisation
NHRA	National Heritage Resources Act (Act 25 of 1999)
NPH	Non-Profit Housing
NSDP	National Spatial Development Perspective
PDA	Planning and Development Act (Act 7 of 1999)
PFM	Public Finance Management Act
PG&DS	Provincial Growth and Development Strategy
RIA	Regulatory Impact Assessment
ROD	Record of Decision
SAHRA	South African Heritage Resources Agency
SALGA	South African Local Government Association
SAPOA	South African Property Owners' Association
SDF	Spatial Development Framework
SIP	Strategic Infrastructure Plan
SMME	Small, Medium and Micro Enterprise
SPV	Special Purpose Vehicle
TPC	Town Planning Compliant (inclusionary housing delivery model)
URZ	Urban Restructuring Zone
VPADD	Voluntary Pro-Active Deal-Driven (inclusionary housing delivery model)
WCPSDF	Western Cape Provincial Spatial Development Framework

APPENDIX A: ASSESSMENT OF THE AFFORDABLE HOUSING MARKET IN SOUTH AFRICA[8]

The housing market not traditionally served by South Africa's private sector (i.e. state assisted housing) can be divided into a number of groupings based on income and affordability levels, and on tenure choice. These groupings are as follows:

- gap housing
- affordable housing
- low income housing
- subsidy housing/low cost housing
- social housing

The diagram opposite shows how these groupings relate to each other, and with the private housing sector. This diagram should be read in combination with the table of ownership and rental affordability levels on the subsequent page. The three main groupings who are potential beneficiaries of an inclusionary housing program in South Africa are the gap, subsidy and social housing sub-markets. These sub-markets are examined in this appendix.

HOUSING SUB-MARKETS IN SOUTH AFRICA

CONVENTIONAL MORTGAGE HOUSING (joint income of more than R9000/ R10 000 pm; affordability levels of more than R230 000-R250 000)

PRIVATE RENTAL HOUSING (joint income of more than R7 000/ 8000 pm; affordability levels of more than R1800 - R2000 pm)

Private sector market

State assisted housing market

GAP HOUSING/ AFFORDABLE HOUSING/ LOW-INCOME HOUSING (joint income of between R3500 and R9000/R10 000 pm; maximum affordability level of about R230 000 - R250 000)

SOCIAL HOUSING (joint income of between about R2500 pm and R7000 pm; affordability levels of between about R500 and R1800 pm)

SUBSIDY HOUSING/ LOW-COST HOUSING (joint income of less than R3500 pm; maximum affordability level of about R50 000)

INFORMAL RENTAL/ SUBLETTING (joint income of less than R2500 pm; maximum affordability level of about R600 pm)

[8] Assessment based on 2007 prices and income levels

Housing affordability levels in South Africa

Monthly joint income	Ownership affordability levels (total product price)	Rental affordability levels (monthly rentals)
R10 000	R 252 000	R 2 500
R9 500	R 240 000	R 2 375
R9 000	R 227 000	R 2 250
R8 500	R 214 000	R 2 125
R8 000	R 202 000	R 2 000
R7 500	R 189 000	R 1 875
R7 000	R 177 000	R 1 750
R6 500	R 164 000	R 1 625
R6 000	R 151 000	R 1 500
R5 500	R 139 000	R 1 375
R5 000	R 129 000	R 1 250
R4 500	R 120 000	R 1 125
R4 000	R 112 000	R 1 000
R3 501	R 103 000	R 875
Subsidy housing income bracket (R3500 p.m. and less)		
R3 500	R 53 000	R 875
R3 000	R 53 000	R 750
R2 500	R 53 000	R 625
R2 000	R 52 000	R 500
R1 501	R 50 000	R 375

Notes:

1. Amounts for ownership affordability levels rounded off to nearest R1000 and amounts for rental affordability levels rounded off to nearest R25.
2. Mortgage loans for the R3501+ p.m. income group: 10% deposit, 12% interest over 20 yrs, loan repayments are 25% of income; where the Finance-Linked Individual Subsidy is more than the 10% deposit, i.e. for the R3501 to R5000 categories, the additional amount is added to the total affordability level.
3. Micro-loans for the R3500 and below income categories: 35% interest rate over 2 years, maximum loan amount of R10 000.
4. Maximum housing subsidy amount of R43 428 for R1501 - R3500 p.m. income categories.
5. Rental affordability levels are 25% of income.

(a) Gap housing

"Gap housing" can be defined as housing for people who fall between the maximum income threshold for housing subsidies (R3500 per month) and the minimum typical income threshold for a conventional mortgage loan (i.e. not recently-introduced special "affordable mortgage loan" products) .

The upper income limit for the "gap housing" group is currently about R9 000 to R10 000 per month joint income and the maximum product price is approximately R250 000 [9] (although very little new housing in the R250 000 to R400 000 price bracket is being produced, there is existing housing for sale in this price bracket). The City of Cape Town, for example, regards R10 000 per month (joint income) and a maximum product price of about R250 000 as the upper limits of gap housing (City of Cape Town, 2006), e.g. as in the Royal Road project in Maitland, a project specifically aimed at the gap market and where units ranged in price from R155 000 to R255 000 (City of Cape Town, 2004). In the Financial Sector Charter the upper limit for the group not currently adequately served by financial institutions in terms of housing is set as R7500 per month (2003 values), adjusted annually for CPI(X), which works out to approximately

[9] Assuming a 20 year loan, a 10% deposit, an interest rate of 12% and loan payments as 25% of monthly income, a R9000 p.m. income level has an affordability level of about R230 000 and a R10 000 p.m. income level has an affordability of about R250 000.

R9000 per month in 2007 and a maximum product price (2007) of about R230 000[10].

“Gap housing” is largely the same as “affordable housing” and “low-income housing”. The National Department of Housing defines households with a joint income of R3501 – R7000 per month as the “affordable housing” group. The Finance-Linked Individual Subsidy, linked to housing loans from accredited lenders and ranging from R3 369 to R23 584 (depending on income) was introduced by the National Department of Housing for this group in 2006. This programme is linked to the Financial Sector Charter, which is a commitment by banks to extend their services to lower-income people currently not adequately served by financial institutions. The Department of Housing collaborated with the Banking Council on formulating this programme. Banks have subsequently launched affordable mortgage products for households with joint incomes of less than R7500 per month, for example, ABSA’s MyHome affordable mortgage loan package. ABSA Bank defines affordable housing as being less than R226 000 per unit (and 40 to 79m^2 in size) and Standard Bank defines their ‘affordable housing’ target group as having a maximum affordability of R250 000.

The Financial Sector Charter defines “low-income housing”, in Section 2.34.3, as “low-income housing for households with a stable income in excess of R1 500 per month and less than R7 500 per month. This income band will be increased in line with the CPI(X) on the 1st of January each year commencing on 1 January 2004.” In practice, however, it is doubtful whether the lower end of this group is being targeted by housing loans – it has been estimated that only 5% of the “low-income target group” is currently able to access the financial products developed in terms of the Financial Sector Charter (Rust, 2006).

[10] CPI(X) was 4.2% in Jan 2004, 3.6% in Jan 2005, 4.3% in Jan 2006 and 5.3% in Jan 2007.

By definition, the terms “gap housing”, “affordable housing” and “low-income housing” generally refer to ownership housing, but in terms of income levels this group overlaps with the target group for “social housing”.

(b) Subsidy housing

The term “subsidy housing” refers to the 0 to R3500 per month income group, who are eligible for the Project-Linked Subsidy, which is the main component of the National Department of Housing’s Housing Subsidy Scheme. The Project-Linked Subsidy is a once-off “capital subsidy” intended to assist low-income households to access land, infrastructure and housing on an individual ownership basis.

Although there is now a new subsidy scheme for the “gap housing” sector, there are grants to social housing institutions for social housing and public rental housing is subsidized on an ongoing basis, in common usage “subsidy housing” usually refers specifically to housing funded by the Project-Linked Subsidy, which is the most common form of subsidy, and not to these other forms of subsidization. The Project-Linked Subsidy end product is typically referred to as a “RDP house” (although, more recently, the “BNG house”, with improved specifications has been introduced).

There is a distinction between the 0-R1500 per month income group (termed “the hardcore poor” by the National Department of Housing) and the R1501- R3500 group (“the poor”). The 0-R1500 p.m. income group (and the “aged, disabled or health stricken” in the R1501-R3500 category) are eligible for a subsidy amount (2006/2007) of up to R45 907[11]. The affordability of households in the 0 – R1500 per month income group is usually

[11] R36 528 for the basic subsidy amount, an additional amount of up to R5 479 for difficult site conditions and an extra R3900 for projects in the Southern Coastal Condensation Area.

limited to the subsidy amount. The R1500 – R3500 p.m. income group are eligible for a subsidy amount (2006/2007) of up to R43 428[12]. Households in the R1500 – R3500 income group form part of the Financial Sector Charter target group for "low-income housing credit" and are also usually potentially able to access micro-credit from non-traditional retail lenders. The housing subsidy in some cases can thus be supplemented with a micro-loan (of up to R10 000). The maximum product price is therefore about R50 000 or so.

(c) Social housing

In the South African context, "social housing" means rental or co-operative housing owned and managed by housing institutions. Housing institutions typically take the form of either non-profit "housing associations" (registered in terms of Section 21 of the Companies Act) or "housing co-operatives "(registered in terms of the Co-operatives Act). The target group for social is the R2500 to R7000 per month income group. This group overlaps to a large extent with the "gap housing" group – the distinction is that gap housing is ownership and social housing is for tenure options other than individual ownership or sectional title (such as rental and co-operative ownership).

The promotion of social housing is a priority of the National Department of Housing as there is a demand for affordable rental housing, but there is no new private rental housing for those with an affordability level of less than about R1900 to R2000 per month (Rust, 2006).

An example of social housing in the Western Cape is the Cape Town Community Housing Company's Stock Road project of 605 units (in Philippi). The monthly payment for a 3 bedroom unit (64m^2) was initially set at R790 per month when the project was completed in 2002. The project used institutional subsidies (a once-off capital subsidy paid to the housing institution), and additional finance included a R5 000 top-up for each unit from City of Cape Town and end-user finance of up to R25 000 per unit (this repayment is included in the monthly cost).

The advantages of social housing are that it does not have to be one-house-on-a-plot (such as conventional RDP housing), but can take the form of blocks of flats and cluster housing, and that allocation of units to the targeted income group can be controlled in the long-term by the social housing institution. The disadvantages are that social housing can only occur where there is a registered social housing institution willing and able take over ownership and management of the units (or a new social housing institution needs to be put into place, which requires a considerable amount of work) and the monthly cost is usually higher than for equivalent ownership housing (due to the operation costs of the institution). Typical operational costs of social housing institutions include: bookkeeping, annual audit fees, stationery/office expenses (for maintaining records), maintenance, insurance, and establishing a reserve fund.

[12] R34 049 for the basic subsidy amount, an additional amount of up to R5 479 for difficult site conditions and an extra R3900 for projects in the Southern Coastal Condensation Area.

APPENDIX B: LITERATURE REVIEW AND CASE STUDIES OF INCLUSIONARY HOUSING ISSUES & OPTIONS

1. Introduction

Inclusionary housing is a contentious issue in many cities and countries where it has been implemented. Proponents of inclusionary housing argue that in places like the United States and Canada it has significantly increased the available affordable housing stock and has also assisted in creating more diverse and integrated communities. Critics, on the other hand, argue that inclusionary housing programmes negatively affect property prices and could therefore dampen development. Whilst an inclusionary housing programme will not deliver affordable housing at the scale which is required in South Africa to eradicate the country's huge housing backlog, it has the potential to play a role in addressing the after effects of Apartheid spatial planning which are still evident in racial and income segregated communities and the enormous spatial and socio-economic inequalities which exist between these different communities. This section will discuss the main issues which need to be taken into account when designing and inclusionary housing programme and will draw lessons from international and local case studies in this regard.

2. Rationale for Inclusionary Housing

2.1 Promotion of Social and Functional Integration

Inclusionary housing is also referred to as inclusionary zoning or mixed-income housing. Mixed-income housing refers to housing developments which integrate a range of income groups either within the same building or the same development (Schwartz and Tajbakhsh, 1997). Inclusionary housing is when a city planning ordinance requires that a certain percentage (usually 20%) of new residential development be set aside for the occupancy by families of very low, low and moderate income levels (Smit, 2006: 1). Inclusionary housing has a long history in a number of states in America (US). It has also been introduced in Canada, the United Kingdom and other European countries. Inclusionary housing is not well-established in the third world and very few countries, notably i.e. Malaysia and China have introduced inclusionary housing programmes. In the US inclusionary zoning developed as a response to exclusionary zoning practices which were characteristic of new suburban developments in the mid to late 20th century. Some of these exclusionary zoning codes for example required that plots must be of a certain minimum size. This often excluded low income families from these areas as they could not afford the cost of large plots of land. In the United States, this has been identified as one of the contributing factors to the creation and maintenance of large inner city ghettos.

The two main objectives for introducing an inclusionary housing programme are to increase the local supply of affordable housing and to counter segregationist urban planning policies in order to create more integrated and inclusive neighborhoods (Ray, 2001). This is done by bringing together a mix of income groups, which in many instances also translates into a mix of different racial groups. Inclusionary housing, especially in the South African context, however is not able to provide affordable housing to very low-income households, especially not at the kind of scale which is required in South Africa (Smit, 2006). However, the potential of inclusionary housing programmes to bring about greater social and economic integration warrants a further and more in-depth investigation of this policy instrument.

The literature on mixed-income or inclusionary housing often argues that the rationale for mixing individuals from different income groups in one residential development is that it has specific social spin-offs. Firstly it results in a "de-concentration of poverty" (Schwartz, 1997). Concentration of poverty is a term used to describe a situation in which large numbers of poor people are located in specific areas with very little opportunity to move into more affluent areas. This concentration of poverty has very severe social costs. According to the Joseph Rowntree Foundation (2005: 1), "research studies from both the United States and the United Kingdom indicate that concentrated poverty limits opportunities for people above and beyond their own personal circumstances as it reduces local private sector activity, limits local job networks and employment ambitions, exerts downward pressure on school quality, stimulates high levels of crime and disorder and exacerbates health inequalities".

Housing it has been argued, is about more than just shelter, but it determines an individual's access to other services and infrastructure like schools, clinics, job opportunities, shops, etc. As such the location of housing "defines the geography of opportunity"[13]. Inclusionary housing has the potential to address negative social factors by putting low-income families closer to economic opportunities thereby "reducing the mismatch between available jobs and housing supply" (Calavita et al, 2004: 9). In the inner city of Melbourne Australia, rising land and property prices[14] have made it impossible for service industry workers, low paid workers and students to be able to afford accommodation in the inner city. This forces many of those who are employed in shops and bars in the city to travel long distances to get to work. An inclusionary zone within the inner city, which would provide housing for low-income families and service industry employees, has recently been proposed by a planning consultant (Millar, 2006). This initiative to "*unlock the city*" has been supported by private developers.

Putting low-income households closer to work opportunities also has positive spin-offs for the economy. Low-income families spend the greatest proportion of their income on housing and transport. According to the State of the Cities Report (2006: 3-51) very poor households in South Africa's major cities spend up to 58% of their income on housing and transport and poor households spend 23% of their income on transport alone. Providing affordable housing to low and moderate income families closer to their places of work will ensure that they have more disposable income which they can use to pay for goods and services which in turn will stimulate local economic development (Brunick, n.d.). Others argue that living in mixed-income communities gives young children access to better schools and to positive role-models. Studies done in several American cities and districts show that " the difference between a poor child's attending a school where 80% of classmates are also poor and that child's attending a school where 80% of classmates are middle-class, would on average be a 13 to 15 percentile improvement in the child's test scores" (Rusk, 2005: 3). These positive socio-economic spin-offs can however only be achieved if the inclusionary housing programme is specifically designed to facilitate low-income households' access to improved social services and economic opportunity.

The Joseph Rowntree Foundation (2005) argues that mixed-income developments "should proceed from areas of market strength, nearby employment, amenities and infrastructure". This sentiment is shared by South African property economist Francois Viruly who argues that inclusionary housing has to be built near infrastructure such as parks, clinics and schools[15]. This, he argues, will eventually determine the success of inclusionary housing developments in South Africa. If not, inclusionary housing will not result in any positive benefits for low-income families and will not even achieve any meaningful integration between different income groups. The Westlake Development in Cape Town is a case in point. In this case the development was specifically designed to ensure that there

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[13] Joseph Rowntree Foundation, 2005

[14] Median house prices in Melbourne have risen from $153, 700 in 1996 to $377,000 in September 2006. Less than 3% of jobs are accessible within 40 minutes by public transport for much of Melbourne (Millar, 2006).

[15] "Mixed-income, mixed reaction", 05 May 2007. www.eprop.co.za

would be minimal social interaction between the low-income residents of Westlake Village and their wealthier counterparts in Silvertree estate even though the project has received two awards for its contribution to housing in South Africa and for bringing together groups from diverse socio-economic backgrounds (Lemanski, 2005: 9). However, the specific design and lay-out of the development severely restricts the movement of the residents of Westlake Village in terms of their access to Silvertree Estate as well as the shopping mall which is located close to the Westlake Development (see Box 1). The development was also not planned with the needs of the low-income community in mind. There are currently no schools, clinics[16], transport and very limited job opportunities in close proximity to Westlake Village. Lemanski (2005) therefore argues that the Westlake Development has failed to achieve "*functional integration*" as it has not improved the residents of Westlake Village's opportunities for employment and other social services.

This has implications for golf estates and other developments like gated communities for example. Placing an inclusionary housing obligation on such developments, which are often isolated and not well integrated into the broader geographical area, has very real consequences for low-income communities in terms of their access to social services and economic opportunity. In such cases, off-site requirements like fees in-lieu, land donations or off-site construction could be more appropriate. However each case needs to be assessed on an individual basis.

[16] The only clinic on the site caters only for children and adult TB-sufferers. Patients with other health concerns can thus not be accommodated.

***Box 1**: Case Study: Westlake Development – Lead Practice or Worst Practice?*

The Westlake Development is a mixed use, mixed-income development located in Constantia, Cape Town. The Westlake Development was one of the first developments of its kind in South Africa, incorporating different land uses, i.e. both commercial and residential, as well as different income groups in one development. The development was hailed as a success story of housing development in South Africa and has also achieved great commercial success. The project's contribution to housing has been recognized by the South African Property Owners' Association (Sapoa) who awarded the Westlake Development with the "Green Spiral Award" in June 2003. The project developers also received the international FIABCI Rene Frank Habitat Award "for their role in improving the quality of life for those living in squatter settlements" (Lemanski, 2005). Lemanski's in-depth study of the Westlake development however, point to some real shortcomings in the Westlake project as far as social and "functional" integration are concerned.

Background to the Westlake Development

The Westlake Development was a public-private initiative between government and a group of private developers. The land on which the Westlake Development is now situated was previously owned by the Department of Public Works. At the time, the land was occupied by three groups; the first was a group (approximately 800 people) who was renting "dilapidated" formal housing that originally accommodated prison and hospital staff, a second group (approximately 1200 people living in 318 informal structures) comprised of people living in the informal settlement called "Die Bos" (the bush) and a third group who lived at "The Ark City of Refuge" which was a shelter for homeless people (Lemanski, 2006). The DP Marais and Westlake Hospitals were also located on the land, but were later relocated to make space for the development.

In the late 1990's the Department of Public Works struck a deal with a group of private property developers, Rabi/Cavcor Property Developers, whereby the developers were granted permission to develop the land on condition that they use a portion of their profits to cross-subsidize the provision of low-cost housing to those families who were occupying the land at the time (Lemanski, 2006:2). Government partially financed the low-cost housing through the government subsidy system. Twenty of the 95 hectares of land were dedicated to low-cost housing later to be called Westlake Village and an additional 180 plots of land were provided for "luxurious" housing in what became Silvertree Estate. Westlake Village is comprised of standard one-bedroomed RDP houses which are on average worth between R40 000 and R60 000. Plot sizes in Silvertree Estate are 750m^2 and houses are priced on average between R3 and 5 million (Lemanski, 2005: 7). The Westlake development also incorporates a private school called Reddam House, a business park called Westlake Square, a light industrial *business component, two separate office parks, a retail development called Steenberg Lifestyle Centre and the US Consulate (Lemanski, 2006).*

Social and Functional Integration
The Westlake Development in theory seems to offer a novel way of integrating communities of vastly different incomes, thereby transcending traditional Apartheid planning which put low-income groups on the margins of the city whilst reserving well-located areas for the rich. In reality through, Lemanski argues that whilst the planners of the Westlake Development sought to encourage "deracialised space", the development has failed to create or even facilitate any meaningful social and functional integration. Functional integration refers to the degree to which the location of the residents of Westlake Village within the Westlake development has improved their access to infrastructure and services, like schools, clinics, recreational facilities and meaningful employment opportunities. There is very little to no social interaction between the residents of Westlake Village and their wealthier neighbors in Silvertree Estate. This has resulted in feelings of rejection and stigma on the side of the inhabitants of Westlake Village. This is so, because the Westlake development was specifically designed to limit interaction between the two groups as according to one of the developers "this country will never have rich and poor mixing" (Lemanski, 2006: 9). The development only has three entrance/exit points and there are no shared access points between Westlake Village and Silvertree Estate. In fact the two are separated by a buffer zone consisting of Reddam House School and the wall which surrounds Silvertree Estate.

Residents of Westlake Village also have limited access to schools, transport, clinics, recreational facilities and employment opportunities. Westlake Village only has one exit point through the business park which means that in order for residents to access the shopping facilities, they have to walk three kilometers even though the shops are only located 500m from Westlake Village[1]. Although there is a clinic located on the Westlake Village site, the clinic only services TB patients and children. Adult patients who suffer from other ailments are forced to take two taxis to the nearest clinic in Retreat. The only recreational facility available in Westlake Village is a community hall which was renovated by the Westlake United Church Trust. The developers reneged on their promise to provide recreational space and the available public open spaces in Westlake Village remain "derelict" (Lemanski, 2006: 10).

There are no school facilities for the children of Westlake Village; primary school children are forced to walk over 5km to the nearest "affordable" schools. A public/private initiative between the Pick 'n pay Foundation, the Rotary Trust and the Western Cape Education Department did make a promise in 2006 to provide a school in Westlake Village (Lemanski, 2006: 111). The development has also failed to provide significant employment opportunities to Westlake Village, despite initial promises, because most of the business which relocated to the business park in the Westlake Development brought their existing staff along. Although some job opportunities were provided by the US consulate, according to Lemanski, "permanent work is rare and unemployment continues to be a major problem"[1].

Lessons to be learned from the Westlake Development
There needs to a clear understanding of and commitment to the goals of social integration between all stakeholders involved in a mixed-income or inclusionary housing project. Developers and planners need to buy in to this goal and developments need to be purposefully designed and planned to facilitate optimum integration between different groups. The Westlake Development also shows that it is probably not feasible to locate groups from such vastly different income groups next to one another as the social, economic and cultural distance between the groups would be a serious impediment to any meaningful integration. Finally, the development needs to be consciously planned with the needs of the low-income group in mind. This means that it has to provide access to infrastructure and services like quality and affordable schools, clinics, recreational facilities, affordable and reliable transport systems and employment opportunities. This would ensure that inclusionary housing or mixed-income housing developments attain real social and functional integration and begin to significantly challenge and transform traditional Apartheid planning practices.

2.2. Inclusionary Housing – A Fiscal Partnership between Government and Other Stakeholders?

In the US and Canada inclusionary housing in certain instances contributes to an overall goal of regulating and managing urban land development. In these cases inclusionary housing forms part of attempts by local authorities to:

- Capture increases in land value created by government interventions like the provision of infrastructure and services or through re-zoning,
- Encourage developers to contribute to the cost of development which places greater demands on local government in terms of the provision of infrastructure and services, and
- Manage urban development.

In many US and Canadian cities developers are required to pay "exactions" to the local authority. Exactions are defined as "conditions or financial obligations imposed on developers to aid the local government in providing public services" and can take several forms e.g. impact fees levied on developers, financing of infrastructure improvements and land donations (Freeman et al;). The local authority can either make development approval conditional upon the provision of certain infrastructure e.g. water, roads, parks, school or other services by the developer or can require that the developer constructs a certain percentage of affordable housing units as part of a new development (*inclusionary housing*) or that they pay money into a housing fund. The rationale is that developers benefit from government investments like the provision of infrastructure and re-zoning and government can therefore require that the community at large share in this benefit created by government actions.

In Vancouver Canada the City has a very innovative policy, the income mix policy, in place. The income mix policy allows the City to capture value and to provide more affordable housing. Value capture refers to a process by which all or portions of increments in land value attributed to public and "community" interventions are recouped by the public sector. The income mix policy is applied when a developer requests permission from the City to re-zone land from industrial or other use to residential use. The City requires the developer to make 20% of the base density of the new development available for low-cost housing. The City then buys these sites for 60% of the market value from the developer and leases the land to a non-profit organization for a 60-year period. The developer builds the low-cost units at below market-rate in exchange for a density bonus. The completed units are then handed over to the non-profit organization to manage[17]. The rationale is that "the lower price that the developer receives for the land represents a redistribution of the value the site gains as a result of the re-zoning. Sine the developer does not generate this value the developer cannot claim that he or she is offering a subsidy[18]". If the City of Vancouver did not institute this policy, the high cost of land in Vancouver would have made it impossible for the City to get private developers to build affordable housing in the city. This policy made it possible for the City of Vancouver to "capture" unearned land value increases which facilitated the provision of affordable housing, thereby ensuring a space for low-income households in the city. It therefore signifies a novel fiscal partnership between government and private stakeholders in that government provides certain benefits e.g. infrastructure, re-zoning etc. to developers in exchange for community benefits like low-cost housing.

[17] Canada Mortgage and Housing Corporation

3. Effect of Low Cost Housing on Property Values and Housing Development

The most common objections against low cost or affordable housing project are that it will decrease the value of market-rate property located close to low-cost housing and that it will depress housing production as it will discourage developers from investing in further development. Evidence from several research studies shows that these claims do not hold true and that in the majority of cases different forms of affordable housing (including residential care facilities and supportive housing) will not result in a reduction of neighboring property values[19]. In 1988 a study of property values was conducted in 14 communities in Montgomery Country, Maryland with the aim of investigating whether affordable housing had a negative impact on property values. This study compared seven communities which had moderately priced dwelling units (MPDU's), which are government subsidized housing units, with seven similar areas which did not have MPDU's. The study found that property values

[18] Canada Mortgage and Housing Corporation
[19] "Why Affordable Housing Does not Lower Property Values". Habitat for Humanity. www.habitat.org/how/propertyvalues.aspx?print=true

in communities with MPDU's increased slightly more than those in communities without MPDU's[20]. An updated version of this study was conducted by the Innovative Housing Institute (IHI) in Montgomery County and Fairfax County. This research studied real estate transactions of non-subsidized or market-rate housing units which were contained inside or next to fourteen subdivisions with subsidized housing between 1992 and 1996. The study found that overall there was no significant difference in price between the market-rate units in subdivisions with subsidized housing units and the market as a whole. The study also found that there was no significant difference in price between market-rate homes located within 500 feet of subsidized housing and those farther away from the subsidized housing units. Similarly there was no significant difference in price between market-rate units located immediately next to subsidized homes and those further away. The study concluded that "the presence or proximity of subsidized housing made no difference in housing values as measured by relative price behavior in a dynamic market"[21].

As far as the impact of mandatory inclusionary housing ordinances on housing development is concerned, the American Planning Association concludes that "the best available evidence indicates that mandatory inclusionary housing programmes have not depressed or stifled housing production" (Brunick, 2004: 5). A study of 28 cities in California over a 20 year period found that the adoption of inclusionary zoning does not negatively impact overall levels of housing production and under certain conditions it can even stimulate housing development (Brunick, 2004). It is argued that other variables such as broader market developments and economic trends e.g. interest rates, the unemployment rate, levels of aggregate demand, consumer confidence and overall economic growth rates have a greater influence on housing development[22].

4. Who bears the cost of Inclusionary Housing?

Another argument against inclusionary housing is that it places a cost burden on developers and that it diminishes their profitability. They in turn pass these costs on to the buyers or renters of market-rate units within the development or to land-owners. Critics of inclusionary housing argue that it acts as a disincentive for developers to build, it therefore dampens development which results in a greater demand for housing, thereby pushing up the price of housing (Powell and Stringham, 2004). Others argue that inclusionary zoning and other development charges like betterment taxes are forms of taxation which add additional costs to the provision of housing (Beer, 2004: 7). Ong and Lenard (2002), writing about the provision of low-cost housing in Malaysia, argue that the most critical element to consider in terms of the provision of low-cost housing is the development cost. Development cost is comprised of land cost, construction cost, professional fees and fees and contributions paid to government agencies. Construction cost constitutes 60-80% of the total development cost (Ong and Lenard, 2002: 6). In Malaysia, high development costs coupled with an economic recession have resulted in private developers abandoning low-cost housing projects. In 2003, there were 99 abandoned housing projects[23] in Malaysia (Khalid, 2005).

Supporters of inclusionary housing on the other hand argue that the issue of cost, and who bears it, is hugely dependant upon the broader property and land market. This point is well illustrated by the case of Malaysia where the private sector has played a central role in the provision of affordable housing to low-income families. In Malaysia private developers are mandated to put

[20] "The House Next Door" . Innovative Housing Institute
[21] ibid
[22] ibid
[23] This translates into 48 073 housing units

aside 30% of housing developments for low-cost housing and their responsibility for the provision of low-cost housing is clearly set out in targets contained in consecutive "Malaysia Plans"[24] . During the 4th and 5th plans they were unable to meet their target (they only completed 407 972 units out of a total of 1 077 230 units). This failure has been attributed to the economic recession which the country experienced during this period (Khalid, 2005). During the 6th, 7th and 8th Malaysia Plans private developers exceeded their target for the provision of low-cost housing. The mandatory 30% for low-cost housing requirement as well as a strong property market have been highlighted as reasons for this good performance. Othman (1999 in Khalid, 2005: 6) argues that "the strong and wealthy economy contributed to the increasing demand from the high-cost market which allowed developers to apply the concept of cross-subsidy in providing low-cost housing".

Inclusionary housing programmes are thus more likely to succeed in areas which experience high growth in the property market and where there is a strong demand for housing. In Canada for example inclusionary housing programmes have been implemented mainly in areas such as Ontario and British Columbia where housing prices have increased considerably in the last few years[25]. Feasibility studies done in US cities show that strong property markets coupled with other incentives provided to developers can be sufficient in significantly narrowing the "profitability gap" which developers could face under an inclusionary housing programme (Brunick, n.d.).

The South African land and property markets have shown significant growth since 2000. Between 2000 and 2005 house prices increased by an average of 20% per year (ABSA, 2006). In 2004 alone, house prices increased by 32.2%, although it slowed down somewhat in 2005, a still significant growth of 22.9% was recorded. Nominal residential land prices increased by 17.3% on average during the second quarter of 2006, compared to 22.9% in the first quarter (ABSA; 2006). This means that conditions are probably ripe for the introduction of inclusionary housing programmes in South Africa.

The issue of land, specifically the availability and cost thereof, is a central issue to consider in relation to any inclusionary housing programme. Land cost constitutes a significant percentage of the cost of developing low-cost housing, or any housing for that matter. Government can play a central role in facilitating an inclusionary housing programme by making land more accessible firstly through value capture initiatives like that in Vancouver, Canada described in section 1.2 above. Government can also make public land available to developers at affordable prices as an incentive to build affordable units.

The Ferndale inclusionary housing project in Johannesburg is an example of such an agreement between local government and private developers *(see Box 2*). The provision of low-cost housing is however a multi-stakeholder initiative involving communities, government, private developers, the financial sector, building suppliers and construction companies. The successful implementation of an inclusionary housing programme and specifically the provision of low-cost housing require that all stakeholders come to the party and share the burden and cost of providing low-cost housing (*see Box 2*). Ong and Lenard (2002: 13) argue that "the development cost of low-cost housing should be distributed and shared between all the players who benefit from the housing industry including the banking sector, building material manufacturers and professionals by assisting the government in its social role in providing affordable and sustainable housing for low-income groups".

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[25] Canada Mortgage and Housing Corporation

Box 2: Jerusalem Development, Ferndale, Johannesburg– South Africa's First Inclusionary Housing Project

The Jerusalem Development precinct is a multi-million rand, mixed-use development in Johannesburg which houses the 13 000m^2 World Wear shopping centre as well as the 70 000 m^2 Wesbank/FNB Home Loan head office which is currently under construction. The land which houses the Jerusalem Development precinct was rezoned by the City in 2004 for office, retail and institutional development use e.g. schools. In 2005, the Johannesburg Property Company (JPC), which manages the City of Johannesburg's property portfolio, signed a leasehold agreement with RMB Properties for construction and development at the Jerusalem site. The deal was structured in such a way as to ensure that emerging black economic empowerment groups would also benefit from the country's property boom in terms of the JPC's "Property Boom Share Strategy" (Dlamini, 2005). The City of Johannesburg is expecting to generate about R2.5 million a year from the Jerusalem Development precinct in terms of rates and taxes. In 2005, some of this land was set aside for low-cost social housing (Dlamini, 2005). The JPC and the Johannesburg Social Housing Company (Joshco), a section 21 company, have entered into a partnership with a private developer, Crowzen Developers, which will see the development of a number of low-cost, social housing units as part of an up-market townhouse development planned as part of the Jerusalem site. Crowzen is a joint venture between black-owned property development company Crowie Projects and ZenQ[1]. The townhouse development project is valued at R200 million and will consist of 187 two and three bedroom units. In terms of the agreement between JPC, Joshco and Crowzen Properties, 30% (56 units) within the development will be set aside for low-cost, social housing units. The size of these units will be 55m^2 and they will be rented out at a monthly rental of between R1500 and R2000 to households with a monthly income ranging from R3500 to R7000[1]. Preference will be given to families who work and live in the area of the development. The cost of rental is an issue of concern though as a rental of R1500 constitutes close to 50% of the income of a family earning R3500 a month, whereas the standard for affordable housing is between 20 and 25% of monthly income.

The remaining 70% of units will be market-rate units of between 150 and 280m^2 which will be sold for between R1.5million and R2.2million. This development has elicited mixed reactions from different sectors of South African society. When the development was first proposed in 2004, it elicited fierce opposition from residents of the nearby Ferndale area who organized themselves into group called the "Jerusalem Action Group" (JAG). JAG's main concern was that the inclusion of low-cost housing in their area would have a negative impact on surrounding property values and they vowed to "stop the proposal in its tracks"[1]. The JAG has since had "a change of heart" and are now supporting the development. This was brought about by a process of extensive and continued dialogue and consultation between Joshco, JPC and JAG over a one year period which succeeded in allaying the main fears of Fairland residents regarding the value of their property and the preservation of "the atmosphere" of their suburb and surrounding areas[1]. The Ferndale inclusionary housing project has many lessons for future inclusionary housing projects in South Africa. One of the main concerns of private developers in South Africa as far as inclusionary housing projects are concerned is that it would erode their profit margins. Anthoney Forgey, the development manager of Crowzen, responds to this concern by saying that their pariticpation in inclusionary housing projects will not necessarily result in huge losses for developers. Whereas the feasibility of each case must be ascertained on an individual basis, developers can still develop inclusionary housing in a profitable way. This would require a partnership between all stakeholders involved, namely planners, suppliers, architects, project managers, government and the banking sector where everyone share the risks of developing inclusionary or affordable housing. In the Ferndale case the developer will still make a profit, because according to Forgey "we won't be doing this if we can't make money"[1]. Another issue which makes this project feasible is the fact that Crowzen is benefiting from a "land availability" agreement in terms of which the developer can buy the land from the local council at a reduced rate of 50% of market value..

The fact that the low-cost units will be rented out to households and managed by Joshco, also reduce some of the risk for developers as they won't have to bear the burden if the tenants of the low-cost units should default on rates and levy payments. Joshco will be responsible to the Homeowners Association for the payment of levies and the management of the properties. Allan Dinnie, the project manager for JPC warns against what he calls "a steep income cliff" between the owners of the market-rate units and the tenants of the social housing units in one development. In this case it is probably not best practice to include social housing units and market-rate units priced at between R1.5 million and R2.2 million in the same development
According to Dinnie, in future developments they would aim to "close the gap between the low-income units and the more expensive units, with the latter's prices ranging roughly between R400 000 and R900 000"[1]. The rate of sales of the market rate units, which were supposed to go on sale in April, will be an indication of whether or not South African society is ready to accept inclusionary housing.

In Indonesia, for example, the banking sector in partnership with communities, plays a significant role in the provision of low-cost housing through innovative finance packages to low-income families. Here the State Saving Bank (BTN) has devised a new innovative loan package called the "Triple Function Loan" specifically designed for households who do not have a fixed income. These loans can be used for land purchases, housing construction and income-generating activities. Besides their monthly installments, loan holders also pay an additional amount into a solidarity fund, called the Dana Solidaritas. This solidarity fund acts as a compulsory savings scheme which the bank can draw money from in the case of defaulters. If there are no defaulters the money remains in the fund and the community can use this money to fund other community projects (Ong and Lenard, 2002: 13). Building material manufacturers and suppliers should also come to the party by providing "special concessions for cement or other building materials" to facilitate the provision of low-cost housing.

The successful implementation of an inclusionary housing programme is thus dependant on the effective mobilization of all stakeholders in the housing chain, on both the demand and supply side, in order to ensure that the cost of providing low-cost housing is equally shared amongst all stakeholders (Ong and Lenard, 2002).

5. Inclusionary Housing and Very Low-Income Households

Inclusionary housing will not provide housing to very low-income households, because even with certain incentives and cost-offsets developers can not reduce development cost sufficiently to make housing affordable to very low-income households whilst still maintaining a level of profitability (Rusk, 2005). One way to include very low-income households in an inclusionary housing programme is for government to subsidize the inclusionary housing programme.

Government could for example play a more central role in subsidizing the provision of low-cost housing by providing land at affordable prices to private developers in exchange for a greater percentage of quality housing for low and very low-income households. Government could also buy a certain percentage of the affordable units in an inclusionary housing development, which can be rented out to very low-income households. In Montgomery and Fairfax County, Virginia, the Montgomery County Housing Opportunity Commission, a public housing authority, buys or rents one third of inclusionary housing units for very low and extremely low-income households (Rusk, 2005: 4).

6. Ownership vs. Rental

The literature on international best practice for inclusionary housing programmes does not provide guidance as to whether ownership of low-cost units is more advantageous than a rental system. However, it has been suggested that tracking and enforcing the continued affordability of low-cost units, is probably simple and easier to manage under a rental system than under an ownership system (CCRH and NPH, 2004). Designating the low-cost housing within the development as social housing, where a non-profit organisation like a social housing institution is responsible for managing the property and administering the collection of rental, rates and levies from tenants could also reduce some of the risk for developers. The Ferndale project in Johannesburg is illustrative in this regard (*see Box 2*).

7. Mandatory vs. Voluntary Inclusionary Housing Programmes – Incentives vs. Penalties

In South Africa, property developers have in principle pledged their support for national government's intention to draw up legislation for the implementation of an inclusionary housing programme in South Africa. According to Neil Gopal, the head of the South African Property Owners' Association (SAPOA), "the industry was not worried about the proposed legislation for inclusionary housing, but was still trying to persuade Minister Sisulu on incentives rather than penalties"[26] (Boyle, 2006).

[26] "Plan for low-income homes", 14 June 2006. www.eprop.co.za

Recently (10 April 2007) the CEO of Sapoa, again indicated their preference for a "voluntary, proactive deal-driven approach" rather than the other alternative proposed by the draft national inclusionary housing policy which is a "compulsory but incentivised (CIS) approach" (Wilson, 2007)[27].

A number of case studies from the US in particular show that mandatory inclusionary housing programmes are more effective at providing housing for low-income families than voluntary programmes. An inclusionary housing programme is mandatory when developers are required to provide low-income housing as a precondition for development approval whereas with voluntary programmes developers are encouraged to contribute low-cost housing voluntarily in exchange for certain incentives[28].

A study conducted by the California Coalition for Rural Housing (CCRH) and the Non-Profit Housing Association of Northern California (NPH) in 2002/2003 of inclusionary housing programmes in the state of California found that only 6 % of the jurisdictions which participated in the study had voluntary programmes. In fact certain areas specifically blamed the voluntary nature of the programme for stagnant production of low-cost housing, despite a boom in the production of market-rate housing units (Calavita et al: 2004). This study found that mandatory programmes produce the most very-low and low-income housing compared to voluntary programmes and the 15 most productive programmes in terms of the number of very-low and low-income affordable units produced in California, were mandatory programmes (Brunick, 2004: 2). This, it is said, is because mandatory programmes provide a certain degree of reliability and predictability to developers by "setting uniform expectations and requirements and establishing a level playing field for all developers"[29].

[27] Wilson, N (2007) "Inclusive, voluntary housing policy sought", 11 April 2007. www.eprop.co.za
[28] Canada Mortgage and Housing Corporation
[29] ibid

In other cases, like Cambridge, Massachusetts, Irvine, California, Pleasanton and Boulder, Colorado some voluntary inclusionary housing programmes were changed to mandatory inclusionary housing programmes. Mandatory programmes are even more effective though when combined with the provision of incentives or certain cost off-sets to developers.

8. Incentives/ Cost off-sets to Developers

Incentives are offered to private developers for two main reasons, firstly to encourage them to participate in an inclusionary housing programme and secondly to offset some of the costs associated with building affordable housing units. Incentives typically offered to private developers include:

- Density bonuses,
- Speedier approval of building plans and processing of permits,
- Reduction or modification of zoning and development standards or
- Waiving of fees and levies like development levies.

Density bonuses are the most popular form of incentive offered to property developers in the US and Canada in exchange for setting aside a certain percentage of units for housing low-income families. In California, 91% of jurisdictions with an inclusionary housing programme in place, offer a density bonus as an incentive to developers for building low-cost housing (Calavita et al, 2004).

A density bonus allows developers to build at higher densities than what they are allowed to in terms of the original zoning ordinance. A density bonus can off-set the cost associated with building the affordable units and can allow the developer to still realise a profit. By waiving fees such as development and zoning levies local governments can also reduce the cost of development (Ray, 2001). Lengthy approval processes can be a significant impediment in the development process and can prove to be costly to developers. In Malaysia for example the period between the buying of land and approval of development plans by government agencies can be up to five years (Ong and Lenard, 2002). Speeding up the approval process and reducing some of the bureaucratic red-tape involved in the development process can therefore be a significant incentive to private developers to participate in an inclusionary housing programme.

Research into inclusionary housing has shown that incentives are a critical element of a successful inclusionary housing programme. Brunick argues that the provision of substantial incentives or cost offsets to developers makes sense for policy, political and legal reasons. In the first instance it will ensure that the cost of providing affordable housing to low-income families is shared by the whole community, from a political perspective it can reduce resistance to inclusionary housing programmes on the part of developers and lastly it might preclude any legal challenge of an inclusionary housing programme (Brunick, n.d :9). In certain instances the provision of density bonuses, coupled with a strong local market, can ensure that a developer can build low-cost units and still maintain an acceptable level of profitability. Feasibility studies conducted in California found that "up to a 40% inclusionary requirement could be cost-feasible[30] for owner-occupied and rental units when supported by a density bonus[31].

Critics however warn against an overly optimistic view of density bonuses and argue that in some instances developers are not able to use density bonuses for a variety of reasons (Powell and Stringham, 2004: 29):

- Sometimes a project already has a high number of units per hectare,
- A density bonus might not be applicable to certain kinds of developments
- Higher density could require more expensive construction e.g. concrete and steel structures instead of a wood frame
- Community resistance against higher density developments in their areas

This illustrates the need for careful research and feasibility studies to be conducted in order to ascertain the most appropriate and effective incentives to developers. This would ensure that developers are not unduly penalized by their participation in inclusionary housing programmes.

Box 3 – Planned Mixed-Income and Inclusionary Housing Initiatives

1. The Somerset Hospital Site

Plans are underway for a mixed-use development on the Somerset Hospital site. This is prime land as it is well-located in terms of its proximity to the inner city and the Victoria and Alfred Waterfront. The Somerset Hospital development has also been a controversial issue because the land is currently publicly-owned and various private developers, black economic empowerment groups and other business consortiums have tried to acquire the rights to develop the land. In February this year, the Western Cape's Provincial cabinet announced that the site will be auctioned and leased to the highest bidder on a long-term lease agreement. Part of the agreement includes a provision that the successful bidder will have to develop the land in partnership with a consortium of empowerment groups who will be selected by the cabinet (van Gass, 2007)[1]. It has been suggested that government could generate up to R1 billion from the lease of the Somerset Hospital site. According to Western Cape Premier Ebrahim Rasool leasing the land "would ensure that the site would be maintained in the public sector and retained for future generations"[1].

The Somerset Hospital site is divided into 3 precincts. Precinct A, the Helen Bowden precinct, consist of 1.5ha of land, precinct B, the Somerset Hospital precinct, has 5.2ha of land and precinct B, the Old City Hospital precinct, has 3.4 ha of land[1]. The planned development includes hotel and/or residential accommodation for precinct A, private offices or conference facilities for precinct B and institutional facilities and residential units which would incorporate ground-floor retail outlets for precinct C[1]. The residential units planned for precinct C would be social housing targeted at groups such as hospital workers and black professionals working in the city (Pollack, 2006). The units would be between

[30] A project was deemed "feasible" if it could sustain a 10% profit for the developer" (Brunick,)
[31] ibid

45m^2 and 110m^2 and would be rented out to people earning between R3 000 and R7 000 (van Grass, 2007).

2. Dido Valley, Simon's Town

Dido Valley is located north of Simonstown and is a planned mixed use, mixed income, integrated development. The development has a mix of very interesting elements and proposes to bring together communities from a range of different backgrounds and contexts. The first element is a land restitution project which will see 200 residents of the Luyolo Community being returned to their land. The Luyolo community is a group of Simonstown residents who were removed from Simonstown to areas such as Ocean View, Khayelitscha and other townships as a result of the Group Areas Act[1].

The project will also provide formal housing to 280 residents of the Redhill informal settlement. The Redhill informal settlement is hidden in the dense bushes in the mountains above Simonstown and is hardly visible from the main road. A third element includes the provision of "gap" housing to employed personnel of the South African Navy and other professionals who are currently unable to afford property in Simonstown. This housing will be partially financed by the South African Navy employee housing allowance of R 200 000[1]. Lastly, the development will include up-market residential accommodation which will range from R350 000 to R2.5 million. The plan is to allow for cross-subsidization between the up-market units and the low-cost housing units. The development of Dido Valley is managed and driven by the City of Cape Town whose main social objective for this development is to combat NIMBYism and create a more integrated community. One of the biggest hurdles which hampered the implementation of the Dido Valley project was the transfer of the land from the Department of Public Works, the previous owners of the land, to the City of Cape Town. This issue has however been resolved and the City of Cape Town entered into a partnership with the Provincial Department of Local Government and Housing in a bid to speed up the Dido Valley development project. Other issues which also play a role in the project are concerns expressed by owners of surrounding properties that the development will cause a reduction in the value of their properties, that it will be overcrowded and attract crime to the area. Residents of the Redhill informal settlement have also expressed fears that their homes in the Dido Valley development will be much smaller than their homes in Redhill. This highlights the need for an intensive and continuous public participation process in any inclusionary or integrated development in order to deal with fears, concerns and misconceptions held by those affected by the development.

3. Blythedale Resort, éLan Group

The Blythedale Coastal resort is a 1000 ha, multi-billion rand, mixed-use development planned for the Kwazulu-Natal north coast. In November 2006, the project was given the green light in terms of the Development Facilitation Act. The resort will be located on what used to be a sugar-cane farm. It will incorporate a wide-range of different uses including a hotel, a championship golf course, 1800 apartments, three schools, a sporting school of excellence, soccer fields, rugby fields, a golf driving range, a retail and commercial component, a retirement village with a state-of the art medical centre, a wellness centre, spa and an environmental centre and Nature Reserve[1]. The project is expected to be completed over a 10-year period (by 2014) at a cost of between R10 and R12 billion. The development will consist of five development nodes; Blythedale Ocean, Blythedale Forest, Blythedale Golf, Blythedale Equestrian and Blythedale Hills. The golf course and 1800 "American style villas" with prices starting from R750 000 will be located at Blythedale Golf. Blythedale Equestrian will consist of free-standing plots of 4500m^2 with a starting price of about R2m. Blythedale Ocean will house three medium-density housing clusters, a hotel and approximately 500 freehold sites. Blythedale Hills has been reserved for affordable housing which, according to the project director, could accommodate a range of people including families who are eligible for subsidy housing as well as teachers and policemen. This affordable housing component will constitute 22% of the total project and is targeted at the local community, many of whom are farm workers accommodated on the borders of the New Guelderland Sugar Estate, employees of the resort as well as low-income families from neighboring areas such as Stanger and Zinkwazi. The starting price for plots in the affordable housing development is R50 000. The mixed-use development model is has been said, makes it possible for developers to use profits from a mixed-use development to cross-subsidize the provision of affordable housing[1].

The developers, the éLan group, are working in close partnership with the National Department of Housing. What makes the project particularly interesting and exciting is the fact that it will provide ample job opportunities both during the construction phase and after when the resort will provide approximately 5000 permanent employment opportunities. According to the developers, residents of the affordable housing component will have access to the same amenities, including municipal services, schools and recreational facilities as their wealthier neighbors. The only concern is that it appears that the affordable housing units will be located on a separate development, Blythedale Hills, instead of being dispersed throughout the development. It is also not clear at this stage whether or not any kind of "buffer zones" will be created between the up-market units and the affordable housing component as is the case in the Westlake development in Constantia. This will have serious implications for meaningful social integration between different income groups. The project has thus far been well received and at the end of 2006, the phase one of the development had already generated R1 billion in sales[1]. However, at the time the developers were involved in a land claims dispute with the Dube community who has laid a claim to 6000 ha of the land on which the Blythedale resort is planned. A spokesperson for the regional Land Claims Commission indicated at the time, that they might seek an interdict to stop the development[1]. The February 2007 newsletter of the éLan Group, however reports that plans for the Blythedale resort are on track and the development is "on the road to success[1].

9. Alternatives to On-site Construction

Inclusionary housing programmes have been hailed for their flexibility in allowing private developers certain alternative options in cases where they are unable to comply with the stipulations of an inclusionary housing ordinance in terms of the provision of low-cost housing on-site. The CCRH and NPH however warn that "while alternatives may be crucial to ensure financial feasibility and political acceptability, too much flexibility can negate any positive policy impact" (2004: 10). Alternatives to on-site construction of low-cost housing units include:

- Fees in-lieu,
- Land donations,
- Off-site construction of low-cost units and
- Credit transfers for excess low-cost units produced in previous inclusionary housing developments.

Fees in lieu are "fees which a developer can pay into a local fund instead of constructing the required affordable units on-site, *land donations/dedications* is when a developers can substitute a gift of land that may accommodate an equivalent number of units in place of affordable unit construction, *credit transfers* is when a developer can credit affordable units built beyond the inclusionary requirement in one project to satisfy the requirement in another and *off-site construction* is when a developer can build the affordable units at a different site than the market-rate units, sometimes conditioned on an agreement to increase the number of affordable units to be built (CCRH and NPH, 2004: 18). These alternatives have to apply with caution and utmost discretion though as developers could always opt for these alternatives, instead of building low-cost unit on-site. This would defeat the goal of creating more integrated and inclusive housing settlements.

In the US, fees in lieu are calculated either based on construction cost or on potential revenue. In lieu fees can be useful as they can be collected in a central fund which can be used for the provision of very low-income housing, which typical inclusionary housing developments often do not cater for. In this case the destination and management of collected fees have to be carefully considered and planned for. These fees could be collected in a housing trust fund, which is the practice in many cases in the US. Municipalities will have to have a clear policy of how and at what level in-lieu fees will be collected and how these fees will be managed and distributed. Another issue to consider in relation to in-lieu fees is the level of fees. The CCRH and NPH argue that "when in-lieu fees have been set below the level needed to actually fund new construction they can undermine the program goals as it is in the developer's clear financial interest to simply pay the fee" (2002:19). In the State of California polices are put in place which stipulate specifically how in-lieu fees are to be administered. In Davis, developers are only allowed the option of in-lieu fees in the case of "unique hardship". The City Council itself defines what constitutes a situation of unique hardship. In districts like the County of Monterey and Port Hueneme developers have to request permission to pay in-lieu fees, each case is assessed on an individual basis and permission is only granted under certain circumstances.

It has also been suggested that in-lieu fees be set significantly higher than what it would cost to provide low-cost units on-site as a way of deterring developers from always choosing this option (Pitcaff, 2004). The city of Boston, Massachusetts enacted an inclusionary zoning order in 2000 which stipulates that all new housing developments should include ten affordable units for every 100 market-rate units or 15 in-lieu payments of $52, 000 for every 100 market rate units (Pitcaff, 2004: 9). The in-lieu fees are collected in a fund controlled by the Boston Redevelopment Authority which uses the funds to finance the provision of affordable housing. In Monterrey fees in-lieu are offered as an option to small developments (seven units or less) and are calculated based on the "replacement cost of an affordable unit and the financing gap between the affordable and market-rate housing"[32]. The California Affordable Housing Law Project suggests that ultimately, the municipality should have the option of accepting or rejecting in-lieu fees if it is not "substantially equivalent" to the inclusionary requirement (2002: 16).

Both land donations and off-site construction hold similar dangers to in-lieu fees as they have the potential to defeat the primary goal of an inclusionary housing programme which is to create more economically and socially integrated and inclusive housing settlements. In the case of land donations local governments are cautioned to ensure that the land donated comply with the following pre-requisites:

- Land should be large enough to ensure an equal number or even more low-cost units than what the developer is required to supply on-site,
- Land should be suitable for development, it should not have physical characteristics which would impede construction
- Land should be adequately zoned
- Land donated should not be in remote, isolated areas,
- Land should be located close to the proposed market-rate housing development, and
- Land should be connected to infrastructure such as water, electricity, sewerage systems as well as public services such as schools and clinics[33]

The municipality should also have the financial and other capacity to develop this land for low and very low-income housing. One of the biggest risks with off-site development is "the propensity to create or perpetuate ghettoization" if developers are freely allowed to construct low-cost units off-site in areas where land might be cheaper[34].

10. "Comparability" and the Issue of "Stigma"

The location and design of low-cost units within developments are important issues to consider in planning an inclusionary housing policy as they have very real social consequences. Timing as far as the construction of the low-cost units is concerned, whether before or concurrently with the market-rate units, should also receive consideration. It has been argued that the design and physical outside appearance of low-cost units should be the same or very similar to the market-rate units. They should ideally be dispersed throughout the development rather than be situated on a specific site within the development. Studies from the US and UK have shown that "the physical arrangement of low-cost housing within mixed-income developments can effect the development's long-term viability, e.g. the clustering of low-income households on one side of the development may give rise to issues of stigma and disorder.." (Joseph Rowntree Foundation, 2005: 3). This would also negate efforts at social integration of mixed-income communities. The Westlake Development in Cape Town is again illustrative in this regard where residents of the low-cost housing settlement, Westlake Village, are separated from their wealthy counterparts in Silvertree estate by a "buffer zone" consisting of a private school and a high wall. This physical separation allows practically zero social interaction between the two communities and has given birth to feelings of rejection and social alienation where residents of Westlake Village "feel unwanted" by their wealthier neighbors in Silvertree estate (Lemanski, 2005: 11).

In the US, in order to reduce social stigma, some inclusionary housing ordinances require that low-cost units share the same exterior materials as market-rate units (Ray, 2001). In the City

[32] ibid
[33] California Affordable Housing Law Project and Western Center on Law and Poverty
[34] Ibid, pg. 18

of Livermore for example, the inclusionary housing ordinance specifically states that "from the street, the reserved units must not be distinguishable from other units in the project" (Calavita et al, 2004: 24). In order to prevent unnecessary financial cost to developers, the interior design and finishes of low-cost housing does not have to be similar to market-rate units, as long as exterior design is comparable[35]. The issue of timing as far as construction of low-cost units is concerned is also an important issue. As a "best practice" as far as timing is concerned, some ordinances even require that the low-cost units be developed before building permits for the market-rate units are issued[36]. This would prevent a possible situation where developers abandon a development, once they have sold enough market-rate units, before any low-cost units have been constructed.

11. Compliance and Monitoring – Affordability

Many inclusionary housing programmes put specific policy in place which makes it mandatory for low-cost units in a development to remain affordable and thus available to other low-income families for a certain period of time. This obviously has implications in terms of how the continued affordability of low-cost units in a mixed-income housing development will be monitored and enforced. This issue needs careful consideration and planning around the tools which will be put in place to monitor and enforce compliance. Some form of a system to ensure continued affordability is important as the possibility exists that owners of low-cost units will end up selling their units on the open market, thus depriving other low-income families from gaining access to affordable, well-located housing. This may result in a situation where low-income families are displaced from mixed-income housing developments, thereby defeating the purpose of an inclusionary housing programme. In the City of Irvine, Orange County for example, because the City had no resale controls in place until 2001, practically all the affordable units which had been built before 2001 had been sold on the open market and no longer formed part of the affordable housing stock (Calavita et al: 2004). One does however not have to look further than the Westlake development to recognize the risk of not putting resale controls in place. Although it did not happen on a massive scale, within the first seven years after Westlake development some of the residents of Westlake Village did sell their homes, often at ridiculously low prices. A local property developer even offered the community of Westlake Village money plus another plot (in a not so well-located, predominantly poor area) as he wanted to demolish the low-cost homes to construct an up-market housing development (Lemanski, 2006).

In Canada and the US, specific tools such as deed restrictions, resale controls and rental restriction agreements are used by municipalities to ensure long-term affordability of low-cost housing units. Some also require that the municipality have "right of first refusal" to buy back a low-cost unit should it be put up for sale[37]. Some inclusionary housing ordinances in the US require that low-cost units remain affordable in "perpetuity" while others specify certain "affordability control periods" (Pitcaff, 2004). In Monterrey County in California for example, the municipality requires that low-cost units remain permanently affordable and impose resale controls on homeowners who sell within 30 years (Calavita et al, 2004: 20). Other ordinances specifically require owners of low-cost units to only sell these to other low-income families, with allowances for inflation and the cost of improvements. It is suggested that in cases where families are allowed to sell low-cost units on the open market, any "windfall profits" which they may receive from this sale, should be recaptured by the municipality and deposited in an affordable housing trust fund which can be used to build

[35] ibid
[36] California Affordable Housing Law Project and Western Center on Law and Poverty, 2002

[37] Canada Mortgage and Housing Corporation and (Pitcaff, 2004: 4)

affordable units for other low-income families (Ray, 2001 and Pitcaff, 2004).

However, critics of inclusionary housing programmes argue that resale controls infringe private property rights and hamper a household's ability to realise the investment potential of their home. Powell and Stringham (2004) argue that resale controls remove the incentive for homeowners to invest in the improvement of their homes as appreciation is limited. This they say in the long run can lead to the deterioration of low-cost units as home-owners derive no benefit from maintaining their property[38]. Another possible scenario is that owners or occupants of low-cost units can remain in those units even though their income might have increased.

These arguments, however, do not detract from the need to ensure that low-cost units remain affordable for other low-income families. Should the financial situation of a household that occupy a low-cost unit improve to such an extent that they are able to move into a bigger house, they should be compensated for cost of improvements, but efforts should be made to ensure that the unit remains affordable to other low-income families. Enforcement and monitoring of compliance have cost implications in terms of the human resources needed to track occupancy and ownership of low-cost units and to maintain an efficient and reliable database information system. An inclusionary housing programme thus has to devise a specific strategy for how affordability will be monitored and enforced and who or which agency would be responsible for this function.

12. Conclusion

The above case studies illustrate the importance of careful planning and consideration of all the relevant issues in order to strike the required balance between giving low-income earners access to well-located housing opportunities and at the same time ensuring that private developers can provide this housing and still realise a profit. The literature also demonstrate that the provision of affordable housing is a multi-stakeholder exercise which requires that all involved in the housing value chain carry some of the risk required to make an inclusionary housing programme viable.

[38] Ibid, pg. 26

APPENDIX C: OVERVIEW OF INCLUSIONARY HOUSING LEGISLATIVE AND POLICY FRAMEWORK

1. Housing Policy up to 2001

1.1 The Constitution of the Republic of South Africa

Section 26 (1) of the Bill or Rights states that everyone has the right to access to adequate housing. While section 26(2) obliges the state to take reasonable legislative and other measures within its available resources to achieve the progressive realisation of this right. This places the onus on the state to implement such measures as *inter alia* inclusionary housing policies. In addition, the environmental right in section 28 places an obligation on the state to address equitable resource use.

1.2 National Environmental Management Act, 107 of 1998

The environmental right in the constitution is enabled in this act. Chapter 1 (2) (4) (d) refers to equitable access to environmental resources, benefits and services to meet basic human needs and ensure human well-being must be pursued and special measures may be taken to ensure access thereto by categories of persons disadvantaged by unfair discrimination.

1.3 The Housing Act , 1997 (107 of 1997)

The right to adequate housing is given voice in the Housing Act. S 2 (1) (a) states that National, Provincial and Local spheres of government must give priority to the needs of the poor in respect of housing development. In addition (Section 2(1) (c)). States that all 3 spheres of government must ensure that housing development:
(i) Provides as wide a choice of housing and tenure options as is reasonably possible;
(ii) Is economically, fiscally, socially and financially affordable and sustainable;
(iii) Is based on integrated development planning; and
(iv) Is administered in a transparent, accountable and equitable manner, and upholds the practice of good governance.
v) All three spheres of government must promote higher density in respect of housing development to ensure the economical utilisation of land and services (section Z(l)(e)(vii)

All of the above applies to inclusionary housing.

1.4 Housing Amendment Act 28, of 1999

The aim of this act is to amend the Housing Act, 1997, so as to recognise the Social Housing Foundation as a national institution; to provide for committees for the South African Housing Development Board and for the co-option of persons to that Board; to further regulate the transfer of movable and immovable property to the provincial housing development boards and the phasing out of certain previous housing subsidies; This act will need to be consulted if private property is transferred to government as part of the Inclusionary Housing Process.

1.5 Rental Housing Act, No 50 of 2000

This Act repeals the Rent Control Act of 1976 and defines Government's responsibility in respect of rental housing property. It creates mechanisms to promote the provision of rental housing and the proper functioning of the rental housing market. To facilitate sound relations between tenants and landlords, it lays down general requirements for leases and principles for conflict resolution in the rental-housing sector. It also makes provision for the establishment of Rental Housing Tribunals and defines the functions, powers and duties of such Tribunals. Provincial housing departments are obliged to establish Rental Housing Tribunals. This act has relevance to inclusionary housing as some of the units proposed will be rental units.

1.6 Development Facilitation Act. 67 of 1995

The Development Facilitation Act promotes the social integration of settlements as follows: Chapter 1 (3) (c) Policy, administrative and laws should promote efficient and integrated land development in that they- (i) Promote the integration of the social, economic, institutional and physical aspects of land development; and, (ii) Promote integrated land development in rural and urban areas in support of each other.

2. Legislation 2001-2004

2.1 Housing Amendment Act, 2001

The aim of this act was to amend the Housing Act, 1997, so as to provide for the abolition of the South African Housing Development Board and Provincial Housing Development Boards; to establish advisory panels; to provide for the determination of procurement policy in respect of housing development; to provide for the publication in the *Gazette* of lists of national housing programmes and national institutions; to make the National Housing Code binding on all spheres of Government; to provide for the regulation of the sale of state-funded housing.

2.2 Western Cape Housing Indaba, 23 April 2003, Cape Town Civic Centre

At the Indaba, the Minister communicated the 2014 housing vision as characterised by:
Integration in terms of race, ethnicity and class reflecting the rainbow nation and overcoming the divisions left by apartheid. Decent housing with adequate affordable basic services - water, sanitation, refuse removal, electricity, roads and easy access to healthcare, education, recreation, retail outlets and transport. Rising incomes and employment with housing close to work opportunities and able to engage strongly in economic growth and development.

2.3 Comprehensive Housing Plan for the Development of Integrated Sustainable Human Settlements - September 2004 (Breaking New Ground)

The Housing Plan provides for comprehensive oversight by government in promoting the residential property market. This includes the development of low-cost housing, medium-density accommodation and rental housing; stronger partnerships with the private sector; social infrastructure; and amenities. The plan also aims to change spatial settlement patterns, informed by the need to build multicultural communities in a non-racial society.
The following benefits were proposed:

- Housing delivery will be demand-driven and will involve a great deal of flexibility.
- The role of the private sector will be enhanced through the collapsing of subsidy bands, as well as the removal of blockages relating to down-payments for indigents and pensioners. Beneficiaries' spousal income will also be assessed. A fixed rate and other new loan products will be developed, including an option to convert the capital grant, where linked to home ownership or rental, into an annuity-based grant or benefit.
- Employers will be encouraged to make their contribution through employer-assisted housing.
- Barriers to housing trade will be removed through amendments to the Housing Act 1997 (Act 107 of 1997), to reduce the period during which resale on the private market is prohibited from eight to five years.
- Access to title deeds will be enhanced through the implementation of measures to stimulate a renewed uptake in the Discount Benefit Scheme, and the establishment of a high-priority focus on completing the

registration of transfer in respect of houses constructed under the existing housing programme.

All programmes will focus on ring-fencing informal settlements and replacing them with more adequate forms of housing.

Key focus areas identified by the comprehensive housing plan include, *inter alia*:

- Utilising housing provision as a major job creation strategy
- Ensuring that property can be accessed by all as an asset for wealth creation and empowerment
- Leveraging growth in the economy, combating crime and promoting social cohesion
- Using housing development to break barriers between the First Economy residential property boom and the Second Economy slump
- Utilising housing as an instrument for the development of sustainable human settlements in support of spatial restructuring
- Diversifying housing products by placing emphasis on rental stock.

2.4 Human Settlement Redevelopment Programme

The programme aimed to improve the quality of the urban environment and addresses the legacy of dysfunctional urban structures, frameworks and imbalances through multiyear housing development plans.

The Human Settlement Redevelopment Grant and the Housing Subsidy Grant were consolidated into a single integrated housing and human settlement grant to accommodate this responsive, area-based approach to housing delivery.

3. Current Thinking

3.1 Social Contract for Rapid Housing Delivery, 23 September 2005

The social contract came out of the Western Cape Housing Indaba, signed between the Department of Housing and business. One of the paragraphs specifically refers to inclusionary housing as follows:

"f. Ensure that commercially-driven housing developments above Rx (an amount to be determined), will spend y% (a percentage to be determined) of the total project value in the housing subsidy category, details of which will be further explored with the sectors concerned, taking cognizance of international best practices."

3.2 Memorandum of Understanding: Banks

A Memorandum of Understanding was signed between the Housing Department and major South African banks through which the banks pledged R42 billion to be released to the low-income housing market by 2008.

3.3 Social Housing Bill: Draft

(Gazette 29339, Notice 1526), 3 November 2006

The aim of the Bill is to promote and establish a sustainable social housing environment; to define the functions of national, provincial and local governments in respect of social housing; to provide for the establishment of the Social Housing Regulatory Authority regulating all social housing institutions obtaining or having obtained public funds; to allow for the undertaking of approved projects by other delivery agents with the benefit of public money; to give statutory recognition to social housing institutions;

The bill provides for "restructuring zones" meaning areas identified by the municipality, supported by provincial government and designated by the Minister in the Gazette for targeted, focused investment in approved projects.

It defines "social housing" as a rental or co-operative housing option for low income persons at a level of scale and built form which requires institutionalised management and which is provided by social housing institutions or other delivery agents in approved projects in designated restructuring zones with the benefit of public funding as contemplated in this Act.

The Bill proposes the following principles inter alia Government must:

Ensure their housing programmes are responsive to local housing demands and in the process give special priority to the needs of women, children, disabled persons, the elderly and vulnerable groups;
Support the economic development of low income communities by ensuring that they are close to job opportunities, markets and transport and by stimulating job opportunities to emerging entrepreneurs in the housing services and construction industries;
Ensure the sustainable and viable growth of affordable social housing as an objective of housing policy;

- Promote -the establishment, development and maintenance of socially and economically viable communities to ensure the elimination and prevention of slums and slum conditions;
- Social, physical and economic integration of housing development into existing urban and inner-city areas through the creation of quality living environments;
- Integration of the built environment as well as social and physical integration;
- Suitable location of social housing stock with respect to employment opportunities;
- Incentives to ensure that social housing institutions and other delivery agents enter the social housing market;
- The use of public funds in such a manner that stimulates or facilitates private sector investment and participation in the social housing sector.

3.4 Western Cape PSDF, 7 November 2005

The WCPSDF identified a lack of political will to ensure urban integration and densification; and socio economic integration. Objective 6 of the PSDF is to end the apartheid structure of urban settlements. Action is required to create more socially, racially and functionally integrated urban settlements. Strategies proposed include:

- *Prohibit further outward expansion of urban settlements that entrenches the current spatial apartheid pattern and results in urban sprawl;*
- *Ensure public funds are not spent in perpetuating segregated and unsustainable settlement patterns;*
- *Use socio-economic gradients based on walking distance to create a far higher level of integration than currently exists while remaining sensitive to community social norms and levels of living; and,*
- *Use publicly owned land and properties to spatially integrate urban areas and to give access for second economy operators into first economy spaces.*

Of particular relevance to this inclusionary policy is section 8.4.20, namely the Social And Subsidy Housing On Privately Owned Land Policy. According to this policy:

UR6 All high and middle income residential, non-polluted industrial and commercial projects located on privately owned land should provide serviced land and top-ups to the available housing subsidy as necessary to provide for 10% social housing (R50 000 - R150 000 (2004 Rs) and 10% subsidy housing (R25 000 - R50 000 (2004 Rs) either on site or if the site is too small,

nearby.
UR7: In instances where private land-holdings may be too small or otherwise inappropriate to accommodate low income or social housing, nearby public or private land should be made available for combining in cross-subsidy projects.

3.5 *iKapa's Sustainable Human Settlements Strategy:* Department of Local Government and Housing Western Cape Provincial Government March 2007

The document is the first step towards the development of a set of fully fledged strategy and implementation plans for 'sustainable human settlements' in the Western Cape. It builds on the research data and analysis that was published in the May 2006 Draft Report prepared for the DLG&H entitled *Western Cape Strategy for the Development of Sustainable Human Settlements.*

The document highlights the distortions of the space economy in the Western Cape Property price appreciation has so dramatically increased that housing and landownership rights are becoming less and less affordable to greater proportions of the population. The document highlights two key problems:
Downward raiding: when the supply of housing is not matched to the affordability of the market, aspirant homeowners find the next best house they can buy.

Residential immobility and dead capital: when a household is unable to afford housing that is better than what they currently live in, they are more likely to remain where they are and/or downgrade, reducing the overall thickness of the market.
These dynamics not only relate to the presently housed poor being unable to retain and/or consolidate their foothold in the housing market, but also the diminishing prospects of future beneficiaries accessing entitlements as land costs are driven upwards by speculation. For the not-so-poor (R3500 – R7000 income bracket), their housing (home-ownership) opportunities are extremely limited. Evidence of this can be found in the fact that the number of residential buildings smaller than <80m2 completed in the Western Cape in the period January 2004 to December 2005 declined by 12,9%. In contrast, the number of buildings >80m2 completed in the Western Cape for the same period was 29%. Even approval of plans of residential units <80m2 *declined* by 15% for this period.

What is now also clear is that this dysfunctional dualistic market structure is harmful for the property industry as a whole because it cannot expand beyond a small elite market. This is why there is a very strong case for state intervention.

It follows from that the strategic use and deployment of well-located public land for low-income housing (particularly GAP and social housing) coupled to deployment of innovative planning and land development instruments makes clear economic sense. The intention is to restructure the property market via the redirection and redistribution of revenues flowing from the property boom to poor(er) areas through various value-capturing strategies, clawbacks and land use regulation techniques. Examples include land swaps, expropriation, allocation of land use rights, the banking of suitably located land, densification, inclusionary housing, in-situ upgrade, the construction of affordable social housing and post-occupancy support.

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