



# BUILDING SUSTAINABLE COMMUNITIES



RENTAL HOUSING STRATEGY 2010 – 2014



DEPARTMENT of  
HUMAN SETTLEMENTS  
Provincial Government of the Western Cape



## A STRATEGIC FOUNDATION FOR RENTAL HOUSING

### Vision

To create an efficient, effective and responsive rental housing market that prioritises the needs of lower-income households by encouraging the development and management of well-located, affordable rental housing opportunities.

### Mission

To promote, facilitate and monitor provision of and access to sustainable rental housing.

### Guiding principles

This plan emphasises that sustainable communities must be characterised by a sense of justice, limits, place, history, craft and nature.

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Published by the Department of Human Settlements  
Provincial Government: Western Cape  
27 Wale Street, Cape Town

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### QUERIES:

Mr. Anwar Swartz  
Rental Housing

Tel: 021-483 2584

Fax: 021-483 6617

E-mail: [anwswartz@pgwc.gov.za](mailto:anwswartz@pgwc.gov.za)

Website: [www.capegateway.gov.za](http://www.capegateway.gov.za)

## ACKNOWLEDGEMENTS

The Western Cape Department of Human Settlements acknowledges the contributions of the Social Housing Foundation and other consultants in the preparation of this strategy.

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## ACRONYMS

<b>CRU</b>	Community residential unit	<b>M&amp;E</b>	Monitoring and evaluation
<b>CRG</b>	Capital restructuring grant	<b>MOU</b>	Memorandum of understanding
<b>CTCHC</b>	Cape Town Community Housing Company	<b>NHFC</b>	National Housing Finance Corporation
<b>GHS</b>	General Household Survey	<b>PHDP</b>	Provincial Housing Development Plan
<b>IDZ</b>	Industrial development zone	<b>SHF</b>	Social Housing Foundation
		<b>SHI</b>	Social housing institution



## Foreword by the Western Cape Minister of Human Settlements

The development and implementation of this Rental Housing Strategy is a very important initiative. I have always maintained that giving away free houses is unsustainable in the long run. This truth has become all the more clear to me in the year I have been in office.

One thing we are doing to respond to this is to scale back the amount of money we spend on houses every year and increase the amount we spend on servicing sites. We have decided to do a little for many more people, rather than a lot for only a few.

The other thing we are doing is gearing up to place greater emphasis on rental housing, which – provided it is well managed – is a sustainable method of providing affordable housing.

But we must acknowledge that our public rental stock is not well managed. That is why an important focus of this strategy is to enhance the management of rental stock to improve rent collection and property maintenance.

Central to this is creating partnerships with the private sector to develop and manage rental stock. On a recent visit to the United Kingdom, the thing that struck me the most was the extent to which they drew in partners from across different sectors to tackle all sorts of social issues – from crime and substance abuse to unemployment and unhealthy lifestyles – through housing. In addition, the state does not provide housing in the UK: social housing associations do. The state funds only 40% of new developments, and the associations must raise the other 60% from their own income and financing.

We have to work towards this model by encouraging greater private-sector investment in affordable rental accommodation for the low-income market. To underscore how seriously we take this issue, our department has created an affordable housing directorate to build partnerships with the private sector to increase the supply of affordable housing – including rental units.

A handwritten signature in black ink, appearing to be 'Bonginkosi Madikizela', written in a cursive style.

**BONGINKOSI MADIKIZELA**  
Minister of Human Settlements  
Western Cape



## Message from the Head of Department

The Western Cape Department of Human Settlements faces vast economic, social and spatial challenges in the provision of decent and affordable accommodation. These factors also affect the pace and character of the rental housing programme, which must play an important role in responding to the diverse, complex and ever-increasing housing needs across the province.

The department has taken these imperatives and challenges into account in developing this strategic plan, which sets out the goals, strategic priorities, programmes and targets for rental housing over the next five years.

The plan is ambitious yet achievable. We recognise that our work reaches far beyond building and managing housing delivery. It is about working together with local governments, social housing institutions, the private sector and residents to foster healthy, active and inclusive communities, and making a lasting and sustainable contribution to the well-being of the population across the province.

This Rental Housing Strategy – the first for the Western Cape – is built on our assessment of demand, supply and internal capacity. The plan is intended to provide all those with an interest in rental housing – communities, nongovernmental organisations, government and the private sector – with a sense of where we are going with the rental programme, and how we are going to get there.

The strategy commits to boosting the supply of state-funded rental housing, while expanding partnerships with the private sector to increase supply, and creating viable property development and management capacity in the province, municipalities and social housing institutions.

This plan is an investment in the future. By implementing the strategy, the provincial government will contribute to addressing the housing needs of low-income communities in the Western Cape.

A handwritten signature in black ink, appearing to read 'Mbulelo Tshangana'.

**MBULELO TSHANGANA**  
Acting Head of Department

# Executive Summary

The Western Cape Department of Human Settlements aims to create integrated and sustainable communities throughout the province that can access social and economic opportunities.

To make this vision a reality, the provincial government supports the creation of productive, inclusive, well-governed and sustainable cities. Expanding the provision of rental housing, and improving the management of rental stock, are core elements of this plan.

This Rental Housing Strategy, covering the period 2010-2014, presents an analysis of rental housing as it now stands in the province, and sets out a new approach. This approach aims to increase the supply and proper management of affordable rental accommodation, and to bring the formal and informal sectors together into one unified market.

Like the rest of South Africa, the Western Cape faces an enormous housing challenge. The Department of Human Settlements' *Five-Year Strategic Plan* estimates the provincial housing backlog at between 400 000 and 500 000. About 14% of households in the province are shack dwellings.<sup>1</sup>

There is no silver-bullet approach to resolve this housing crisis. Bringing about integrated and sustainable human settlements can only result from

a comprehensive package of policy measures, efficient and accountable government, partnerships with communities and the private sector, and a great deal of hard work.

While the province recognises the importance of long-term policy planning, this cannot come at the expense of short- and medium-term housing projects. As this report was being finalised in March of 2010, tenants began moving into the first

## We aim to expand the supply and improve the management of rental housing

project developed under the new social housing policy in the Western Cape. The Steenberg Social Rental Housing Project is a joint initiative of the province, the City of Cape Town and the private sector. The site, built at a cost of R40 million, consists of 450 units spread throughout several blocks, and will house families with monthly incomes of between R2 500 and R7 500 per month.

The Steenberg development, based as it is on successful partnership between government and the private sector, points the way forward. In the future, the rental market will form an important and growing component of affordable housing provision in the Western Cape. The provincial government intends to create an enabling environment for this process, in partnership with communities,

banks and private-sector developers – as well as an institutional framework to expand the provision and efficient management of rental housing. This strategy is in concord with national policy, including the national Breaking New Ground policy.

This strategy focuses on three tiers of the rental market: social housing (rental housing for low- to medium-income households), community residential units or CRUs (these

include former hostels that have been converted into low-income family units and other public housing stock) and backyard dwellings, which form a large part of the rental market in townships and informal settlements.

### Demand considerations

While there are some statistical gaps, the available data overwhelmingly suggests strong demand for affordable rental housing. Key findings of the demand survey in the Western Cape are as follows:

- The number of households grew by 2.1% per year between 2001 and 2007, with Eden (2.7%) and the City of Cape Town (2.5%) the fastest-growing districts over this period.
- About 38% of households had a monthly household income of R3 200

<sup>1</sup>The Social and Rental Market in the Western Cape. 2009. Eighty20 for the Social Housing Foundation.





or less in 2007, with noticeable differences in income distribution across districts. In Cape Town 35% of households have a monthly income of R3 200 or less compared with 59% for the Central Karoo. One in three households receives some form of state grant.

- Roughly one in four households (375 000 across the province), live in what appear to be inadequate conditions. These include shacks, backyard dwellings, overcrowded formal dwellings and formal dwellings with no sanitation. Shack prevalence is highest in Eden (18% of households) and Cape Town (16%).
- One-quarter of households rent their primary dwellings. Data from the General Household Surveys

(GHS) from 2002 to 2007 show a noticeable shift towards ownership, reflecting a bias embedded in national housing policy. Households with monthly earnings of between R3 500 and R7 500 (the social housing target market) constitute 28% of the rental market.

The greatest scope for growth of low-income rental housing is found in Cape Town, Eden and the Winelands. These districts have the highest number of households earning between R800 and R3 500 per month, as well as great demand, with a high degree of inadequate housing conditions.

Affordability is a key consideration. Rentals paid for shacks are low (generally less than R200 per month),

and there is consequently great demand for shack rentals. Moreover, in terms of monthly household income, those in the below-R7 500 income bracket are most likely to rent. In light of these facts, the strategy prioritises developing the rental market among households with monthly incomes of between R1 500 and R7 500. Initial efforts will focus on expanding CRUs, social housing and the use of institutional subsidies, as well as developing a policy to support expansion and formalisation of supply in the backyard rental market.

Economic growth and stability, along with employment, are key factors in households' ability to pay rent over a sustained period of time, and must be considered in project decisions.

In addition to Cape Town, Eden and Winelands districts, which have demonstrated strong economic growth in recent years, the strategy identifies eight “leader towns” for rental housing development: George, Knysna, Mossel Bay, Worcester, Hermanus, Stellenbosch, Paarl and Wellington. A key factor in selecting these eight priority towns is the concentration of housing demand. They are also characterised by sizeable populations that can justify the cost of investment,

affordability in target market segments, and a positive balance of “push-pull” factors influencing choice.

As the rental housing strategy is rolled out over the next five years, further consideration will be given to expanding this programme into smaller towns throughout the Western Cape.

### Supply considerations

It is critical to increase provision of low-cost, well-located rental housing in the

province. However, given the economic profile of many communities, where demand is concentrated in the R800-R3 500 per month household income category, supply initiatives must initially concentrate on developing CRU housing and the rollout of backyard programmes.

In Cape Town and the leader towns of the West Coast, Cape Winelands, Overberg and Eden districts, there are limited quantities of well-situated, state-owned land suitable for formal state-funded rental housing. All of these towns have made provision for land to be earmarked for rental housing in their human settlement plans, and this land must be officially allocated and released for rental, following which the land needs to be “packaged” through environmental authorisation and town planning approvals. In most cases – with the notable exception of Cape Town – municipalities will require provincial support for these processes.

Institutional capacity, or the lack thereof, is a major constraint to expanding provision and management of rental housing stock in municipalities. Provincial support will be required as part of a drive to increase skills levels.

Indications are that there is scope to increase the role of private-sector developers and property managers in rental housing, provided that legislative and policy initiatives go some way towards addressing their needs. The strategy will promote private-sector participation in the lower end of the market.

The considerations noted above are discussed in greater detail in Section 1: Understanding the Rental Housing Challenge. Six annexures that provide the research underpinning this strategy are available online at





<http://dashboard.pgwc.gov.za>, covering international trends, demand, supply, national and provincial policy and legislation, and institutional arrangements.

### A five-year plan to grow rental housing

At the heart of this plan is a five-year projection to expand rental housing in the Western Cape, as shown in the table below. These projections are based on local government assessments of suitable municipal land for rental housing, and have been published in the spatial development frameworks of integrated development plans. In partnership with municipalities, social housing institutions (SHIs)<sup>2</sup> and the

private sector, the province plans to support the development of at least 7 287 social housing units and 9 623 CRUs, provided that a funding gap can be addressed.

In considering these projections, several points should be emphasised:

- Social housing can be increased significantly in Cape Town, where delivery and management capacity exist. However, more dedicated funding is needed. Social housing can also be expanded to the Eden, Cape Winelands and West Coast districts, provided that restructuring zones are established, municipalities acquire additional capacity and provincial support is provided.
- CRUs should be encouraged and expanded where there is institutional capacity for property management. This can be achieved with support from the provincial government.
- Specific land parcels for all forms of state-funded rental should be identified, allocated and released, and packaged according to a prioritised pipeline. This will require support from the Housing Development Agency.
- The possibility of using the institutional subsidy as an instrument for providing affordable rental alternatives to social housing and CRUs – such as rental

**FIGURE 1: SUMMARY OF RENTAL HOUSING PROJECTIONS, 2010-2014**

AREA		2010		2011		2012		2013		2014		5 YEAR TOTAL	
District	Municipality	SH	CRU	SH	CRU	SH	CRU	SH	CRU	SH	CRU	SH	CRU
	Cape Town	270	320	664	280 Not identified	1 150	360	650	400	780	400	3 514	1 760
West Coast	Swartland				136		160						296
	Saldanha						250		500		250		1 000
Winelands	Drakenstein							255	100	100	247	355	347
	Langeberg				120		180						300
	Breede Valley			100	240		490	96	250		250	196	1 230
	Stellenbosch			200	200	250	500	280	240	280	200	1 010	1 470
Eden	Knysna			152	180	130	200	220	200	280	200	782	780
	George			160	150	250	280	280	240	240	300	930	970
	Mossel Bay				180	120	180	180	240	200	240	500	840
Overberg	Overstrand				120		150		180		180		630
<b>TOTAL</b>		<b>270</b>	<b>320</b>	<b>1 276</b>	<b>1 606</b>	<b>1 900</b>	<b>2 750</b>	<b>1 961</b>	<b>2 680</b>	<b>1 880</b>	<b>2 267</b>	<b>7 287</b>	<b>9 623</b>

<sup>2</sup>Section 21 companies, for-profit firms or municipal entities that develop and manage social housing stock.

with shared facilities for seasonal farm workers and other temporary renters – should be investigated.

- It is crucial to strengthen stakeholder relationships. As part of this process, the provincial government will establish two forums for engagement and cooperation – one for informal and backyard landlords, and another for the formal private sector, including property developers, property managers, farm owners and funders.

### Strengthening internal capacity

Within the Department of Human Settlements, the driving force for this strategy is the provincial rental housing subdirectorates. This unit, however, has limited capacity, and is reliant on both internal and external partnerships to deliver on its mandate. Over the period ahead, the unit will work to solidify and formalise partnerships with key external

- Regulation of the CRU programme.

### Strategic goals

This strategy has four goals:

#### 1. *Build a suitably structured organisation that is responsive to rental housing needs*

An efficient, effective structure is needed to implement the strategy. The Western Cape Department of Human Settlements will strengthen its rental housing section, and work to realign this unit's responsibilities with those of other directorates.

#### 2. *Increase the supply of targeted, state-funded rental housing*

The department will ensure that state-funded rental housing supply is increased effectively to benefit low- to middle-income households. The primary focus will be the existing CRU and social housing programmes, new use of the

#### 4. *Create viable property management capacity, arrangements and systems*

The department will support the creation of sufficient property management capacity to realise the targets in the delivery programme. This will include providing assistance to municipalities, promoting consumer education and enhancing regulation of landlord-tenant relations.

### Budgetary considerations

This strategic plan proposes a significant increase in the delivery of rental housing in the Western Cape, and consequently requires a step up in state funding. The rental strategy projects supplying 16 910 new and refurbished rental units over the next five years, while the department's *Five-Year Strategic Plan* provides for the delivery of 6 970 rental units over this period – a difference of 9 940 units. The current three-year budget projection for rental housing is R676 million. To realise the goals presented in this strategy, a budget of R3.8 billion would be required over the five-year period.

## It is crucial to strengthen stakeholder relationships

stakeholders. In addition, the department will strengthen the unit in line with its growing responsibilities. Particular attention will be paid to:

- Planning, budgeting and performance management.
- Programme management of CRU, social housing and institutional subsidies.
- Investment programme management – including subsidy administration, especially as it relates to project applications, approvals and contract management.
- Development, facilitation and maintenance of stakeholder relationships.
- Building capacity, particularly at municipal level.

institutional subsidy, and development of the backyard dwellers' programme. In addition, these initiatives will be carried out in line with the broader policy goals of overcoming our inherited spatial legacy, and promoting inclusivity and sustainability.

#### 3. *Expand the supply of private-sector rental housing for the lower-income market*

The department will work to increase its understanding of rental housing supply (formal and informal) by the private sector. Improved understanding will help to underpin partnerships to increase and manage the supply of acceptable rental housing stock by the private sector.

The department will consider alternative mechanisms to bridge this gap.

A large portion of these funds may become available through the National Department of Human Settlements' proposed 30% increase in allocations for rental housing.

### Towards integrated, sustainable communities in the Western Cape

This strategy, which will be phased in over the next five years, will set in motion an expansion of rental housing accommodation as part of the long-term effort to build sustainable, integrated communities that can be enjoyed by all residents of the Western Cape.

# I | Understanding the Rental Housing Challenge



South Africa faces a housing challenge of massive proportions. The Department of Human Settlements' *Five-Year Strategic Plan* estimates the provincial housing backlog at between 400 000 and 500 000.

There is no panacea for the housing challenge. Bringing about integrated and sustainable human settlements over the long term will be the result of a comprehensive package of targeted policy measures, efficient and accountable government, partnerships with communities and the private sector, and hard work. This perspective is set out in the strategic plan

covering the period 2010/11 - 2014/15. A key part of this strategy is to expand the provision of rental housing. About one-quarter of all households in the province rent their primary dwellings. This proportion is low relative to many countries (though higher than the national average of 19%), which suggests that there is significant scope to expand rental housing in the province.

## **NEW THINKING ABOUT RENTAL HOUSING**

Over the past half decade, there has been a fundamental shift in thinking about how South Africa approaches rental housing delivery. This refocusing is

largely the result of three legislative and policy developments:

- Enactment of the Social Housing Act (2008) and the new funding dispensation it provides.
- The CRU policy and guidelines.
- Introduction of the *National Rental Housing Strategy* in 2008.

In the short term, these policy initiatives aim to provide consumers with more choice. Over the longer term, they aim to address the highly segregated nature of our cities, bringing about more equitable, sustainable and integrated urban landscapes through the design of mixed-use and mixed-income communities.

## A SNAPSHOT OF THE RENTAL HOUSING MARKET IN SOUTH AFRICA

The national supply of rental housing ranges from backyard shacks to the private market. The figure below captures the income and accommodation “ladder” along which this takes place.

The categories of rental housing are defined broadly as follows:

- Informal settlements – These settlements are generally illegal,

section of the market is highly active.

- Transitional – Rooms for short-term rental.
- Communal – Housing with shared facilities (e.g. kitchens, washing and bathroom facilities) for low-income earners.

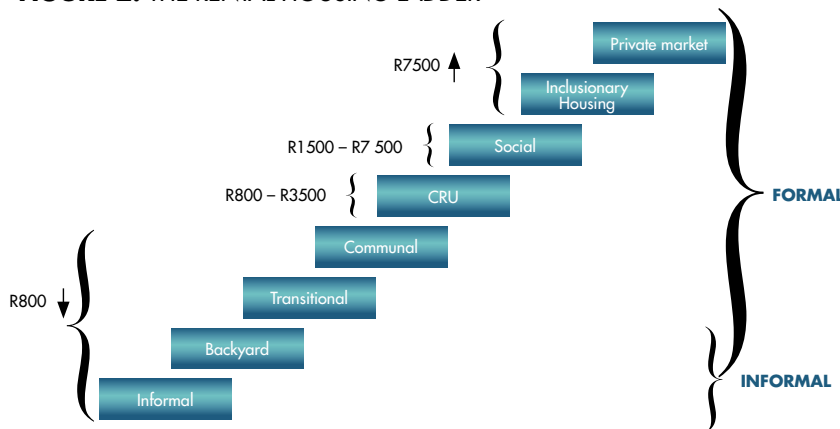
buildings in inner-city or township areas that have been taken over by a municipality and funded by housing funds.

- Social housing – Rental or cooperative housing for medium- to low-income households (earning between R1 500 and R7 500 per month). This option, which requires institutionalised management, is provided by SHIs or other delivery agents in approved projects in designated restructuring zones (nodes identified for social housing) with the benefit of public funding/ incentives.<sup>3</sup>

- Inclusionary housing – Projects in which private-sector developers deliver both affordable housing and accommodation for middle-income households. This is usually done by requiring developers of projects above a certain threshold to provide a percentage of more affordable units, benefiting households earning below R10 000 per month.

- Private market – The private sector is a major provider of rental housing stock, and plays a key role in urban regeneration. The formal private sector rental market operates primarily in the inner cities and suburbs, producing mainly high-density accommodation.

**FIGURE 2: THE RENTAL HOUSING LADDER**



MONETARY FIGURES REFLECT MONTHLY HOUSEHOLD INCOME

unplanned and insecure, with limited access to engineering services, hazardous residential environments, and high levels of poverty and social stress.

- Backyard dwellings – Notwithstanding their often poor condition, backyard dwellings remain an affordable and accessible option in townships and informal settlements. This

- Community residential units – CRUs include public hostels and residential accommodation owned by provinces and municipalities, as well as those with a private ownership component (but excluding those to accommodate public-sector employees); other public housing stock that cannot be transferred to individual ownership; and dysfunctional, abandoned, and/or distressed

<sup>3</sup>The principles of social housing are to establish well-managed, quality rental housing options for the poor; promote safe, harmonious and socially responsible environments within the projects and in their immediate environs; facilitate the involvement of residents; support mutual acceptance of roles and responsibilities of tenants and social landlords; and ensure transparency, accountability and efficiency in property management.



National, provincial and local government share the vision of creating sustainable human settlements in which social, economic and community life can flourish. For this vision to succeed, those who supply and manage rental housing stock need to embrace an integrated approach to planning and delivery. Moreover, the expansion of rental accommodation requires partnerships between government, property developers, landlords, managers, communities and the private sector. Such partnerships are required to deliver quality housing at the necessary scale and to manage rental stock.

This strategy builds on our understanding of both demand and supply factors that influence rental housing delivery in the

Western Cape. The primary demand factors are the huge housing backlogs, low levels of affordable housing and high levels of inward migration to the major cities. Key supply factors include affordable land availability (or lack thereof) and land release, and low levels of institutional capacity at municipal and provincial level.

This strategy also recognises that the private sector has an important role to play in the supply of rental housing stock. In recent years, many developed countries have experienced strong growth in provision of rental housing in property tenure (see Annexure A: international trends). This trend is the result of rapid urbanisation, limited land availability and the impact of state policy. South

Africa is a developing nation with a developmental agenda, and government plays an important role in housing provision. This includes helping to meet demand for rental housing, and fostering partnerships with the private sector to make this a sustainable reality.

## **POLICY AND LEGISLATIVE FRAMEWORK**

The responsibilities of each sphere of government as they relate to rental housing are discussed below.

### **NATIONAL**

National government seeks to create an enabling environment for a more rapid rollout of rental housing stock. National initiatives that support rental housing include:





- The social housing programme, catering for the R1 500-R7 500 per month income bracket.
  - The CRU programme, targeting the R800-R3 500 per month income bracket.
  - The institutional housing subsidy, focusing on the R800-R3 500 per month income bracket.
- management of rental stock.
- The *Provincial Growth and Development Strategy 2008* acknowledges that the Cape Town metropole is the most densely populated area of the province and the key driver of economic growth in the Western Cape. The *iKapa Growth and Development Strategy* directs that public resources should
- have in place. The essential findings are as follows:
- The City of Cape Town has a social housing policy and a CRU programme. The city is currently looking into a programme for backyard rentals.
  - The vast majority of municipalities in the Western Cape do not have formal rental housing policies, nor do they

**FIGURE 3: NATIONAL POLICY AND LEGISLATIVE FRAMEWORK**

RENTAL-HOUSING SPECIFIC	RENTAL-HOUSING IMPACT	LAND AND HOUSING IMPACT
<ul style="list-style-type: none"> <li>• Constitution of the Republic of South Africa (1996)</li> <li>• The Housing Act (1997)</li> <li>• Breaking New Ground</li> <li>• Rental Housing Act (1999)</li> <li>• Rental Housing Amendment Act (2007)</li> <li>• Social Housing Act (2008)</li> <li>• The Prevention of Illegal Eviction and Occupation of Land Act (1998)</li> <li>• Community Residential Units Programme (2008-2012)</li> </ul>	<ul style="list-style-type: none"> <li>• Division of Revenue Act (2004)</li> <li>• Prevention of Illegal Eviction Act</li> <li>• National Spatial Development Framework</li> <li>• Urban Development Framework</li> <li>• Framework for the Accreditation of Municipalities</li> <li>• Municipal Finance Management Act (2003)</li> <li>• Municipal Systems Act (2000)</li> <li>• Municipal Property Rates Act (2004)</li> </ul>	<ul style="list-style-type: none"> <li>• Development of Facilitation Act (1995)</li> <li>• White paper on Spatial Planning and Land Use Management (2001)</li> <li>• Land Acquisition for Sustainable Settlements (2008)</li> <li>• Restitution of Land Rights Act (1994)</li> <li>• The Land Reform Act (1996)</li> <li>• The Extension of Security of Tenure Act (1997)</li> <li>• Housing Development Agency Act (2008)</li> <li>• Provision of Land and Assistance Act (1993)</li> </ul>

The key national rental housing policy and legislative imperatives are summarised in Figure 3.

**PROVINCE**

The Western Cape provincial government has worked to give effect to national rental housing policy:

- The Department of Human Settlements’ *Five-Year Strategic Plan* prioritises accelerated rental housing delivery. The plan focuses on social cohesion to support the development of integrated and sustainable human settlements. A core focus is the development of new rental housing opportunities, structural and institutional change and, crucially, improving property

be aligned to areas that can support accelerated economic growth.

- The *Provincial Spatial Development Framework* highlights the need to explore rental housing potential in the “leader towns”, and to give such developments greater priority.

Figure 4 on the following page summarises the provincial mandate for rental housing.

**MUNICIPALITIES**

In preparing this strategy, the Department of Human Settlements interviewed municipal officials throughout the Western Cape to determine what rental housing policies and programmes they

have proper property management processes in place.

Developing rental housing policies must become a priority at municipal level. In addition, consideration should be given to allowing the formal subdivision of land through bylaws, as is currently done in some South African municipalities. This process would provide the opportunity to formalise backyard accommodation by amending town planning schemes. Similarly, “smart partner” arrangements (strategic, committed partnerships with identified stakeholders that are beneficial to both parties) with SHIs should be considered to fast-track rental housing.



**FIGURE 4:** PROVINCIAL RENTAL HOUSING MANDATE

THE CRU POLICY MANDATES PROVINCIAL HOUSING DEPARTMENTS TO:	THE SOCIAL HOUSING ACT MANDATES PROVINCES TO:
<ul style="list-style-type: none"> <li>• Conduct audits and confirm ownership.</li> <li>• Communicate with municipalities, residents' associations and tenants.</li> <li>• Be responsible for the application for funding, secure funding commitments and disburse national housing funds.</li> <li>• Issue tenders for provincial housing stock and play a support role with regard to municipal stock.</li> <li>• Monitor, evaluate and report.</li> <li>• Provide first-line support to municipalities.</li> <li>• Manage project expenditure and deviations.</li> <li>• Compile long-term maintenance budgets.</li> <li>• Create rental tribunals with offices in municipalities.</li> <li>• Administer the programme and its funding.</li> </ul>	<ul style="list-style-type: none"> <li>• Submit proposals on restructuring zones to the national department.</li> <li>• Allocate funds to provincial social housing programmes.</li> <li>• Receive project applications from delivery agents, decide on extent of top-ups, and submit them for national approval and subsidies.</li> <li>• Ensure compliance with national and provincial social housing norms and standards.</li> <li>• Mediate in conflicts between SHIs and municipalities.</li> <li>• Develop a social housing programme and associated business plan on an annual basis, submitting to national government for approval and funding.</li> <li>• Administer the disbursement of national project capital grant funding for social housing, and monitor progress in grant allocation.</li> </ul>

## POLICY GAPS AND OBSTACLES TO RENTAL MARKET EXPANSION

**National level** There are two important gaps in the current national legislation. While backyard dwelling is recognised as a national priority, policy is still being developed, meaning that this component of the market is not yet addressed on strategic terms. In addition, the national Farm Residents Programme specifically excludes seasonal workers, placing the onus for accommodating such workers with farm owners. Given its large seasonal agricultural workforce, this is particularly problematic in the Western Cape.

In addition, there are weaknesses in the guidelines for implementation of the CRU policy, which leaves much open to interpretation. The national department is working to address this.

**Provincial level** Some provincial laws and regulations hinder the expansion of the rental housing market:

- The Land Use Planning Ordinance is burdened with long, cumbersome procedures that need to be followed to prepare for integrated urban development. This ordinance, as it now stands, does not facilitate the efficient release of land for rental housing. The Western Cape government recognises that public land and building assets can make a positive contribution to alleviating poverty and facilitate access for the poor to urban economic opportunities. However, land privatisation and disposal through the sale or lease of assets remain commonplace, providing little direct benefit to the poor or the public at large.
- The Western Cape Land Administration Act (1998) implies that provincial land and buildings can be sold or leased for rental housing purposes. However, the processes associated with this legislation are cumbersome and time-consuming.
- The province needs a clear policy to address public housing stock under its ownership.

### FACTORS INFLUENCING RENTAL HOUSING DEMAND

This strategy is underpinned by comprehensive analysis of available survey data, including the 2007 Community Survey, the GHS from various years, the 2005/06 Income and Expenditure Survey and the 2001 Census, all sourced from Statistics South Africa. Using this data, the department compiled a profile of housing demand throughout the province, enabling us to draw key initial conclusions about potential to expand the rental market. While there are some statistical gaps, the available

#### Key findings: housing market

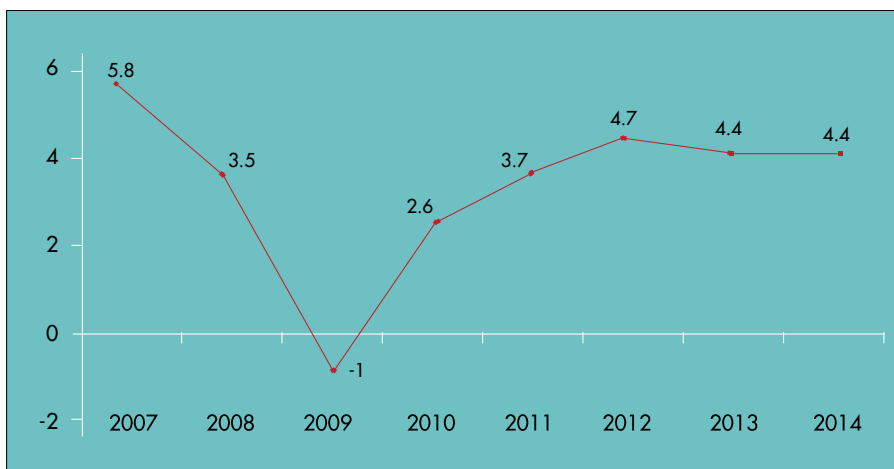
After a period of strong economic growth, the provincial economy is estimated to have shrunk by 1% in 2009. The Western Cape economy is expected to grow by 2.6% in 2010, with average growth of about 4% over the five years to 2014.<sup>4</sup> The chart below summarises recorded economic growth rates and projections for the province from 2007 to 2014.

- The number of households grew by 2.1% per year between 2001 and 2007, with Eden (2.7%) and the City

R3 200 or less compared with 59% for the Central Karoo. One in three households receives some form of state grant.

- Roughly one in four households (375 000 across the province), live in what appear to be inadequate conditions including shacks, backyard dwellings, overcrowded formal dwellings and formal dwellings with no sanitation. Shack prevalence is highest in Eden (18% of households) and Cape Town (16%). Basic dwelling conditions across districts are summarised in Figure 6 on the facing page.

**FIGURE 5: ECONOMIC GROWTH IN THE WESTERN CAPE 2007 - 2014**



Source: 2009/10 Provincial Economic Review. Figures for 2007 and 2008 are actual, the 2009 figure is an estimate, and the subsequent years are projections.

data overwhelmingly suggests strong demand for affordable rental housing. Comprehensive expansion of the rental housing programme will require further research, as discussed later in this report.

This section summarises key findings of the demand analysis, which is found in the online annexures.

of Cape Town (2.5%) the fastest-growing districts over this period.

- About 38% of households had a monthly household income of R3 200 or less in 2007, with noticeable differences in income distribution across districts. In Cape Town 35% of households have a monthly income of

Housing backlog data reported by the Parliamentary Monitoring Group indicates a slightly lower need, as summarised in Figure 7.

#### Key findings: rental market

Given the significant backlog and limits on affordability, the rental market is critical. It is also critical that the solution be aligned with household needs, and the rental market can provide such flexibility.

One-quarter of households in the Western Cape rent their primary dwellings. Data from the GHS from 2002 to 2007 show a noticeable shift towards ownership, reflecting a bias embedded in national housing policy. Households with monthly earnings of between R3 501 and R7 500 (the social housing target market) constitute 28% of the rental market.

Figure 8 summarises data from the Income and Expenditure Survey on rentals for the province as a whole. It appears that lower-income households

<sup>4</sup>This section is based on the 2009/10 Provincial Economic Review and Outlook published by the Western Cape Provincial Treasury

**FIGURE 6: HOUSING CONDITIONS IN THE WESTERN CAPE**

DISTRICT COUNCIL	City of Cape Town	Cape Winelands	Eden	West Coast	Overberg	Central Karoo
Number of Households:	902 278	173 347	141 577	76 215	60 056	15 708
	%	%	%	%	%	%
<b>Housing type</b>						
Dwelling on separate stand	66	62	72	85	83	89
Flat/house/room	16	20	5	8	4	8
Shack not in backyard (e.g. informal settlement)	9	5	9	2	5	1
Shack in backyard	6	5	9	3	5	1
Backyard dwelling	1	1	1	1	1	1
Other	1	2	4	2	2	1
Worker's hostel	1	5	0	0	0	0
<b>Housing tenure</b>						
Owned, fully paid	40	33	47	50	46	60
Owned, not fully paid	24	11	15	14	10	10
Rented	22	30	20	20	23	16
Rent-free	13	22	17	15	20	12
Other	1	3	2	1	1	1
<b>Adequacy</b>						
Adequate	73	74	64	74	75	80
Inadequate	27	26	36	26	25	20
<b>Receives any form of state grant</b>						
Yes	29	37	35	30	31	57
None	71	63	65	70	69	43
<b>Monthly household income</b>						
< R1 601	22	23	26	21	22	32
R1 601 – R3 200	14	20	20	21	14	27
R3 201 – R6 400	13	19	17	20	14	16
R6 401 – R12 800	11	11	10	14	9	9
R12 801 +	19	10	10	13	9	7
No response	21	16	16	11	31	9
<b>Household work status</b>						
Formal	70	77	62	73	57	62
Domestic or informal	11	5	12	9	7	9
Other employment	2	2	5	6	4	3
None	18	16	21	12	33	27

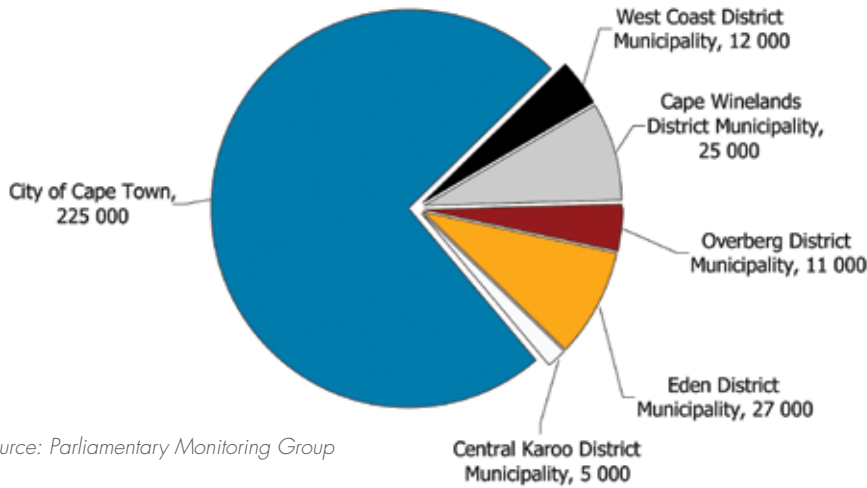
(defined as those with an income below R3 500 per month) spend about 24% of their incomes on rent, although this is clearly a function of location (and by implication transport costs) dwelling quality and availability of services. Data from the GHS indicates significant growth in shack rentals, indicating that demand for affordable rental accommodation has outstripped formal supply. The data highlights a key challenge: to provide adequate

accommodation at a scale that is affordable to the many lower-income households. A strategy to augment provision and improve the quality of backyard accommodation is critical.

In light of these facts, the Rental Housing Strategy will prioritise developing the rental market among households with monthly income below R7 500. Initial efforts will focus on expanding CRUs, social housing and the use of

**Significant growth in shack rentals indicates that demand for affordable rental accommodation has outstripped formal supply**

**FIGURE 7: PROVINCIAL HOUSING BACKLOG**



Source: Parliamentary Monitoring Group

institutional subsidies.<sup>5</sup> National policies covering backyard rental dwellings and small-scale landlords remain under development. The Western Cape is investigating developing its own policies in this regard.

**Housing demand in the leader towns**

Economic growth and stability, along with employment, are important factors in households’ ability to pay rent over a sustained period of time, and such factors need to be considered in decisions about

where to prioritise rental housing. The Provincial Spatial Development Framework identifies 15 Western Cape “leader towns” that have good growth potential, and which should receive infrastructural investment and support. For purposes of this strategy, the Department of Human Settlements has selected, in addition to Cape Town, eight of these areas as “first priority” towns: George, Knysna, Mossel Bay, Worcester, Hermanus, Stellenbosch, Paarl and Wellington.

These areas were selected specifically for the delivery of social housing. The delivery of CRU is stressed for all towns in the province. In addition, a second category of towns was identified to phase in rental housing delivery. The West Coast district, which includes Saldanha and Malmesbury, is profiled in this category.

A key factor in selecting these eight priority towns is the concentration of housing demand compared with other towns in the province. Moreover, these eight towns are characterised by:

- Sizeable populations, from which sufficient target market segments can be drawn to justify the cost of investment in rental stock and management structures.
- Affordability within the target market segments.
- A positive balance of “push-pull” factors influencing choice. These include economic activity and growth, community access, opportunities and amenities, as well as shortages and inadequacy of other forms of accommodation.

**FIGURE 8: PROVINCIAL HOUSEHOLD RENTAL SUMMARY**

Monthly household income	< R850	(R850 – R1 500)	(R1 500 – R3 500)	(R3 500 – R7 500)	(R7 500 – R10 000)	R10 000 +
Number of households in the Province	79 882	113 433	355 050	269 144	96 713	357 319
Percentage of the rental market	5%	6%	31%	28%	10%	20%
Percentage in the segment who rent their primary dwellings	20%	15%	25%	31%	31%	17%
Average rent to income ratio	22%	11%	27%	17%	30%	15%

<sup>5</sup>An institutional subsidy is paid out to an organisation (a registered company, cooperative or association) that contributes to building a housing project. The houses built in this project belong to the organisation for at least four years after completion, after which the house may be sold or transferred to the beneficiary, or the beneficiary can apply for a housing subsidy for another property. The institutional subsidy provides a standard rate for every household earning less than R3 500 per month



**FIGURE 9: RENTAL DEMAND IN LEADER TOWNS**

Municipality	Population size	Number of households	Household income		Housing demand	
			<R1 600	R1 600 – R3 200	Total	Rental specific
City of Cape Town	3 497 000	902 000	22%	14%	306 800	Not available
George	136 500	42 800	28%	18%	14 900	1 700
Knysna	65 000	17 400	22%	21%	11 500	Not available
Mossel Bay	118 000	28 000	29%	18%	9 000	Not available
Breede Valley (Worcester)	134 000	36 500	24%	25%	13 500	5 000
Overstrand (Hermanus)	74 500	22 000	27%	14%	10 200	3 060
Stellenbosch	200 500	36 400	24%	12%	19 800	15 840
Drakenstein (Paarl & Wellington)	217 000	51 600	21%	18%	40 000	20 000

*Compiled from various sources and interviews*

The table above profiles the rental demand of the eight leader towns.

The highest demand is in the lowest-income category, which is also where shacks and backyard dwellings predominate. Consequently, the Rental Housing Strategy will concentrate on low-income households.

### **FACTORS INFLUENCING RENTAL HOUSING SUPPLY**

The Western Cape needs to increase the supply of low-cost, well-located rental housing, of which social housing is a key component. However, a large proportion of rental housing demand is found among lower-income households (R800 to R3 500 per month) that would not necessarily be able to afford social housing.

In addition to social housing initiatives, policy will also prioritise CRU, backyard rental and institutional subsidy delivery. Strong demand among lower-income

households is shown by the rapid growth in “informal” supply. Given this reality, it is necessary to establish formal arrangements with small-scale landlords, backyard dwellers and the owners of farms employing seasonal workers to give impetus to the rental strategy.

The data also shows a lack of better-located housing for families on incomes of between R1 500 and R7 500 a month. High prices for land and accommodation prevent these households from obtaining access to ownership in the better-located parts of towns. Government-supported rental programmes can help bridge this gap.

### **Previous performance**

State-funded rental housing in the Western Cape has not performed well. Over the past 15 years, fewer than 2 500 new social housing rental and rent-to-buy units were provided by the three main SHIs – the Social Housing

Company, Communicare and the Cape Town Community Housing Company (CTCHC).

These units were mainly funded by the institutional subsidy, and some hostel upgrading was funded by the Hostels to Homes programme. All of these units were built in Cape Town. Since the introduction of the social housing capital restructuring grant in 2006, only 450 new social housing units have been delivered in restructuring zones, with a further 219 now under construction. The first CRU projects are now being approved in Cape Town, but these are all for refurbishment of existing flats, and no new units are being created for this market.

### **Regional variation in supply**

Since 1994, nearly all hostel upgrading in the Western Cape, as well as provision of new social housing stock, has been in Cape Town. Of the city’s 43 500 municipal rental units, an

estimated 30% are in slum condition. Cape Winelands also has significant numbers of existing municipal rental stock, most of it in poor condition. Rental stock in other districts is numerically insignificant, and no new rental units have been produced since 1994.

**Land and packaging**

In Cape Town and the leader towns of the West Coast, Cape Winelands, Overberg and Eden districts, there are limited quantities of well-situated, state-owned land suitable for formal state-funded rental housing. All of these towns have made provision for land to be earmarked for rental housing in their human settlement plans. The identification of land should include both greenfield sites and infill sites. The specific land parcels must be officially allocated and released for rental, following which they need to be “packaged” through environmental authorisation and town

planning approvals. Municipalities will require provincial support for these processes.

**Institutional capacity**

The City of Cape Town maintains an experienced but overloaded rental unit. Leader town municipalities with potential for rental housing generally lack the institutional arrangements and staff to manage existing or new municipal rental stock, and to drive new rental housing delivery effectively. Typically, one municipal official is responsible not only for rental housing, but also for a range of other programmes. Provincial support is required to enhance capacity in towns such as George/Knysna, Stellenbosch, Paarl/Wellington and Saldanha.

Furthermore, SHIs’ ability to grow is limited by two factors. First, SHIs find themselves in the position of having to identify and package land, which

**SMALL-SCALE LANDLORDS**

Small-scale and informal landlords provide a significant amount of rental housing. There are an estimated 200 000 – 300 000 informal backyard renters in Cape Town alone, with 36 000 in Winelands, 23 000 in Eden, 14 000 in Overberg and 11 600 in West Coast. This sector is not regulated and receives no direct state support. It does, however, present municipalities with a “hidden” burden on services without the necessary cost recovery.

is a responsibility of the public sector. Second, SHIs have to gear up their internal property management capacity rapidly, but experience suggests that it takes up to 18 months to establish the requisite competence. Increased assistance from government to identify land, to help establish new SHIs, or to help municipalities upgrade their property management capacity would relieve the pressure in this area.

**Role of the private sector**

Earlier this year the Social Housing Foundation (SHF) released a study entitled *Strategy for Increasing Supply of Small-Scale Private Dwelling Rental in South Africa*. This study shows that the formal private sector is reluctant to provide information about tenant profiles, levels of affordability, rentals charged and property management processes. Such information would be valuable in honing the Rental Housing Strategy. The study does show, however, that the formal private sector is willing to participate in expanding provision and management of rental housing, provided that the legislative and policy initiatives address its needs.



## 2 | A Five-Year Growth Trajectory for Rental Housing

### PROJECTIONS ACROSS THE PROVINCE

Figure 10 on the following page shows the number of potential rental housing units identified by the municipality in the Western Cape. These projections are based on local government assessments of suitable municipal land for rental housing, and have been published in the spatial development frameworks and/or the housing sector plans of integrated development plans. Turning these projections into reality will form the heart of the Rental Housing Strategy.

Social housing can be increased significantly in Cape Town, where delivery and management capacity exist. However, more dedicated funding is needed. Over the next two years, the City of Cape Town will be accredited as a housing provider, resulting in a direct budget allocation to the city. This also gives the city the right to determine its own delivery programme, which may or may not focus on rental housing delivery.

Social housing can also be expanded to the Eden, Cape Winelands and West Coast districts, provided restructuring zones are established, institutional capacity is improved with provincial support, and delivery agents are either strengthened or newly established.

Cape Town has the potential to develop and manage new CRU stock, although this must be seen in the context of significant challenges in both property management and rental collection. There is also a need for CRU stock in the leader towns. CRUs should be



encouraged where there is institutional capacity for property management – or, if such capacity is absent, where the provincial government can provide support. Specific land parcels for all forms of state-funded rental should be identified, allocated and released, and packaged according to a prioritised pipeline monitored by the provincial steering committees for social housing and CRUs respectively.

The provincial Department of Human Settlements needs to investigate the viability of using the institutional subsidy as an instrument for providing affordable rental alternatives to social housing and CRUs – such as rental with shared facilities for seasonal farm workers and other temporary renters.

A forum for engagement and cooperation with informal and backyard

landlords should be established, and ways explored in which this sector can be structured without driving up costs for renters.

The provincial government should also initiate a forum for engagement and cooperation with the formal private sector, including property developers, property managers, farm owners and funders. This strategy will promote private-sector participation in the lower end of the market.

### STRENGTHENING INTERNAL CAPACITY, STAKEHOLDER RELATIONSHIPS AND RESEARCH

#### Structure of the rental unit

To effectively implement this strategy, the department intends to expand the responsibilities of the rental unit over the period ahead.

**FIGURE 10: PROPOSED EXPANSION OF RENTAL HOUSING, 2010-2014**

AREA		2010		2011		2012
District	Municipality	Social housing	CRU	SH	CRU	SH
	Cape Town	270 Steenberg - 150 Bothasig - 120	320 Kewtown	664 Dillon Lane - 64 Bo-Kaap - 100 Belhar - 300 Montclair - 200	280 Not identified	1 150 Belhar - 300 Montclair - 200 Brooklyn - 250 Rugby - 200 Pine Rd - 150
West Coast	Swartland				136 Portion of erf 327 Malmesbury - 108 Erf 19,20, 1766, Malmesbury - 28	
	Saldanha					
Winelands	Drakenstein					
	Langeberg				120 Zolani hostel, Ashton	
	Breede Valley			100 Erf 4027, Worcester	240 Erf 1, Worcester	
	Stellenbosch			200 "Tender 34" 7001 & 8915, Cloetesville erf 235 & 5652	200 Waterkant IRDP, Khayamandi	250 Nietvoorbij farm, Idas Valley
Eden	Knysna			152 Erf 3409, 3326, 3260, Hornlee	180 Erf RE/523 Kruisfontein	130 Erf 3409, 3326, 3260, Hornlee
	George			160 York Str hostel - 20 Municipal site, cnr Meade & Cathedral - 24 Erf RE/464-116	150 Blanco - not identified	250 Erf RE/ 464-150 Erf 323 & 7/202, Pacaltsdorp - 100
	Mossel Bay				180 Erf 1260, Kwanonqabu	120 Integrated Project, Erf 1712/1717 south of N2
Overberg	Overstrand				120 Not identified - Zwelihle	
<b>TOTAL</b>		<b>270</b>	<b>320</b>	<b>1 276</b>	<b>1 606</b>	<b>1 900</b>

CRU	2013		2014		TOTAL	
	SH	CRU	SH	CRU	SH	CRU
360 Not identified	650 Wetton - 400 Royal Maitland - 100 District 6 - 150	400 Not identified	780 Wingfield & Pickwick & District 6	400 Not identified	3 514	1 760
160 North of Main Road, Darling						296
250 Proposed IDZ between Saldanha/ Vredenburg		500 Proposed IDZ between Saldanha/ Vredenburg		250 Proposed IDZ between Saldanha/ Vredenburg		1 000
	255 DeKraal pilot Paarl - 68 Pentz Rd, Wellington - 87 Vlakkeland, Wellington -100	100 Vlakkeland, Wellington	100 Vlakkeland	247 Vlakkeland - 100 R301/R302 Wellington - 42 Mbekweni Station - 105	355	347
180 Nqubela hostel, Robertson						300
490 Worcester: Erf 1-240 Erf1 1810+ 20800-250	96 Erf 3389, Worcester	250 Worcester: erf 1-240 Erf1 1820+ 20800-250		250 Worcester: erf 1-240 Erf1 1820+ 20800-250	196	1 230
500 Waterkant - 250 Not identified - 250	280 Nietvoorbij farm, Idas Valley	570 Not identified (Cloetesville Onder Papegaaiberg)	280 Nietvoorbij farm, Idas Valley	200 Not identified (Cloetesville Onder Papegaaiberg)	1 010	1 470
200 Erf RE/523 Kruisfontein	220 Heidevallei Integrated Project	200 Erf RE/523 Kruisfontein	280 Heidevallei Integrated Project	200 Simola, Founders Estate, Lakeview	782	780
280 Erf 323 & 7/202, Pacaltsdorp - 100	280 Erf RE/ 464-180 Erf 323 & 7/202, Pacaltsdorp - 100	240 Erf 12/195 George farms, Thembalethu	240 Erf 9/142 George farms	300 Erf 12/195 George farms, Thembalethu	930	970
180 Integrated Project, Erf 1712/1717 south of N2	180 Integrated Project, Erf 1712/1717 south of N2	240 Integrated Project, Erf 1712/1717 south of N2	200 Integrated Project, Erf 1712/1717 south of N2	240 Integrated Project, Erf 1712/1717 south of N2	500	840
150 Not identified - Zwelihle		180 Not identified - Zwelihle		180 Not identified - Zwelihle		630
<b>2 750</b>	<b>1 961</b>	<b>2 680</b>	<b>1 880</b>	<b>2 267</b>	<b>7 287</b>	<b>9 623</b>



In a recent internal restructuring process, the rental unit was grouped with the gap housing unit in a new directorate for affordable housing. The present structure, however, contributes to a lack of focus by the top management of the rental housing unit. The department will work to address these challenges, and to create a more enabling environment for rental housing to flourish. Available options include the unit creating a pool of specialists in the necessary disciplines to service the whole province, or establishing a section consisting of generalists who service specific districts. Performance management systems must be enhanced and aligned to ensure delivery of the rental housing programme.

To function efficiently, the rental unit depends largely on other directorates in the department. Many of these arrangements, however, suffer from a lack of formal structure. In addition, the existing service offering is largely geared towards RDP housing delivery. The way in which the other directorates provide support will need to be realigned, with service-level agreements to support quality performance from these units.

**Working with stakeholders**

The rental housing unit also depends on external partnerships to deliver on its mandate. Over the period ahead, the unit will work to strengthen these relationships, as shown in Figure 12 on the facing page.

**Setting the research agenda**

The statistics on which this strategy is based are drawn from multiple surveys over different time periods. A range of data gaps is evident, making these statistics inadequate for comprehensive policy design. Over the period ahead, the Rental Housing Strategy must define the research agenda. The following factors

should be incorporated to ensure more accurate analysis of the rental market:

- Identify key research hypotheses and additional data gaps. This may include strengthening the rationale for additional investment, quantifying demand, identifying key development areas or assessing the performance of rental stock across the province.
- Develop a survey to refine the current profile of renter households, as well as the scope and character of potential demand, such as willingness to pay for rentals.
- Gather provider data on activity levels and usage as a first step to standardise the capture of data for new social housing project applications. This process would include a mechanism for periodic collection of operational indicators from rental housing providers.
- Standardise housing waiting-list

processes to ensure a clear and transparent method of adding the names of households and/or individuals to such lists, and keeping such lists up to date. It would also include some standardisation to ensure that the way in which tenure preferences are captured is sensible and comparable across provinces.

**KEY CONSTRAINTS AND OPPORTUNITIES**

As noted above, capacity constraints at both provincial and municipal level affect the expansion of the rental housing programme. In Figure 11 below, we consider other areas of opportunity and constraints to be overcome.

The department will work to alleviate these constraints as the strategy gathers pace.

**FIGURE 11: KEY CONSTRAINTS AND OPPORTUNITIES**

POLICY CONSIDERATIONS	DEMAND CONSIDERATIONS	SUPPLY CONSIDERATIONS
<p>The Social Housing Act, the Social Housing Regulatory Authority, CRU policy and the institutional subsidy all provide opportunities to expand rental housing. Constraints in this area include:</p> <ul style="list-style-type: none"> <li>• Preferential land release policy</li> <li>• Formal SHI partnership policy</li> <li>• CRU guidelines</li> <li>• Backyard rental programme</li> <li>• Farm worker policy and programme</li> <li>• Small-scale landlord policy</li> <li>• Town planning amendment policy for municipalities.</li> </ul>	<p>While statistics show a strong demand for housing, a thriving rental market and areas of high economic growth, constraints include the following:</p> <ul style="list-style-type: none"> <li>• There is no dedicated profile of demand for rental housing</li> <li>• Lack of affordability</li> <li>• Waiting list reliability and definition of criteria.</li> </ul>	<p>There is some existing public rental stock. The strategy points to the possibility of extending restructuring zones to leader towns, making more municipal land available, growing the project pipeline and improving project management. Constraints include:</p> <ul style="list-style-type: none"> <li>• Lack of land identification, allocation and release</li> <li>• Insufficient capacity of delivery agents</li> <li>• Poor municipal systems and lack of capacity to deliver</li> <li>• Poor planning and policy</li> <li>• Complexity of land packaging</li> <li>• Grant/subsidy funding allocations</li> <li>• High property management costs and lack of property management capacity.</li> </ul>

**FIGURE 12: STAKEHOLDER RELATIONSHIPS**

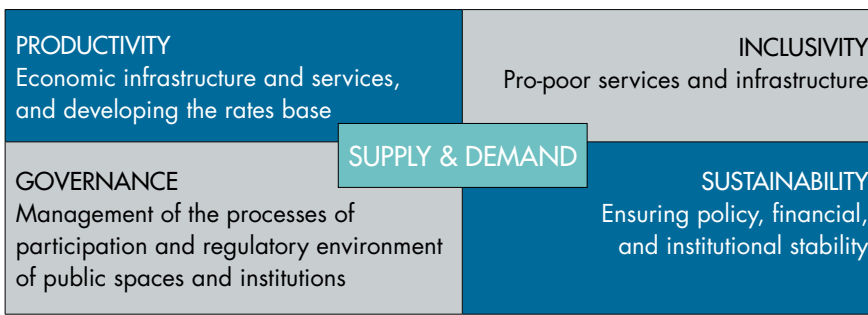
STAKEHOLDER	PROVINCIAL NEED	CURRENT RELATIONSHIP	NEXT STEPS
EXTERNAL STAKEHOLDERS			
Housing Development Agency	Land identification and feasibility studies		Formalise request for a partnership
Municipalities	<ul style="list-style-type: none"> <li>• Land</li> <li>• Services</li> <li>• Project pipeline</li> <li>• Project applications</li> <li>• Rental housing strategies and support programmes</li> <li>• Special dispensation for utilities, rates and taxes</li> </ul>	Unit provides subsidy and grant administration	<ul style="list-style-type: none"> <li>• Initiate capacity-building programme</li> <li>• Align infrastructure process</li> <li>• Land availability and release</li> <li>• Project packaging and pipeline developments</li> <li>• Support programme for SHIs</li> </ul>
SHF and its successor	Build capacity in provincial rental unit and municipalities	SHF provides technical assistance	Formalise memorandum of understanding (MOU) to continue support
Social Housing Regulatory Authority	<ul style="list-style-type: none"> <li>• Accreditation of delivery agents and register of accredited projects</li> <li>• Regulation of delivery agents</li> <li>• Investment programme and alignment of funding including capital restructuring grant</li> </ul>	Regulatory authority not yet established	The regulations prescribe a formal MOU between provinces and the Social Housing Regulatory Authority
SHIs	Property development and management	Indirect relationship through municipalities	Smart Partner policy will formalise relationship
National Association of Social Housing Organisations	SHI mobilisation and facilitation	Participates in provincial steering committee meetings	Formalise MOU
National Housing Finance Corporation (NHFC)	Debt and feasibility funding	Participates in provincial steering committee meetings	Formalise MOU through Social Housing Regulatory Authority
Nongovernmental and community-based organisations	Community engagement and social facilitation and support to the dept's research agenda	Direct	Create a think tank forum
Higher learning institutions	Research agenda for strategic planning	Direct	Create a think tank forum
Private sector (developers, managers)	<ul style="list-style-type: none"> <li>• Property development</li> <li>• Property management</li> </ul>	Direct	<ul style="list-style-type: none"> <li>• Establish rental housing network</li> <li>• Assess management capacity and willingness to participate in delivery programme</li> <li>• Assist with Social Housing Regulatory Authority accreditation</li> </ul>
Funders and financiers	Funding		<ul style="list-style-type: none"> <li>• Rental housing investment programme</li> <li>• Request partnership</li> </ul>
Construction sector	<ul style="list-style-type: none"> <li>• Construction standards</li> <li>• Projects registered with National Home Builders Registration Council</li> </ul>	Direct – departmental inspectors	Request partnership
National departments	<ul style="list-style-type: none"> <li>• Infrastructure development</li> <li>• Land and buildings</li> <li>• Land policy direction</li> </ul>	Direct	Intergovernmental relations

### 3 | Strategic goals

There are four key factors that affect supply and demand of housing stock, as summarised in Figure 13 below.

The four goals are:  
**1. Build a suitably structured organisation that is responsive to rental housing**

**FIGURE 13: KEY FACTORS AFFECTING SUPPLY AND DEMAND**



The Rental Housing Strategy assumes that in an environment of limited public resources, government and its partners will need to take tough decisions and make trade-offs to ensure the expansion of rental housing stock in the province. In some areas, for example, economic considerations may have greater weight; in other areas, ensuring access to services may sway a decision. In all cases, these four principles will take into account long-term built environment planning frameworks, including issues of densification, location and quality.

Flowing from the analysis presented in Section 1, this strategy commits the Western Cape to four strategic goals. Progress towards realising these goals will help the provincial government achieve its objectives of delivering clean, efficient, cost-effective, transparent and responsive public administration, and optimising human settlement integration.

An efficient, effective structure is needed to implement the strategy. The department will strengthen its rental housing unit, and work to realign this unit’s responsibilities with those of other directorates. Programme objectives are as follows:

- An adequately capacitated rental housing directorate
- Develop and approve provincial strategy and policies
- Capacitated and supported local government to plan for rental housing
- Partnerships with other directorates in the department
- Strategic partnerships with key rental housing support organisations.

**2. Increase the supply of targeted, state-funded rental housing**

The department will ensure that state-funded rental housing supply is increased effectively to benefit low- to middle-income households. The primary focus will be the existing CRU and social

housing programmes, new use of the institutional subsidy, and development of the backyard dwellers’ programme. These initiatives will be carried out in line with the broader policy goals of overcoming our inherited spatial legacy, and promoting inclusivity and sustainability. Programme objectives are as follows:

- Develop and deliver research agenda for rental housing
- Create long-term planning frameworks for rental housing delivery for leader towns
- Provincial land programme (identification, allocation and release)
- Technical support programme for packaging municipal projects
- Social housing delivery programme
- CRU delivery programme
- Develop models for use of the institutional subsidy
- Develop backyard rental programme
- Small-scale landlord programme.

### Given limited public resources, tough decisions and trade-offs are required

**3. Expand the supply of private-sector rental housing for the lower-income market**

The department will work to increase its understanding of rental housing supply (formal and informal) by the private



sector. Improved understanding will help to underpin partnerships, incentives and regulation to increase and manage the supply of acceptable rental housing stock. Programme objectives are as follows:

- Private sector (formal) – research sector needs for participation in rental housing programmes, develop engagement programme and process, and launch the programme.
- Private sector (informal) – research small-scale landlords and develop alternative models for rental housing.

#### **4. Create viable property management capacity, arrangements and systems**

The department will support the creation of sufficient property management capacity to realise the delivery targets. This will include providing assistance to municipalities and SHIs, promoting consumer education and enhancing regulation of landlord-tenant relations. Programme objectives are as follows:

- SHI rental housing support programme
- Mobilise additional property management capacity
- Technical support for property management capacity

These goals have been formulated to maximise impact in the areas where the Department of Human Settlements exercises strategic control. These areas include institutional arrangements and departmental functions, investment programmes (including subsidies/grants), the regulatory sphere and developing strategic partnerships.

#### **PRIORITY DELIVERY AREAS**

The table below provides an overview of the priority areas of delivery over the next five years.

**FIGURE 14: DELIVERING ON STRATEGIC PRIORITIES**

PRIORITY AREA	YEAR 1 2010/11	YEAR 2 2011/12	YEAR 3 2012/13	YEAR 4 2013/14	YEAR 5 2014/15
Build a suitably structured organisation that is responsive to rental housing needs	<ul style="list-style-type: none"> <li>- Develop internal policies and procedures</li> <li>- Training and development programme</li> <li>- Organisation structure confirmation</li> </ul>	Training and development programme	Ongoing	Ongoing	Ongoing
	<ul style="list-style-type: none"> <li>- Rental housing strategy</li> <li>- Communication strategy</li> <li>- Preferential land release policy</li> <li>- SHI Partnership policy</li> <li>- CRU guidelines</li> <li>- CRU regulations</li> <li>- Assessment tools for CRU</li> <li>- Farm worker policy and programme</li> <li>- Small-scale landlord policy</li> <li>- Town planning scheme amendment policy</li> </ul>	Backyard rental strategy developed	Implement strategy	Ongoing	Ongoing
	<ul style="list-style-type: none"> <li>- Capacitation programme for rental housing</li> <li>- Inclusion in housing sector plans</li> <li>- Training programme for municipalities</li> <li>- Annual review of Rental Housing Strategy</li> <li>- M&amp;E process for municipal planning for rental housing</li> </ul>	<ul style="list-style-type: none"> <li>- Annual review of strategy</li> <li>- Support to implement strategic programme</li> <li>- M&amp;E process</li> </ul>	<ul style="list-style-type: none"> <li>- Annual review of strategy</li> <li>- Support to implement strategic programme</li> <li>- M&amp;E</li> </ul>	<ul style="list-style-type: none"> <li>- Annual review of strategy</li> <li>- Support to implement strategic programme</li> <li>- M&amp;E</li> </ul>	<ul style="list-style-type: none"> <li>- Annual review of strategy</li> <li>- Support to implement strategic programme</li> <li>- M&amp;E</li> </ul>
	Formalise institutional arrangement	Manage stakeholder relations	Ongoing	Ongoing	Ongoing
	<ul style="list-style-type: none"> <li>- Think tank for NGOs, CBOs and higher-learning institutions</li> <li>- Partnership agreement with Housing Development Authority</li> <li>- MOU with municipalities, SHF, Social Housing Regulatory Authority, National Association of Social Housing Organisations</li> <li>- SHI Smart Partner policy</li> </ul>	Launch rental housing network	Manage network	Ongoing	Ongoing
Increase the supply of targeted, state-funded rental housing	<ul style="list-style-type: none"> <li>- Rental demand key research hypothesis</li> <li>- Key areas for rental stock development</li> <li>- Standardised data capture tool for new social housing projects</li> </ul>	Rental market demand survey	Incorporate into rental programme	Incorporate into rental programme	Incorporate into rental programme



PRIORITY AREA	YEAR 1 2010/11	YEAR 2 2011/12	YEAR 3 2012/13	YEAR 4 2013/14	YEAR 5 2014/15
Increase the supply of targeted, state-funded rental housing	Long-term planning frameworks where provincial government helps municipalities with housing sector plans	Ongoing	Ongoing	Ongoing	Ongoing
	Provincial land programme	Provincial land programme	Provincial land programme	Ongoing	Ongoing
	Technical support programme to municipalities for project packaging	Technical support programme to municipalities for project packaging	Ongoing	Ongoing	Ongoing
	- Restructuring zones - M&E - Social housing project pipeline	M&E	M&E	M&E	M&E
	- Building and tenant audit - New stock funding process - M&E	M&E	M&E	M&E	M&E
		Models for use of institutional subsidy	Implementation	Review models	Ongoing
		Backyard rental programme developed	Implementation of programme	Ongoing	Ongoing
		Small-scale landlord programme developed	Implementation of programme	Ongoing	Ongoing
Expand supply of private-sector rental housing for lower-income market	Private-sector formal research study	Private-sector formal research study	Incorporate into rental programme	Ongoing	Ongoing
	Private-sector formal research study	Private-sector formal research study	Incorporate into rental programme	Ongoing	Ongoing
		Private-sector investor and developers forum launched	Manage forum	Manage forum	Manage forum
		Funding models developed	Implement models	Review models	Review models
Create viable property management capacity, arrangements and systems	SHI property management support programme	SHI property management support programme	Ongoing	Ongoing	Ongoing
		Property management forum	Ongoing	Ongoing	Ongoing
	Technical support programme to municipalities	Technical support programme to municipalities	Ongoing	Ongoing	Ongoing
	Tenant education	Tenant education	Ongoing	Ongoing	Ongoing



**FOR MORE INFORMATION:**

Mr. Anwar Swartz

Rental Housing

Tel: 021-483 2584

Fax: 021-483 6617

E-mail: [anwschwartz@pgwc.gov.za](mailto:anwschwartz@pgwc.gov.za)

Website: [www.capegateway.gov.za](http://www.capegateway.gov.za)