

INSTITUTIONAL CAPACITY AND CONSTRAINTS ANALYSIS: EXECUTIVE SUMMARY

As part of the Phase 1 Situational Analysis a capacity and constraints analysis was undertaken of various housing institutions. Institutions considered were public housing authorities (i.e. the provincial Chief Housing Directorate and the Category A, B and C municipalities of the W Cape), private sector housing roleplayers, non-governmental organizations involved in housing, and communities.

The capacity and constraints analysis was undertaken on the basis of a workshop with provincial housing authorities and interviews with municipal, private sector, NGO and community housing roleplayers.

Provincial Housing Department

Provincial housing officials recognized that their past priority of delivering as many houses as fast as possible gave rise to distortions in the housing market and lead to quality problems. They recognise the need for improved quality control, more emphasis on peoples housing processes, the promotion of rental housing as an option, and the need to put special measures in place to cater for the special needs of the indigent. Staff shortages in the Chief Directorate Housing, due to a freeze on vacant posts, seriously restricts the department's capacity. The provincial housing authorities recognise the financial threat facing municipalities due to non-payment by many housing subsidy beneficiaries of rates and service charges.

Category A Municipalities

The Unicity Housing Task Team identified the following weaknesses of the current housing governance arrangements:

- ❑ Lack of clarity of the role of politicians has lead to excessive interference in projects. Vocal but no financial commitment to housing by the national and provincial levels of government creates problems at the local level.
- ❑ Funders and beneficiaries never get to confront each other and officials are caught in the middle.
- ❑ Unpredictability in funding flows compromises longer term financial planning.
- ❑ Housing is highly politicised, complex and patronage based.
- ❑ Poor co-ordination between line function ministries.

Financial constraints to metro housing delivery identified by the Unicity Housing Task Team include the following:

- ❑ Under recovery of rentals
- ❑ Unpredictability of housing financial allocations to CMA
- ❑ Mismatch between expectations and monies available
- ❑ Under-recovery and non-recovery of rate and service charges in new state assisted housing projects
- ❑ Redirection of subsidies to rural areas

- ❑ Lack of re-allocations of subsidies from non-performing projects to performing ones
- ❑ No provision of finance for land acquisition

CMA public housing land will be used up in 18 months time. The fixing of the Urban Edge has curtailed new housing land supply and will push up the price of available land. CMA housing land is ten times more expensive than comparative land in other metro areas. Furthermore, the absence of a source of low income housing land acquisition finance erodes the quality of product that can be delivered.

The Unicity Housing Task Team identify the following inequities in metro housing delivery:

- ❑ Achieving equity in housing delivery in the CMA is complicated by the past practise of municipalities making different contributions out of their own funds to new housing, resulting in different products being delivered.
- ❑ Inequality between housing projects that are cross-subsidised (e.g. Marconi Beam) and those that are not.
- ❑ Inequity between the recurring benefit received by existing council tenants in completed dwellings and beneficiaries of new starter houses.
- ❑ Priority given to addressing the needs of squatters whereas those who have been on official waiting lists feel that they are being discriminated against.

Category B Municipalities

Category B municipalities in the W Cape are faced with the following capacity constraints:

- ❑ The majority of municipalities require additional capacity and expertise in order to address housing in their newly acquired rural areas of jurisdiction.
- ❑ None of the municipalities have any experience in Public Private Partnerships.
- ❑ Housing need determination, project formulation and housing management in several smaller municipalities is currently undertaken by District Municipalities on an agency basis.
- ❑ Additional capacity (i.e. staff and funding) is required for capacity building of new homeowners regarding ownership responsibilities, and community leaders involved in the housing process.
- ❑ Where separate housing departments have been established, such structures report staffing and capacity constraints, especially where “community-based” delivery systems are employed, given the increased demands of such systems on municipal staff and budgets.

Insufficient funding is cited by W Cape municipalities as the major constraint to the housing delivery process. They identified the following financial issues:

- ❑ The **housing subsidy is too small**, resulting in:
 - A decrease in construction and material quality resulting in maintenance and repair demands on municipalities who are deemed to be the responsible party.
 - A negative impact on the construction industry and its labour force, with up to 98% of contractors going bankrupt subsequent to project completion.
 - Province criticising municipalities for supplying excessive service and infrastructure levels, while municipalities need to optimise the use of existing bulk services and facilities (e.g. sewerage treatment works) through the use of compatible domestic service levels (e.g. waterborne sewage).
 - The cost of outsourcing professional services is eroding the size and quality of product delivered.
- ❑ The current delivery process is financially unsustainable given **poor levels of capital redemption on municipal investments** (e.g. link services) and the continued **reliance on intergovernmental transfers** to make up for **non-payment of service charges**.

Municipalities are concerned that the continuation of the current delivery process could lead to the bankrupting of smaller and medium sized municipalities.

- ❑ No funding is available for timeous **land acquisition**, thereby jeopardising cost effective development programming.
- ❑ No funding for essential community housing delivery capacity building .
- ❑ Little or no scope for exploring “community-based” delivery systems, given their additional funding demands.

The lack of understanding by housing subsidy beneficiaries of their home ownership responsibilities is identified by municipalities as a fundamental constraint to the sustainability of the housing process. Municipalities report that the current ad hoc subsidy allocation process is not cost effective, nor is it conducive to timeous land acquisition, bulk services provision, continuity of employment and skills training programmes, and maintaining credibility with communities.

Municipalities report that the housing process is being threatened by the increasing disposal of subsidy-acquired dwellings by beneficiaries, either because the costs of running the new home is unaffordable, or to raise capital to settle outstanding debt.

Category C Municipalities

The majority of District Municipalities (DMs) in the W Cape are of the opinion that they either have sufficient housing delivery capacity and expertise, or the ability to increase their capacity given past experience in extensive self-help housing projects. Their capacity to deal with housing can be expanded through outsourcing, public / private partnerships, or task sharing with Category B municipalities.

However, they identify staff shortages as a serious constraint, especially to deal with increasing farm evictions and to facilitate capacity building of new homeowners. All DMs identify the absence of a prescribed relationship between Category C and B municipalities (i.e. Article 14 of the Municipal Systems Act) as a major stumbling block confronting housing delivery.

DMs claim that they operate in terms of an unfunded housing mandate resulting in locally generated funds being employed for land acquisition and bulk services, inter-governmental funds being employed to address non-payments by home owners and the bankrupting of smaller local authorities.

DMs see themselves as being constrained in facilitating housing delivery as they have no access to funds for the acquisition of land, especially private land. This problem results in ad hoc purchases (i.e. when funds are available) and an inability to programme land acquisition, bulk services provision and housing construction.

DMs report that a lack of consultation / information from provincial and national departments often negatively impacts on the local authority housing process. In the opinion of Category C municipalities, this lack of compliance with Chapter 3 of the Constitution (i.e. co-operative governance) needs to be urgently addressed. Local authorities feel they need to be informed and / or become partners in provincial or national initiatives (e.g. land reform projects).

Private Sector

Costly delays are experienced by developers with provisional local authority approval of projects, and in the adjudication of project proposals by the PHDB and Provincial Departments. Developers report delays in obtaining clearance certificates and that documents referring to land transferred from PA:WC to Local Authorities go missing. Original Deeds have been lost. There are delays in obtaining new certified copies of title deeds.

Developers report delays in obtaining consensus from all role players as a signed Social Compact agreement is a PHDB prerequisite. Developers report that they are often forced by certain communities to provide the largest floor area with little regard for quality of product. There also report delays in obtaining beneficiary approval lists from the PHDB.

Local Authority approval process on finalisation of servicing and building standards is reportedly slow, sometimes due to a lack of co-ordination between the Project Manager and the officials of Council.

NGO Sector

Delays in processing and approving subsidy applications (especially for consolidation projects), and the declining provincial housing budget, are the main constraints preventing NGOs and their community partners from achieving the housing delivery rates of which they are capable.

The difficulty of accessing affordable vacant land in the Cape Metropolitan Area and delays in township establishment and getting planning approval means that housing NGOs have to concentrate on consolidation projects rather than greenfield projects. This means that the greatest housing need, i.e. landless households in informal settlements and backyard shacks, is not able to be effectively addressed by NGOs.

NGOs generally have a strong commitment to integrated development and to creating sustainable communities rather than merely building houses. The difficulties of obtaining funding for other components of integrated development, such as job creation and public spaces and recreation facilities, means that it is difficult to turn housing projects into integrated living environments. There are a few funding sources for other components of integrated development, such as the Local Economic Development Fund in the Department of Provincial and Local Government, but these are relatively small.

It is extremely difficult to provide adequate housing with only the subsidy amount and whatever savings and loan the household can afford to add to the subsidy amount. The end product produced by using the subsidy amount alone is unlikely to satisfy anybody's needs or expectations.

Adequate housing is usually only possible where additional subsidies are put into the housing or infrastructure. Even getting access to credit to supplement housing subsidies is a huge problem for poor households, and this lack of housing credit for poor households has forced housing NGOs such as People's Dialogue, DAG and Habitat for Humanity to start up their own housing loan schemes.

Housing NGOs report that norms, standards and regulations for subsidised housing are too high and hinder housing delivery by increasing costs.

The Provincial Department of Housing, local authorities and the People's Housing Partnership Trust (PHPT) lack sufficient capacity to provide adequate support to facilitate the initiation and implementation of Peoples Housing Process projects.

Community Sector

Community organisations lack access to information about how to access housing. NGOs often end up having to provide information about the government housing subsidy scheme and other housing-related issues. There is a need for increased dissemination of information about housing subsidies and about how people can go about obtaining access to housing.

Conflict within or between community organisations can hinder housing delivery. Conflict is inherent in development, however (especially where there are long delays), and needs to be effectively managed. By providing community organisations with effective “organisational development” (OD) support and conflict resolution advice, conflict can be controlled.

The lack of integrated development has a severe effect on communities. Housing alone, if not accompanied by job creation, community building and the provision of functioning community facilities can have more disadvantages than advantages.

Housing delivery results in the formalisation of communities and households that previously largely lived in informal settlements and backyard shacks. This formalisation involves the application of regulations and procedures, many of which relate to tenure and the responsibilities that go with it, e.g. the need to follow formal transfer processes and pay rates. Unfortunately, the South African land registration and transfer system is not suited to the needs of the majority of people in the country, and as a result most properties that are sold are not formally transferred. Similarly, the housing subsidy scheme is providing ownership to large numbers of poor households, but the majority of these households are unable to afford the costs of ownership (i.e. rates and service charges). In addition, many of the building regulations and zoning regulations which may be applied in new housing projects restrict the consolidation and economic development of the area.

The qualification criteria for housing subsidies exclude many people, e.g. single people or owners of serviced sites who earn more than R1500 p.m. The subsidy amount is also uniform for all sizes of households, and is not suited to people with special needs, e.g. the aged and people with HIV/AIDS (who require housing with lifetime use rights and who need to live together, e.g. in a cluster complex, to ensure the efficient provision of care). It is difficult to get a house of adequate size and quality on an adequately serviced site without substantially supplementing the subsidy with savings, loans and additional subsidies.

Although the Department of Housing and the National Urban Reconstruction and Housing Agency (NURCHA) have launched the National Housing Savings Scheme, there is generally little incentive to encourage households to save up to supplement their housing subsidies to be able to afford a better quality house at the outset (apart from the Cape Town Community Housing Company’s savings scheme).