

# CHAPTER ONE

## BACKGROUND

### *1.1 Introduction*

In 1994 when the first democratically elected South African government came into office after decades of apartheid, one of its major priorities was to erode social inequality and injustice. This was to be achieved through the redistribution of wealth and also through increasing access to opportunities by those who were previously disadvantaged by apartheid. Housing was one of the key sectors that was identified by government to help bring about this change (White paper, 1994). Many governments across the world including South Africa see housing as an essential component in the fight against poverty. The problem of a shortage of housing is an issue that is becoming more and more prevalent as an increasing number of people struggle to access quality and affordable housing in urban areas (Foss, undated). This led to the government of South Africa reviewing its housing policy and developing a new housing strategy referred to as Breaking New Ground.

There are a number of constraints hindering the supply of housing in South Africa. It is the intention of this research to understand in what way land issues influence or hinder the supply of affordable housing. An affordable housing project located in the town of Marble Hall will be used as a case study for this purpose.

This background section sets the legal and constitutional parameters for understanding the provision of housing. First it discusses the rights to access to housing and access to land in the South African context. It then briefly looks at poverty and how this relates to housing and the housing ladder. The research also briefly introduces the argument that urban land markets seem not to be working for the poor nor for the low-income earners. Lastly, included in the research is a discussion on what enabling frameworks government employs to

support the market. These legal and constitutional parameters are important to understand because they are the basis for the state pursuing a social justice agenda. At the end of the chapter the specific research question and methodology for this research are summarized.

## ***1.2 Rights to access to housing and access to land***

A close look at International laws and in the case of South Africa, the Constitution of the country reveals that housing is viewed as one of the most basic human needs, which means it is recognized as a human right. Every right is said to create a corresponding duty on government to ensure that the right is upheld.

The Constitution of the Republic of South Africa, 1996 is the supreme law of the country. It is the basis of all lawful activity in the Republic of South Africa. This means that any law or conduct that is inconsistent with the Constitution is invalid, and that the obligations that it imposes must be fulfilled. Two components of the constitution are especially relevant to housing. These are section 26 and section 25 of the Constitution of South Africa Act 108 of 1996 and are briefly discussed below.

In relation to access to Adequate Housing as a Basic Human Right, section 26 of the Constitution of South Africa Act 108 of 1996 states that:

- a) Everyone has the right to have access to adequate housing.
- b) The state must take reasonable legislative and other measures, within its available resources, to achieve the progressive realisation of this right.
- c) No one may be evicted from their home, or have their home demolished, without an order of court made after considering all the relevant circumstances. No legislation may permit arbitrary evictions.

Then with regard to access to land as a basic human right, Section 25 of the Constitution of South Africa Act 108 of 1996 is also important in that it relates to property rights. Specifically, section 25(5) states that government “must take reasonable legislative and other measures within its available resources, to foster conditions which enable citizens to gain access to land on an equitable basis.”

What does “adequate” mean? The wording of the right to housing provision corresponds with the International Covenant on Economic, Social and Cultural Rights of 1966. In that context, “adequate housing” is measured by certain core factors: legal security of tenure; the availability of services; materials, facilities and infrastructure; affordability; habitability; accessibility; location and cultural adequacy (S A housing code, 2000).

These core factors attest to the notion that housing is not just a roof over ones head. Housing has central importance to everyone’s quality of life and health, with considerable economic, social, cultural and personal significance (Erguden, 2001).

Land has central significance in the provision of housing; as it is one of the basic components needed when building a house.

One of the elements of adequate housing is land tenure. Land tenure according to Urban Development Networks (2004) is seen as the social relationship defining the rights and obligations of individuals or groups towards a piece of land. It is important to note that security of tenure does not necessarily imply ownership; one can have other forms of secure tenure, such as rental housing. In urban areas, secure tenure generally means having formal, documented rights that can be proved in court, such as, a Title Deed, a use agreement, or a lease agreement. Adequate housing can thus also refer to rental housing. Likewise, access to land does not also necessarily translate to ownership. While the above articulates that security of tenure can mean both ownership and rental housing, this study focuses on housing in the form of ownership. Such assets whose ownership rights are documented (have title deeds) are tradable and provide

opportunities for owners to have access to housing and mobility overtime up the housing ladder, a notion discussed below.

### **1.3 Poverty and housing**

Poverty in South Africa is very often linked to the issue of lack of access to land, and this poverty is closely related to the historical dispossession of land for certain race groups that happened in the country (see Porteous et al., 2005). In response the post apartheid government has focused in its housing and land response on the poorest segments of South Africa. However the growth of the economy, and in particular the residential property market, has created additional gaps. There has been a price appreciation in property, which has resulted in housing and land becoming less and less affordable to greater proportions of the South African population. Rust (2006) illustrates this when she identifies the average price of a house in the affordable market as R193 000, whilst 90% of the population cannot afford a house that costs more than R190 000.

Housing must be seen as more than a physical good. Instead, it must be viewed as part of a social system, a system that this research refers to as the housing ladder, a term used in some of the literature (Husock, 1996). The concept of the housing ladder is based on the notion that to best serve the most people, the fullest possible range of privately-owned housing types must be built—ranging from single rooms to mansions. The combination of striving to move up the ladder from one type of housing to another, and the need to protect the value of one's housing investment, plays a key role in maintaining the social fabric of neighborhoods (Husock, 1996). In South Africa two distinct gaps have emerged in the housing ladder; the first gap is between the subsidized house (RDP housing) and the R193 000 average price of the affordable market and the second gap is between the R193 000 and R662 447 average house price of the upper end of the market (Rust, 2006). These different housing products represent the rungs of the housing ladder. The gap between these rungs are

moving further apart, it is becoming more and more difficult for households to move from one rung of the housing ladder to one above it. This has led to a situation whereby low-income households are unable to realize the asset value of their housing as an asset for potential investment at a time when it is said to be realizing astonishing returns for high-income households. It can therefore be assumed that the urban land market is clearly neither working for the poor nor for lower income earners.

#### **1.4 Policy environment**

The housing market operates in a policy environment, and it is this housing policy environment that significantly affects the performance of the housing market (Angel, 2000). The World Bank cited in Jones and Datta, argues that governments should intervene to overcome market failure by utilizing enabling instruments. Part of the housing policy approach in South Africa is about enabling markets to work (Jones and Datta, 2000).

Angel (2000) asserts that the housing policy environment can be said to be enabling if it attends to the five key policy instruments that have an inordinate effect on housing sector performance. The word “enabling ” can mean many things. In this context it means that which is necessary for the housing sector to function properly which can mean a basic and minimal set of well-understood rules, rules that are invented in response to need, established in law, and gradually refined over time. It refers to the extent to which government provides the necessary conditions for other actors in housing production to make housing delivery happen.

Angel (2000) identifies the following five key policy instruments:

1. Adjudication of property rights in land and housing
2. Development and regulation of housing finance institutions
3. Administration of housing subsidies
4. Provision and maintenance of residential infrastructure and

## 5. Regulation of land and housing development

The first three policy instruments noted above can be taken to affect the demand side of the housing market, while the last two can be said to affect the supply side. For the housing sector as a whole to function well, all these components need to be enabling. Both the demand side and supply side need to be enabling in order for there to be performance in housing delivery. If one of the sides such as the supply side is not enabling, the housing sector may not gain much in performance as when both sides are in balance (Angel, 2000).

According to Erguden (2001) there is a widening gap between housing policy formulation and the implementation process (housing delivery) in developing countries, which has resulted in the delivery of housing being unable to address the low-income housing backlog and the affordable housing backlog. It is of importance to understand the reasons for this widening gap between housing policy formulation and implementation. Erguden (2001) identifies as a general problem the following reasons as contributing to this gap: Lack of effective implementation strategies, poor promotion of tenure, inadequate supply of affordable land and infrastructure, inadequacy of housing finance systems, poor utilization of local building materials and technologies. The New housing policy and strategy for South Africa (1994) has identified that South Africa is facing similar constraints.

The white paper (1994), *A New Housing policy and strategy for South Africa* commits government to the “establishment of viable, socially and economically integrated communities situated in areas allowing convenient access to economic opportunities as well as health, educational and social amenities” (Khan and Thuruman, 2001, p. 2). The principles, goals and strategies of the white paper were later used in the development of legislation in the form of the Housing Act (107 of 1997).

In 2004 Cabinet approved a new housing strategy “Breaking New Ground” with the purpose of creating a new plan for housing, by redirecting and enhancing the existing mechanisms to move towards more responsive and effective delivery. This new settlement plan reinforces the vision of the Department of Housing, which is to “promote the achievement a non-racial, integrated society through the development of sustainable human settlements and quality housing” (RSA, 2004,p.7). The Breaking New Ground plan seeks to expand the mandate of the Department of Housing to include the entire residential housing market. There is an acknowledgement by government that this expansion of scope by the Department of Housing is necessary to facilitate increased integration between the primary and secondary housing market.

One of the cornerstones of the housing plan Breaking New Ground (2004) is the continuation and deepening of the partnership between government and the private sector in the development of sustainable human settlements through their combined resources, efforts and initiatives. The RSA (2004) shifts away from a supply driven framework to a process that is more demand driven. A demand driven process requires government to determine the location and nature of housing and the private sector as the primary vehicle for the delivery of housing (RSA, 2004). This demand driven approach to housing delivery requires municipalities to assume the overall responsibility for housing programmes in their area of jurisdiction. The role of government is crucial in fostering this partnership, as government needs to set the parameters under which this partnership needs to successfully take place (RSA, 2004).

The government of South Africa is divided into three spheres of government, namely; national, provincial and local government. It is important to understand the role of each sphere of government in housing delivery. “The role of National government in housing is to set policy, norms and standards; set and monitor delivery goals; mobilize and distribute funds to provinces and municipalities for housing development, land acquisition, and infrastructure development; and to

create an environment for all parties to realize housing goals” (Khan and Thuruman, 2001,p.4). The role of Provincial government is “to administer national and provincial housing programmes, to adopt legislation where necessary and to approve and allocate subsidies” (Khan and Thuruman, 2001,p. 4). The role of Local government is to “ensure that basic services and infrastructure are provided; and to identify and designate land for housing” (Khan and Thuruman, 2001, p. 4). Of interest for this research is intervention by local government in housing delivery in the context that the ‘Breaking New Ground’ (2004) demand driven approach to housing delivery requires municipalities to assume the overall responsibility for housing programmes in their area of jurisdiction.

### ***1.5 Housing markets***

This research will focus on understanding the inadequate supply of affordable land as a constraint to the delivery of affordable housing in South Africa. In order to do this, it is important to understand that the housing market is composed of a number of fragmented sub-markets. The affordable housing market is but one of these sub-markets. This research will focus on the affordable housing sub-market, defined for the purpose of this research as follows: according to the Banking Association of South Africa (2005), the Financial Charter defines the affordable housing market as a house with a mortgage value of less than R200 000 and targeting people with an income of R2 500 to R7 500 per month. This definition is in line with the type of housing product and income range that is of concern to the author, as it is not adequately serviced in terms of provision of adequate housing.

The Financial Sector Charter Council (2004) describes the Financial Charter as a transformational charter adopted as part of a commitment by the financial sector in South Africa to promote the development of Black Economic Empowerment (BEE). South African society is still characterized by racially based income and social services inequalities. Government has identified BEE as a mechanism

aimed at addressing these inequalities. Inequalities also manifest themselves in South Africa's financial sector. The aim of the Financial Sector Charter is to positively and proactively respond to these inequalities by creating products and facilities to categories of South Africans, which were not available or accessible previously.

In housing, markets are said to fail because they fail to meet the primary social objective of ensuring 'a decent home for every family at a price within their means'. Society regards shelter as a basic need, a basic necessity that everyone should have regardless of income (Angel, 2000). Markets in South Africa are not supplying houses to the affordable housing market segment. Houses available on the market cost more than what the affordable housing market can afford.

One of the first essential conditions for a vibrant and well functioning housing sector is the availability of residential land. This land should be available in ample supply and at an affordable price (Angel, 2000). Access to land is key to accessing affordable housing. For one to understand why access to land is of great importance for the access of affordable housing, we need to understand the factors that affect the supply of urban land for housing. We need to acknowledge that the delivery of housing takes place within the context of a housing policy environment. Angel (2000) identifies key areas that have an influence on the availability of residential land. These components of the housing policy environment are:

- the property rights regime
- infrastructure development
- the regulatory regime
- the fourth factor affecting the supply of residential land is competition from other land uses such as agriculture
- Geographical features are also said to limit the availability of buildable urban land,

An important question for the purpose of this research is, what land issues hinder the residential development of affordable housing in South Africa. According to Dowall (1998) urban land problems are too complex and wide ranging to classify neatly, but they may be divided into five broad categories:

- 1) Lack of enough land at the right price and in the right location
- 2) High cost and low affordability of land and housing
- 3) Ineffective government programs and actors in the area of urban development
- 4) Private sector resistance to government land regulations
- 5) Environmental resource constraints to land development

In order to investigate and understand the issues around land availability for affordable housing this research has selected the study area of Marble Hall, a town in Limpopo Province located within the Greater Marble Hall municipality. This study area is of interest because the delivery of housing by developers in the Marble Hall municipality has focused on houses above R500 000, while government on the other hand has focused on the delivery of housing for the low end of the income scale, RDP housing. This has resulted in little or no attention being devoted to addressing the housing needs of the lower middle-income sector. (houses below R500 000) in the past. Until recently most of the housing constructed or current supply of housing was not affordable to lower middle-income households.

In 2002 the Marble Hall municipality initiated an integrated housing development project in Marble Hall with the purpose of starting to address the shortage in affordable housing. The municipality took a decision to embark on the project because during its Integrated Development Plan (IDP) consultation processes the following became apparent:

- Marble Hall town has a shortage of houses priced below R500 000
- Low middle income earners including Civil servants are finding it difficult to access affordable housing

- The platinum mine (Blue Ridge platinum mine) situated about 60km from Marble Hall needed housing to accommodate its workers. The mine had approached local estate agents and developers regarding the supply of about 500 housing units that can cater for people earning between R3 000 and R30 000.
- Because people working within the municipal area cannot access affordable housing, some are opting to buy houses in other municipalities such as Steve Tshwete municipality (Middleburg area), Emalahleni municipality (Witbank area). This is not good for local economic development. People now have to travel about 200km to work from their new homes. During the week they live in rented rooms and they go home during weekends.

It is against this background that this research was initiated. The specific research question is :*In what way do land issues hinder the supply of affordable housing in the Marble Hall area?*

In an attempt to find answers to this question, the author adopted various research methods. These included a desktop review of literature about housing in general, affordable housing, housing supply and performance, land issues, markets and government intervention. In addition a case study of a housing project in the area of Marble Hall was selected. This project was aimed at delivering affordable housing. Fieldwork was carried out involving interviews with private sector developers, estate agents, municipal officials, officials from the Department of Local Government and Housing Limpopo and also a housing expert from the Finmark Trust.

In the next chapters of this document the nature of the shortage of affordable housing will be outlined so as to give a snapshot of the situation in South Africa. Particular aspects of housing sector performance will be highlighted. The research moves from the premise that the market is failing to supply affordable housing. The research will attempt to establish how land issues contribute to this

failure of the market. Of significance is what role government is playing in support of the private sector. This relates to its interventions through enabling frameworks that support the market in the delivery of affordable housing. The role of government will be looked at through the social justice lens. The literature reviewed will inform the author about what further information still needs to be sourced through conducting some fieldwork. A fact-finding mission was undertaken by interviewing various role-players. The information gathered through both the literature and interviews will be analyzed from which recommendations will be drawn.

## CHAPTER TWO

### SUBSTANTIVE THEORY AND LITERATURE

#### ***2.1 Introduction***

The purpose of this section is to become reasonably familiar with general research, debates, perspectives and information on land issues and affordable housing, and thereafter to effectively apply available research and information to the Marble Hall Extension 6 affordable housing project example. Articles and topics dealing with affordable housing, the housing market, supply of housing, housing sector performance and government interventions in housing in relation to land issues will be reviewed in an attempt to establish what studies have been done in this area and what gaps exist in the current literature.

This section focuses on discussions around understanding the nature of the shortage of affordable housing in South Africa. This will be done by discussing the performance of the housing sector in an attempt to give an insight into the demand and supply of housing, specifically affordable housing. What is of interest to the author and will be looked into is the supply of housing by the private sector (the market) and land issues in relation to this. A burning question, which needs to be answered through the literature review, relates to why the market is failing to supply affordable housing. What do land issues or problems have to do with this failure of the market? Lastly of significance is what role government is playing in support of the private sector. This relates to its interventions through enabling frameworks that support the market in the delivery of affordable housing.

#### ***2.2 Housing Sector Performance: Supply And Demand***

Access to housing for all and not just the poor, has recently been given significant attention by policy makers and indeed in the literature. This attention is evident in the National Department of Housings' Comprehensive Plan for the

Development of Sustainable Human Settlements (2004) (also known as “Breaking New Ground”), wherein it is clear that government has realized the significance of supporting the functioning of the entire residential property market. Rust (2006) believes the interplay between demand and supply is crucial to understanding the functioning of the housing market.

For one to understand the nature of the problem of the shortage of affordable housing in South Africa one needs to clearly understand the housing demand. By demand Rust (2006) suggests understanding who, across the income spectrum, wants what kind of housing, and who, given the low levels of affordability evident in South Africa, lacks even the most basic accommodation.

A way of understanding the housing demand in South Africa will be firstly, to look at the profile of the population from the perspective of housing sub-markets as suggested by Gardner (2004). Gardner (2004) identifies eight ‘sub-markets’ in the housing market.

Each sub-market has a specific affordability profile, has its own problems and and own needs. Figure 1, below, illustrates the sub-markets, In understanding the following illustration, one of the first important observations relates to the distribution of household income in South Africa. There is a high proportion of households in the lower income brackets. About 79% of all households fall into the fully subsidised housing market (with household incomes of less than R3500 per month), 11% of all households earn between R3 500 and R7 500, and 38% earn no wage income at all (this 38% forms part of the 79%).

Figure 1: Housing demand sub-markets in South Africa (from Gardner, 2003)

	INCOME (R/month)	SOUTH AFRICAN HOUSEHOLDS (% of All Households - LF9 Sept 2004)	AFFORDABILITY (% Inc & R/Mnth)	ELIGIBILITY (R Total)	CONTRIB. (R mln)	SAVINGS (R Total)	AFFORD (R Total)	PRICE (R Total)
8	V HIGH			NO	NO		YES	
Max	>R 8001							
Mtn	R 7,500	10%	25% / +R1875/m		R 18,921		R 170,286	R 189,207
7	HIGH			NO	NO		YES	
Max	R 7,499		25% / to R1874.75/m		R 18,918		R 170,264	R 189,182
Mtn	R 5,500	4%	25% / to R1375/m		R 13,875		R 124,877	R 138,752
6	MID-HIGH			NO	NO		YES	
Max	R 5,499		25% / to R1374.75/m		R 13,873		R 124,854	R 138,727
Mtn	R 4,500	3%	25% / to R1125/m		R 10,669		R 96,025	R 106,694
5	MIDDLE			NO	NO		YES	
Max	R 4,499		25% / to R1124.75/m		R 10,667		R 96,003	R 106,670
Mtn	R 3,500	4%	25% / to R875/m		R 8,052		R 72,471	R 80,524
4	MODERATE			YES	NO		YES	
Max	R 3,499		25% / to R874.75/m	R 34,000	R 10,529		R 72,451	R 116,980
Mtn	R 2,500	6%	25% / to R625/m	R 34,000	R 8,231		R 51,765	R 93,996
3	LOW INCOME			YES	YES		YES	
Max	R 2,499		25% / to R624.75/m	R 34,000	R 2,479		R 17,603	R 54,082
Mtn	R 1,500	10%	25% / to R375/m	R 36,000	R 2,479		R 6,408	R 44,887
2	V. LOW INCOME			YES	YES		YES	
Max	R 1,499		25% / to R374.75/m	R 36,000	R 2,479		R 6,404	R 44,883
Mtn	R 1	25%	25% / to R0.25/m	R 36,000	R 2,479		R 4	R 38,483
1	NO WAGE INCOME			YES	NO		NO	
Max	R 500		0% / to R0/m	R 36,000	R 0		R 0	R 36,000
Mtn	R 0	38%	0% / to R0/m	R 36,000	R 0		R 0	R 36,000

Loan finance terms: Unsecured loans: term: 2 yrs; Int: 35%; dep: 0%. Min: R0, max: R10,000 / Guaranteed finance: term: 5 yrs; Int: 19%; dep: 10%. Min: R5,000, max: R60,000 / Mortgage  
term: 20 yrs; Int: 12%; dep: 10%. Min: R20,000, max: none

According to Rust (2006) “90% of the population of South Africa cannot afford a house that costs more than R190 000. Of the population that can afford finance, the bulk (17%) is limited to affording housing priced between R100 000 and R189 000. 63% of the population is dependent on the state subsidy for meeting their housing needs”. (Rust, 2006, p.4) These figures point out that if 90% of the population cannot afford a house that is priced more than R190 000, there is a need to supply such housing. Housing which costs less than R190 000 includes subsidized (RDP) housing and affordable housing.

There are an estimated 4 million households in South Africa who earn between R1500 – R7500 per month of which some fall within the “affordable housing market” (Rust, 2006).

Government originally intended that households earning between R1500-R3500 would be able to afford an additional amount of credit, which, when added to the subsidy amount, would afford them a better quality or larger size housing unit (Rust, 2006). However, the credit-linked option was never applied in the housing delivery process. This had an impact on the supply of affordable housing and also on the profile of housing delivery. Because the credit-linked subsidy option never really worked, virtually all RDP housing subsidy delivery was targeted at the very bottom end of the scale – i.e. the delivery of the RDP house at a presumed value of about R36 000. Housing of slightly better value, which might have been affordable to households earning between R1500 and R3500 was never developed (Rust, 2006).

Housing according to Husock (1996) is more than a physical good; it must be viewed rather as part of a social system, a system known as the “housing ladder”. The concept of the housing ladder is based on the notion that in order to best serve the majority of people, it is necessary to provide the widest possible range of privately-owned housing types, ranging from single rooms to mansions. These different ranges of housing types form the different rungs of the housing ladder. The Property Ladder is used to describe an individual or family's lifetime progress from cheaper to more expensive housing. According to this definition, cheap houses for first-time buyers are at the bottom of the property ladder, and expensive houses are at the top of the property ladder (Eglin, 2007). The importance of moving up the housing ladder from one type of housing product to another (from one rung of the housing ladder to a higher rung), is considered by the government in South Africa, to play a key role in facilitating the movement out of poverty through housing as an asset (Rust, 2006).

Rust (2006) suggests that the housing backlog is not only limited to the subsidised market, but also includes affordable housing. This then suggests that large segments of the housing ladder still remain un-supplied. On the same note increasingly many of the more affluent markets are reaching the limits of household affordability as households are forced to compete for limited supply.

One of the key factors that has been identified by Rust (2006, p. 33) as undermining South Africa's affordable housing programme has been a failure to acknowledge the fundamental linkage of low income housing with upper income housing, in what is understood as the 'housing ladder'. For South Africa, the housing ladder picture can be summed up in the following manner. In principle, government wishes to subsidize low-income households out of the status of lack of housing by giving them a basic housing unit with decent services for ownership (Rust, 2006). On the basis of this ownership, government expects subsidy beneficiaries to invest in their housing and at some stage in their lives, sell the housing for a profit so that they can buy another home higher up the housing ladder. The sold home becomes the entry-level accommodation for the next low-income earning person; in this way a subsidy beneficiary becomes part of the housing supply chain. The new home that has been bought becomes the next asset for the person who was once a subsidy beneficiary and is now climbing the property ladder (Rust, 2006).

If the original subsidy beneficiary is able to sell her improved RDP house, if there are no houses available that are of a better housing product than her RDP house (that is, if the next best house is not a short step up the housing ladder) she will not sell her property (Rust, 2006). In this way, the availability of higher income housing is relevant to the mobility of households in low-income properties, because it is the destination to which they wish to climb. Over time, they will need to move into different housing circumstances, as their housing needs change. Their ability to do so will be determined by the availability of supply in their housing destination.

### ***2.3 Supply Of Affordable Housing Through The Market***

There has been a rapid increase in the price of houses throughout South Africa in recent years. The media has celebrated this increase in the price of property as part of South Africa's economic progress. Unfortunately while some people and investors have celebrated the dramatic increase in property prices, the majority of South Africans have become increasingly disadvantaged (Rust, 2006).

The Banking Association of South Africa has found that the cost to build starter homes in low-income areas, typically priced between R120 000 and R240 000, has increased by close to 50% over the past two and a half years (Muller, 2006). (For the purpose of this research starter homes are regarded as the same as affordable housing and are interchangeable). This price increase is placing a huge strain on affordable housing delivery. The price of the same starter home of about 40 sq m has increased from an average R132 000 in January 2004 to R195 000 in June this year (Muller, 2006).

The 'affordable housing market' is defined by Matthew (2005) as housing with a mortgageable value of less than R180 000 targeting people with an income of between R2500 and R7500 per month.

A house is said to be affordable to a household, if that household does not pay more than 30% of its gross income for basic housing costs. Basic housing costs for a homeowner include costs such as municipal services (water, lights, refuse and sewer), mortgage payments, property taxes and insurance (San Juan County, 2003).

According to AHI: South Africa (2006), there is a short supply of Affordable Housing stock in South Africa, both existing and new built houses. The Banking Association of South Africa has found that, "there is a shortage of 625 000

affordable houses in South Africa”. The current supply is about 19 000 units per year, compared with the 132 000 units needed to reduce the shortage by 60% in the next five years. This trend is also demonstrated in the City of Johannesburg, where skewed housing delivery patterns are evident. While the population was skewed towards the bottom end of the income pyramid, delivery is skewed towards the top end. The explanation derived was that higher income properties afford developers a wider (higher) profit margin. Presently the “lower” housing market starts at R300 000. This is already outside of the Financial Sector Charter housing price range of R180 000 and below. A house priced at R200 000 is only affordable to a household earning an income of about R9 000 per month. This income category also falls outside of the affordable housing market (R2500 – R7500).

Research into “housing supply and the functioning of housing markets” commissioned by the Banking Association of South Africa (2005), found that the shortage of affordable housing stock was due to a range of factors such as zoning and getting approvals for new developments which can take up to three years. These delays raise the holding costs for developers and ultimately the cost of the house for the buyer. Also identified was the shortage of serviced sites. These activities are municipality driven activities. It is assumed that if municipalities were to address the stumbling blocks in the housing delivery process, for the subsidized and affordable housing market, developers might become more interested in supplying houses for these markets.

According to the Banking Association of South Africa (2006), the supply of new housing comprises a number of stages, which include the following:

- The identification and purchasing of land
- The preparation and approval of plans for the development and proclamation of the land
- Servicing of the land
- Construction and sale of the housing unit.

Other factors identified by Rust (2006) which have undermined the supply of housing are:

- **The appreciation of property price:** Hikes in the interest rate reaching 22.75% prime in 1998, followed by subsequent decreases which eventually saw interest rates of 10.5% in 2005 contributed significantly to the increase in property prices which doubled and in some cases trebled during the period. Increases in the price of property had a negative bearing whereby repayments for moderate housing increased outside the affordability of many households.
- **Escalation in Building material price:** The demands of Infrastructure investment of both major Government led projects/ programmes as well as the private sector due to the general level of economic growth in South Africa, have seen building material prices rise in above inflation. Some of the major projects led by government include the Gautrain, projects linked to the 2010 soccer world cup and other infrastructure projects. The Bureau for Economic Research according to Rust (2006) showed that price of cement had increased by 143% between February 1998 and February 2005. The escalation and availability of building material will have a negative impact on the supply of affordable housing.
- **Limited construction capacity and thin profit margins in the affordable housing sector:** The high level of construction activity in the country due to both government led projects and programmes, as well as those led by the private sector has led to a situation whereby the construction capacity is focused away from the delivery of low income and affordable housing.
- **Insufficient capacity at municipal level:** Transition within Local government has put serious strain on municipal capacity to perform its role in the development process. Research commissioned by the Banking Association in 2005 found that, where it previously took between 12-18 months to convert raw land into serviced stands that could be registered

for a title deed; the process now takes between 30-59 months. Where it previously took five months to develop houses on these serviced stands, it now takes about 19 months. An additional factor adding to these delays relates to the limitations in the bulk service capacity in some municipalities in South Africa.

#### **2.4 Enabling Frameworks**

In theory, the World Bank suggests that governments should intervene in markets to overcome market failures by using a series of enabling instruments (Jones and Datta, 2000). To address the supply side, which is the focus of this research, the World Bank recommends that it is the responsibility of governments to cater for income groups that are not catered for by the private sector using approaches that are financially sustainable. One way of doing this is through the provision of infrastructure. The Bank also suggests institutional reform as the cost of regulatory restrictions can raise housing development costs and eventually the price of the house.

Supporting the Banks view is Dowall (1998) who suggests that housing provision through private markets improves access to housing for the less affluent. Mukhija (2004) argues that government should be an enabler of housing production by enabling and supporting the private sector to perform well. What is still not clear is the impact of enabling policies on housing development. The effectiveness of enabling policies in providing housing for the poor and vulnerable groups still needs to be researched. Another gap that still exists around enabling policies is the challenge identified by Mukhija (2004), that planners and policymakers still face and, which is still unclear; what appropriate level of government involvement should there be? In the event that government goes into partnership with the private sector, it is not clear how these partnerships should be implemented.

Private markets are still identified as the primary housing delivery mechanism (see Keivani., 2005). The essence of the enabling policy environment is said to

revolve around governments lifting of restraints from private market activity. A criticism of this enabling market framework is its inappropriateness in the context of developing countries. Developing countries are said to face the challenge of a lack of capacities and poor governance thus rendering their institutions incapable of market enabling actions (United Nations Economic and Social Council, 2004).

Whereas a lot has been written about the poor and the rich in relation to housing, not that much literature is available on the middle-income earning group. Information presented in this research is therefore drawn from available literature about housing; land issues and the poor and whatever is applicable to middle income people is used in that context.

It is recognized that past approaches to assisting the poor have either been by intervening in markets, or relying on the private sector to provide growth from which all can benefit, and these may not have worked well (see Porteous et al., 2005). Land is often seen as a right, and a limited resource. To date there have been two different approaches to the urban land issue, that of the enabling markets view and that of the right to land view (see Porteous et al., 2005).

An alternative approach is the Urban LandMark Initiative, which seeks to draw from both of these views in working towards a position on what it means for urban land markets to work better for the poor in South Africa (see Porteous et al., 2005). This initiative looks at the nature and the extent of the problem of access to urban land in South Africa. It assesses why it is important for the poor to have access to urban land. This theoretical framework of enabling markets will be used in the research. Whatever principles are applicable to the middle-income earning group, will be utilized for the purpose of this research. It will assist in putting the issue of the shortage in affordable housing and its relationship to land into perspective in relation to the theory of social justice.

## **2.5 Urban Land Issues**

South Africa has a large problem of urban poverty, and it is believed that access to land can potentially play a major role in addressing this problem (Napier and Ntombela, undated). The urban poor are loosely defined as households with incomes of less than R3500 per month (Urban Sector Network, 2005). For the purposes of this research it should be noted that many households in the R2500-R7500 per month income group (affordable housing market as defined by the South African Banking Association), although they cannot be defined as “poor”, are also unable to access land and housing through the formal market. It is assumed that this is largely due to the high cost of well-located residential land (Urban Sector Network, 2005). This contributes to them being excluded from the provision of affordable housing.

According to Dowall (1998) urban land problems are complex and range widely. This research seeks to identify and define these land problems with the purpose of understanding, how these land problems hinder the supply of affordable housing. One of the issues which is increasingly a concern to policy makers in many countries including South Africa, is that urban land markets are considered not to be operating efficiently and that land is in short supply and the price of land is too high (Farvacque and McAuslan, 1992). This concern is based on an understanding that there is a need for access to better locations in cities and towns, as well as access to housing for the poor and low-income earners. It is believed that by accessing housing in better urban locations, the poor will have a greater chance of improvement in living and working conditions, greater participation in a variety of markets, and therefore ultimately some measure of upward social and economic mobility. It is also based upon the assumption that a sprawling city with the poorest living at the furthest periphery is both unjust and inefficient (Napier and Ntombela, undated).

Dowall (1998) illustrates the peculiarity of land in understanding markets. The urban land market operates to allocate land to buyers. It does so through

adjustments to prices, which are influenced by quantities supplied, and quantities demanded. A fundamental difference between land and other commodities is that land is used exclusively for producing some other product. The demand for residential land is therefore derived from the demand for housing, the demand for housing in turn is determined by demographic and economic factors such as household income, savings and interest. The demand for land is also affected by the number of people wanting to hold land as an investment (Dowall, 1998).

On the land supply side, which is the focus of this research, the quantity and price of land depend on a number of things. These include the availability of infrastructure, land ownership, the physical developability of land, the willingness of current landowners to sell, and government imposed limitations on how land may be used. The availability and level of infrastructure (i.e roads, municipal services such as water and sewage) is a crucial determining factor whether land can be developed or not (Dowall, 1998).

There are various land issues that have been identified by writers, which affect the feasibility of the delivery of housing by the private sector. Land conditions that are said to affect the ability of the private sector to provide affordable housing are discussed below:

**a) The price and quantity of land:** The causes of rapidly escalating land and housing prices are manifold, but they stem from an excess demand for land and housing relative to supply (Dowall, 1998). The South African National Department of Housing in its five year housing strategy identified the lack of affordable, well located land for low cost housing as one dimension of the urban challenge, resulting in low cost housing and affordable housing largely extending often on the urban periphery and achieving limited integration” (Napier and Ntombela, undated). The market operates to allocate land to users on the basis of price. Those potential users capable of paying the highest price for a site will occupy it. This means that paying capacity regulates access to land. A gap in the

literature relates to, why government in South Africa has not intervened in making land available for the delivery of affordable housing. What is the practice internationally around the issue of government intervening in making land available for the development of affordable housing?

One of the major reasons for insufficient land acquisition is said to be the high cost of well-located urban land (Farvacque and McAuslan , 1992). It is not clear how government in South Africa is providing an enabling framework, which supports the market to access land for housing development, especially with well-located land being expensive. Due to this high cost of land, private sector developers are not assembling land for the affordable housing sector of the market (Matthew, 2005). In cases where developers are able to access well located land in urban areas, the underlying land value / asking price exceeds that which could reasonably be recovered through the sale of affordable housing. Public sector land has, to date, not readily been assembled for affordable housing purposes by local /public authorities. In the literature it is not clear why public sector land has not been made readily available for housing development. The alienation of this land is also encumbered, to a large extent, by the Municipal Finance Management Act and competing social and commercial aims / desired outcomes of the authorities (Matthew, 2005). There seems to be a contradiction between the aims and requirements of the Municipal Finance Management Act on the one hand, the social aims of government on the other hand and lastly the commercial aims (cost recovery/ revenue generation) of municipalities. The tensions between the Municipal Finance Management Act, the social aims of local government and the commercial aims of local government will be discussed further later in the document.

The lack of release of adequate amounts of well-located and affordable land for low-income housing and Affordable housing is a major blockage to housing delivery. Matthew (2005) has found that Local authorities, with some exceptions, are generally not being proactive in identifying, prioritising, acquiring and

releasing or facilitating the release of well located vacant land for new housing development.

**b) The topography of the land:** The landscape, the soil type and the geological make up of land can render that land undevelopable. However any land can eventually be developed, at a huge cost. If the land has topographical constraints, these can be overcome at a great expense so that the land is at a state wherein it can be developed (Dowall, 1998).

**c) Land ownership:** State land is available in some locations but its ownership and the applicable development rights are not always clear (Napier and Ntombela, undated). State land is particularly hard to get hold of. There is a major problem with making use of State land in urban areas for the land poor, due to red tape associated with lack of clarity as to which sphere of government or which specific department owns or is responsible for specific pieces of State land (Urban sector networks, 2004).

**d) Land development procedures and Land use controls:** Some of the obstacles to rapid housing delivery have been complex and/or time-consuming land development procedures (planning approval, subdivision, zoning/rezoning), and delays associated with the need for Environmental Impact Assessments. The problem lies not only with the procedures themselves, but with the capacity to administer the procedures (Urban sector networks, 2004). Zoning and other government land use controls can also affect land markets. Zoning by limiting building density or the uses allowed in certain areas, limits the effective supply of buildable land.

The most pressing issue raised by developers according to Matthew (2005), has been the extended time duration and delays experienced in the land proclamation process. Reasons given by developers generally pertain to malfunctioning or inadequate / under-capacitated local authority administrations.

This is exacerbated by the lack of co-ordination between departments and lack of delegated authority to officials handling township applications.

The legislation provisions for a more transparent and consultative township establishment process, are said to contribute to delays in the township proclamation process (Banking Association of South Africa, 2005). In particular the environmental provisions, which are often said to be abused by public groups opposed to further / proposed developments for selfish reasons.

**e) Infrastructure provision:** Although managing the supply of developable land is a major component of urban growth management, municipal by-laws or policies often prohibit the development of land without the adequate provision of urban services. For land to be developable it must be provided with urban services (i.e water, electricity, sewer, roads etc) (Knaap and Moore, 2000). Municipalities are responsible for the provision of bulk infrastructure in their respective areas of jurisdiction. The lack of existing bulk services capacity in a lot of municipalities and reluctance on the part of the local and provincial authorities to increase bulk services capacity within committed time periods make the affordable housing sector unattractive to developers.

Lack of sufficient funding for bulk infrastructure by municipalities is a major blockage preventing the release of land in some areas. Land in an urban context is only of real value if it is serviced or if the availability of bulk infrastructure means it is capable of being serviced in the short-term. The availability of bulk infrastructure, e.g. the main water and sewer lines and pumping stations, is therefore crucial (Urban sector networks, 2004).

**f) Competing land uses:** Angel (2004) asserts that competition among land users sets prices and determines the pattern of land use activities in an urban area. As the pressures for urban development increases, rural and agricultural land on the edges of cities or towns is developed. The process of converting

farmland to urban land is triggered when the demand for peripheral land pushes the price bids beyond the value of agricultural land. Affordable housing developments will compete for land with uses such as middle income and high-income housing, commercial and industrial developments and mining developments, which are seen to be more profitable ventures than affordable housing developments.

The demand for land causes intensive competition among users Angel (2004). Firms with financial muscle (financial capacity) can bid successfully for urban space (land). Intensive competition for land will generate a rise in the price of land. Private landowners expect land prices to increase over time; this encourages them to sell at higher prices. If the market does not pay for the land at a higher price, the landowner will hold the land and not sell until the price increases (until the price is right).

**g) Land restitution:** The land restitution process has been an important remedial programme to partially address the forced removals in urban areas in terms of the Group Areas Act (Urban sector networks, 2004). The urban land restitution process has been relatively slow and initially caused delays and uncertainties with low-income housing which by implication would have the same effect on affordable housing projects on sites affected by land claims, e.g. in one case in Durban a low-income housing project was frozen for 5 years due to land claims (Urban sector networks, 2004).

## **CHAPTER THREE**

### **SOCIAL JUSTICE AND HOUSING**

#### ***3.1 Introduction***

Planning theory according to Fainstein (2005) needs to consider, conditions necessary for conscious human activity to produce a better city or town for all its community members. Planners are firstly expected to promote equity in their work, secondly they need to ensure there is fairness in their procedures, lastly they are to secure justice through their plans and programmes. This section will introduce the social justice framework that will underpin this research and the principles that define social justice. The applicability of social justice to the delivery of affordable housing will be discussed. The link between justice, social equity, the market and the state will be established. Important to understand will be how government is intervening in supporting the private sector in the delivery of affordable housing. Is this intervention by government just, meaning is it fair?

#### ***3.2 Housing and the Social justice Agenda***

Social justice is defined by Lawrence (2002), as a life of choices and opportunity free from discrimination. It is an ideal, which we can strive to achieve. It points to efforts to define and create a good society or good policies that are designed to do away with discrimination and redress inequities in opportunity and the distribution of resources. A completely just society is unachievable in the real world. Society can be said to be in a process of becoming more socially just, when the opportunity for a more equitable distribution of power is achieved (NCRP, 2003).

For South Africa the concept of social justice is key to understanding and interpreting the role and obligations of the state towards its citizens. There is a

direct link between social justice as a guiding notion and principle and how the state formulates and implements social policies like those for housing.

The work of John Rawls (1971) in his book “A Theory of Justice and Political Liberalism” provides a platform for our concept of social justice. Rawls proposes that justice is fairness based on two principles as cited in Garrett (2005). Firstly, equality in the assignment of basic rights and duties;” This first principle is the equality principle, which states that each person is to have an equal right to the most extensive total system of equal basic liberties compatible with a similar system of liberty for all. There is no one liberty; it is instead made up of various liberties. Basic liberties include freedom of conscience and thought; political liberties and freedom of association; the rights and liberties specified by the liberty and integrity of the person; and the rights and liberties covered by the rule of law (Garrett, 2005).

Secondly, “social and economic inequalities ...are just only if they result in compensating benefits for everyone, and in particular for the least advantaged members of society” (NCRP, 2003, p.10). This second principle, is concerned with the distribution of income and wealth known as the difference principle which states that social and economic inequalities are to satisfy two conditions: first they are to be attached to offices and positions open to all under conditions of fair equality of opportunity; and second, they are to be to the greatest benefit of the least advantaged of society (Garrett, 2005).

A liberal democratic framework of social justice requires that in a just society the “benefits and burdens of social cooperation” should be distributed fairly (Rawls, 1971, p.4) The fair distribution of benefits and burdens is grounded in the distributive principle of need (Harvey, 1973) and the outcome of redistribution should be an access to affordable housing. This framework of social justice also implies that each citizen has basic needs and rights that government is obliged to fulfill.

Rawls (1971) conception of social justice is based on principles of distribution that are not based on merit, need or social position. He formulates his conception of social justice on the basis of a process of reasoning among impartial participants in a social contract, who are thus able to develop an overlapping consensus despite any divergent moral, religious or philosophical views they might have. He argues that the principles they would choose would be those that secure the best possible terms for all, no matter what their position in society. These principles would safeguard individual rights and arrange the basic structure of society in such a way that any improvements in the position of the better off could only occur if they brought with them improvements in the position of the least well off.

Rawls (1971) general conception of social justice is that all primary social goods like liberty, opportunity, income and wealth should be distributed equally unless an unequal distribution would benefit the least favored. Perfectly just distribution will be one in which the expectations of the least advantaged are indeed maximized and no changes in the expectations of those better off can improve the situation of those worst off (Garrett, 2005). In applying these ideas to this research topic a number of points can be made. The availability of higher income housing is relevant to the mobility of households in low-income properties, because according to Rust (2006), it is the destination to which they wish to climb. This means that for the poor (subsidized housing beneficiaries) to move up the rungs of the housing ladder, it is crucial to have a supply of affordable housing. Affordable housing forms the next rung up the housing ladder onto which the subsidized housing owner can move to on their way up towards higher income housing eventually. The supply of affordable housing will, over time, maximize the benefits of the least advantaged (subsidized housing beneficiaries) in terms of them being able at some point to move from their subsidized houses to the affordable houses. Failure to address blockages higher up the ladder will quite fundamentally undermine the delivery at the bottom end of the ladder. It is

for this reason that the entire market is relevant to government's goal of addressing the needs of the poor.

Rawls' principles apply to the basic structure of the whole of the socio-economic system, whereas this research will focus on the consequences of applying these principles to land issues and their impact on the shortage of affordable housing. As cited in Oelofse Rawls' argues that the principles of social justice apply to basic institutions of society and therefore the outcomes in each sector would necessarily be just (Oelofse, 2003).

Housing is among the basic human needs and is considered in many constitutions as a human right. It therefore falls within the scope of Rawls' first principle of social justice, or that of equality. Oelofse notes that Rawls specified the need for the first principle to underlie the basic structure of society, and that an important step in entrenching social justice as fairness often involves doing so in a national constitution (Oelofse, 2003). A government is obliged to protect and advance the interests of the least well off.

In the Bill of Rights in the Constitution of South Africa section 26(RSA, 1996) states that everyone has the right to have access to adequate housing. The Bill of rights also contains an equality clause in section 9 of the Constitution, which states that everyone is equal before the law and has the right to equal protection and benefit of the law. This is in accordance with the equality principle. From the perspective of social justice, it also gives the state, power to intervene to promote redistributive justice. The right to housing is considered a second order right, which places an obligation on the state to ensure that citizens have access to housing. However as Oelofse ( 2003) points out that despite widespread legal provisions to secure, entrench, or extend housing rights, there is no one country in the world that is not confronted with some form of homelessness or inadequate housing for at least part of its population. There are many reasons for this, including problems of access to land, inappropriate legislation, lack of access to

development finance or access to credit, various forms of discrimination and poverty. Addressing land issues, which pose a constraint to the supply of affordable housing, is one crucial mechanism by which government can begin to secure housing rights.

Rawls' (1971) argues that once the basic structure of society reflects justice as fairness, sometimes involving the adoption of a constitution, it is up to legislative institutions and processes to formulate laws to give the principles enshrined in the constitution effect and the administrators of government at its various levels to then apply them. Social justice is not possible without strong and coherent redistributive policies that have been formulated and implemented by the state (International Forum for Social development, undated).

Rawls' distributive principles are directly applicable to the illumination of the sorts of value-laden decisions that planners have to make (Oelofse, 2003). It is the difference principle, which has particular consequences for planning as a redistributive mechanism. Planning may be seen as an institution designed to uphold the principles of justice (Oelofse, 2003). In South Africa, given our history of regulatory and statutory discrimination, it is essential that new policies, strategies and legislative actions by the State should be particularly sensitive to the removal of entrenched discriminatory mechanisms and conventions and ensure equality in respect of gender, race, religion and creed. Policy must promote fairness and equity among all South Africans, and achieve equal and equitable access to housing opportunities, goods and services. Planners may seek to apply these principles in their work. Rust (2006) supports the notion that one of the key factors which are undermining the affordable housing programme in South Africa, has been the failure by planners to acknowledge the fundamental linkage of low income housing with high income housing, in the housing ladder. Government expects beneficiaries owning subsidized housing (RDP house) to invest in their houses and at some point in their lives sell the house for a profit so that they can purchase another home higher up the housing ladder. It is also

expected that over time, people might require to move into different housing circumstances as their housing needs change. The next rungs higher up the housing ladder for subsidized housing owners would be that of affordable housing. Their ability to move up the housing ladder will be determined to a certain extent by the availability in this case of affordable housing. If the next best house is not a short step up the housing ladder the subsidized housing beneficiaries who are defined as “poor” will be forced to remain in their current housing situation due to among other issues, the shortage of affordable housing Rust (2006).

On 1 September 2004, Cabinet approved “A ground breaking Housing Plan” for the development of human settlements wherein a new subsidy band which did not exist before, has been created for affordable housing, targeting the middle-income level (those earning R3, 500 to R 7,000 pm) Rust (2006). The Gauteng Housing MEC Nomvula Mokonyane is also promoting an inclusionary housing policy, whose emphasis is on the inclusion of households just outside the subsidy eligibility range (earning R3500 – R7000 per month), who cannot find housing that is affordable to them, given the rising property prices. According to Rust (2006) this is encouraging as the MEC is the first provincial politician to explicitly highlight this segment of the population for policy intervention. Harrison et al., (2003) attest to the fact that planning intervention must respect individual rights. In practice, this means not only protecting rights, but also ensuring that various forms of planning intervention do not create unjustifiable inequalities. While some potential residents of towns and residents of the inner city are by no means among the wealthiest in the country, they are also not the poorest.

The appropriate policy response from planners, from the Rawlsian perspective, is to ensure that no one is discriminated against or unfairly treated unless this favours the most marginalised. The basic institutions that affect people’s lives must be structured in such a way as to ensure equality of treatment. A theory of the just city as understood by Fainstein (2000) is said to value participation in

decision making by relatively powerless groups and equity of outcomes. Participation in public decision-making is part of the ideal of a just city. A convincing vision of the just city needs to project a future, which embraces a middle class society rather than just empowering the poor ( Fainstein, 2000). The interests and desires of the middle class need to be accommodated, they cannot be ignored for the sake of ensuring an upward social mobility of the working class.

The introduction of the two housing policies i.e Breaking New Ground and the Inclusionary Housing Policy are an appropriate response as a redistributive mechanism from a Rawlsian perspective. Another appropriate policy response which serves as a redistributive mechanism is the Financial Sector Charter, which commits Financial Institutions to provide some R42 billion by the 31 December 2008, of which the vast majority will be applied to mortgageable loans for housing units for households in the affordable housing sector (households with a maximum income of R7500).

## CHAPTER FOUR

### GREATER MARBLE HALL MUNICIPALITY PROFILE

This chapter gives a background of the local municipality of Greater Marble Hall. It describes where the municipality is located, its municipal area. A socio-economic profile of the area is given, providing information on household income and household densities. Information of the land, from its topography to land use that is of significance to housing development is highlighted.

#### ***4.1 Current Reality - General information***

Greater Marble Hall municipality is one of the five local municipalities which form part of the Greater Sekhukhune District municipality. The Greater Marble Hall Municipal Area comprises of a land area of approximately 1793km<sup>2</sup> demarcated in the Limpopo Province. The amalgamation of parts of 8 former Transitional Local Council resulted in the establishment of the Greater Marble Hall Municipal area in 2000 (GMH IDP, 2006).

The Municipal Area encompasses the proclaimed towns of Marble Hall and its extensions, Elandskraal A, Leeuwfontein and Regae. Informal settlements occur mainly in the western and eastern quarter of the Municipal Area where grazing of livestock farming is the common agricultural activity (GMH IDP, 2006).

The Loskop Valley area is utilised for livestock and game farming and is also known for the irrigation farming along the Olifants River. These include the production of a wide range of crops, cotton, tobacco, table grapes and citrus products (GMH SDF, 2006).

The N11 National Road, transverses the municipal area and links up with the Botswana Border Post and the N1 National Road at Polokwane in the north. The

N11 also links up in the south with the N4 that leads to Gauteng (west) and Kompatiepoort at the Mozambique Border Post (GMH SDF, 2006).



Figure 2 : Map of Municipalities in Limpopo Province

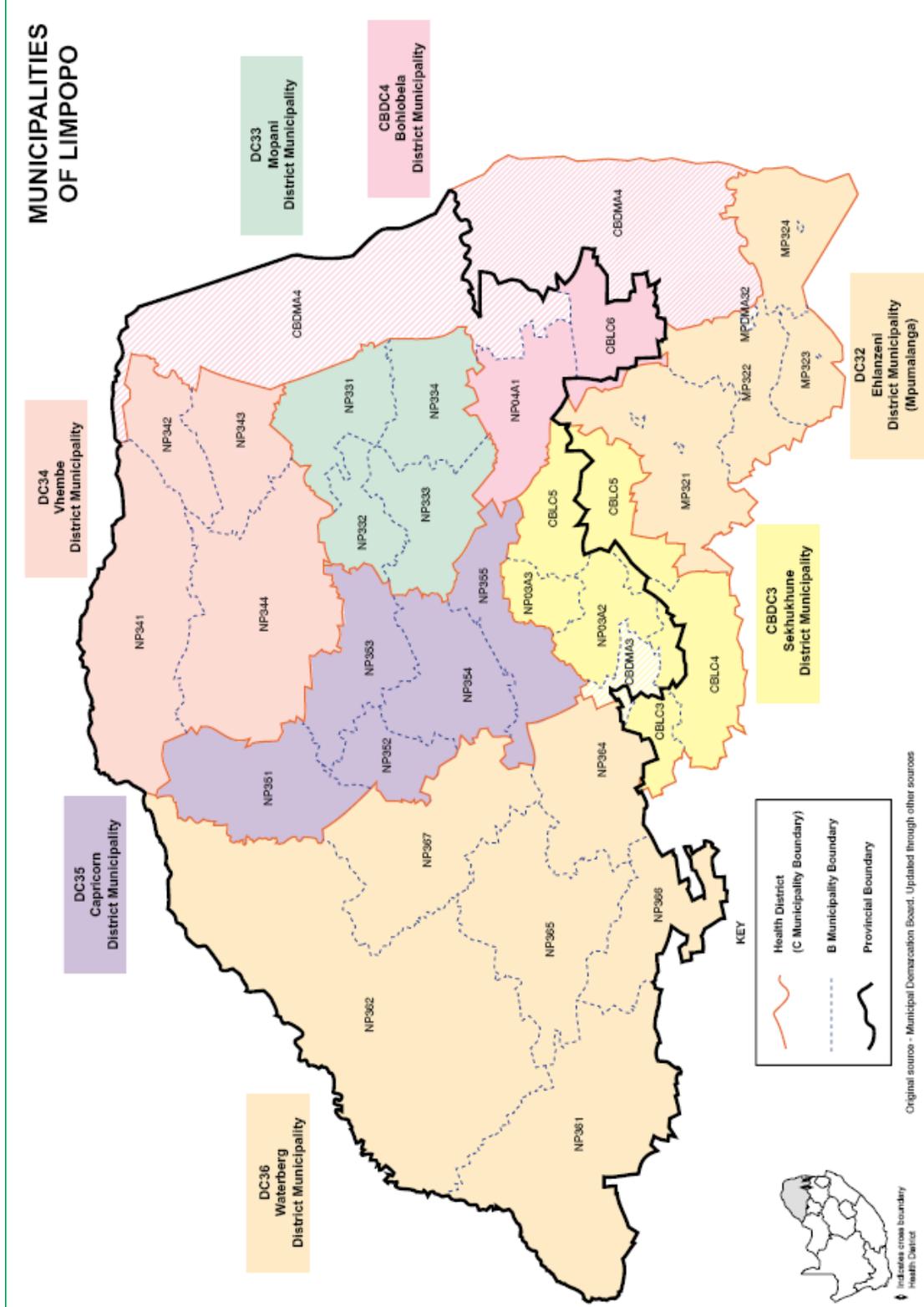
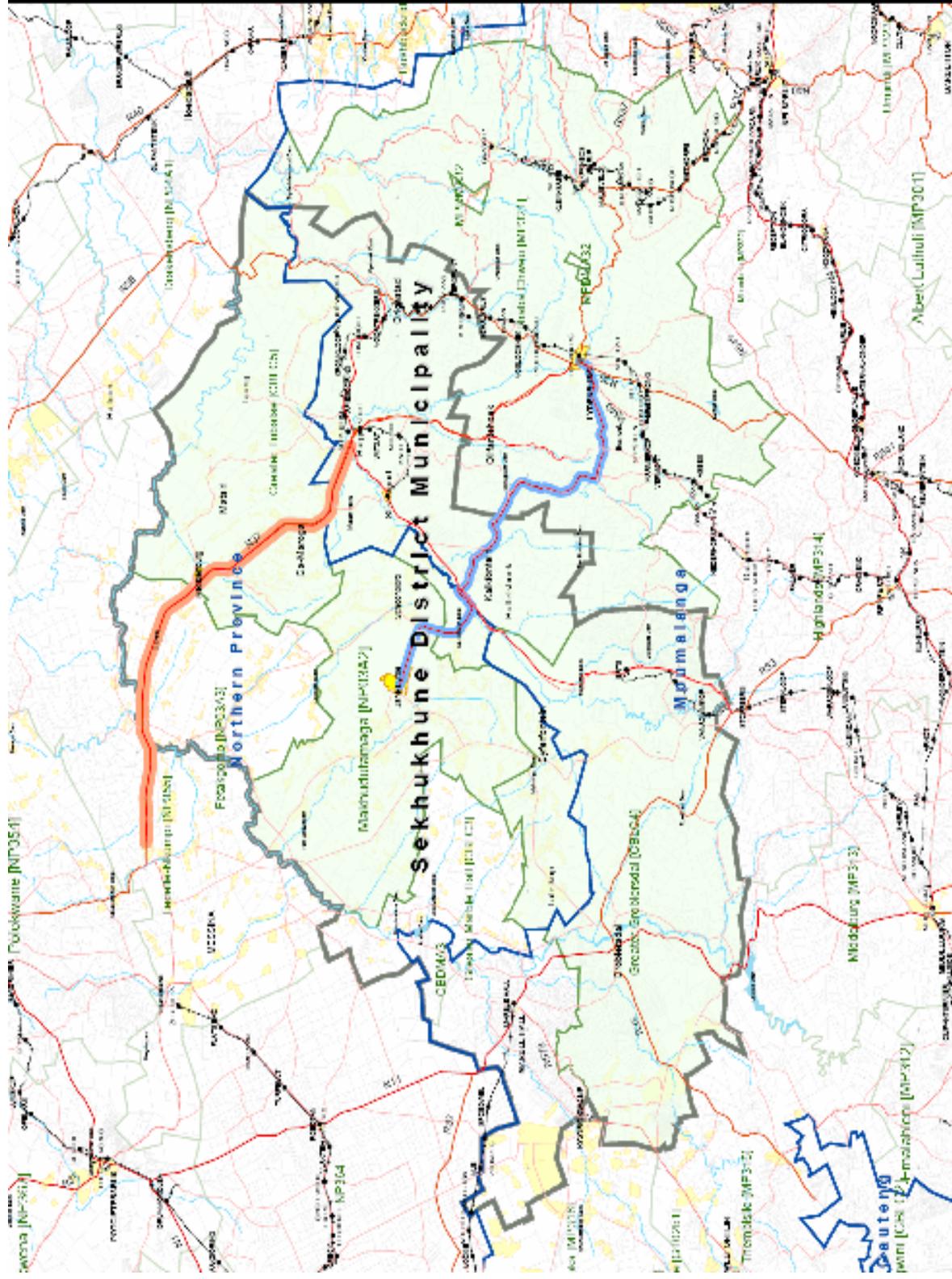


Figure 3 : Map of Greater Sekhukhune District municipality



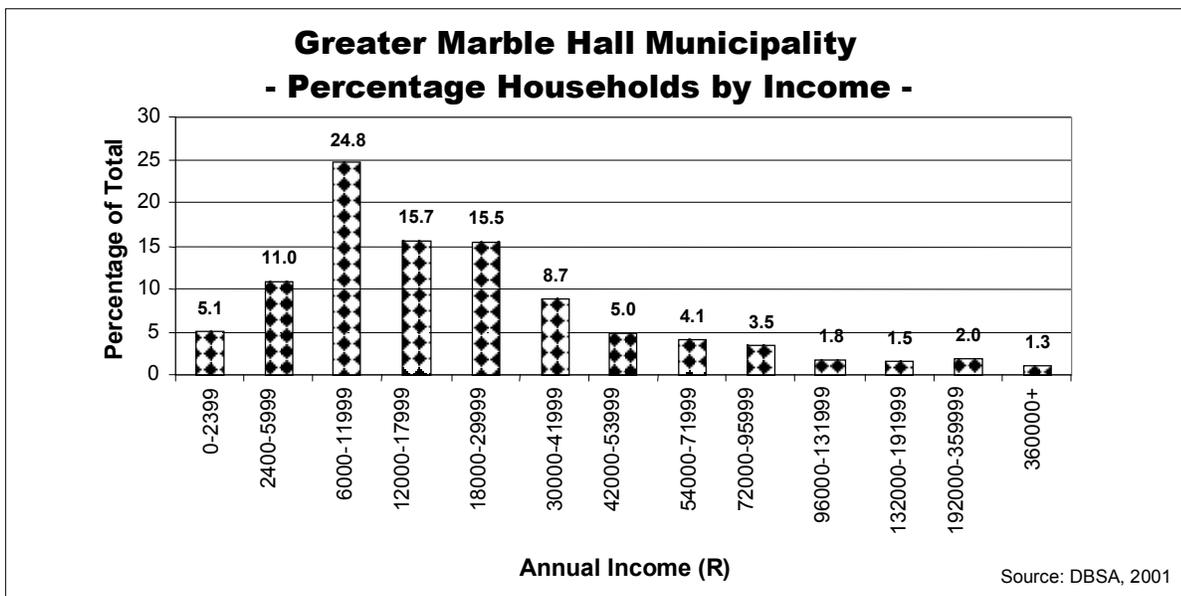


#### 4.1.1 SOCIO-ECONOMIC PROFILE

##### 4.1.1.1 Household Income and Employment in the Greater Marble Hall Municipality

Figure 5, provides a representation of the percentage of households of the study area per annual income category. The highest percentage (24,8%) of the households falls within the third lowest income bracket, namely R6000-R11999 per annum.

Figure 6 : Household income



Source : Greater Marble Hall municipality IDP, 2007

A high proportion of households fall in the lower income brackets. 80.8% of all households in Greater Marble Hall municipality fall within the fully subsidized housing market, they earn an income of less R0-R3500 per month. About 12.6% of all households earn between R3 500 and R7 500 per month. Only 6.6% of households can afford finance for an “affordable house” in Marble Hall Extension 6 valued from R360 000 (GMH IDP, 2007).

The employment of the total labour force is described by means of Figure 6. More than half of the labour force (56,45%) was unemployed in 1999 of which approximately 60% was female (GMH IDP, 2007).

**Figure 7: Description Of The Labour Force**

Description	Percentage of Total (20 320)
<b>Formal Employment</b>	<b>31,81%</b>
<b>Informal Employment</b>	<b>7,64%</b>
<b>Unemployed</b>	<b>56,45%</b>
<b>Unspecified</b>	<b>4,10%</b>

Source: Greater Marble Hall municipality IDP, 2007

#### 4.1.2 Population Densities

The population calculations and growth estimates per Ward illustrate the population distribution within the municipal area. The two (2) -growth scenarios as presented in the IDP of Greater Marble Hall municipality (2007) took into account a low and high impact of HIV/Aids on population growth (GMH IDP,2007).

**Figure 8 : Population Size and Estimates per Ward (2001 – 2010)**

WARD	LOW HIV Aids Impact					HIGH HIV Aids Impact				
	2001	Gro wth %	2006	Gro wth %	2010	2001	Gro wth %	2006	Gro wth %	2010
<b>1</b>	<b>12087</b>	<b>2.88</b>	<b>13900</b>	<b>2.77</b>	<b>15568</b>	<b>12087</b>	<b>2.15</b>	<b>13417</b>	<b>1.77</b>	<b>14356</b>
<b>2</b>	<b>15900</b>	<b>2.88</b>	<b>18285</b>	<b>2.77</b>	<b>20479</b>	<b>15900</b>	<b>2.15</b>	<b>17649</b>	<b>1.77</b>	<b>18884</b>
<b>3</b>	<b>14653</b>	<b>2.88</b>	<b>16851</b>	<b>2.77</b>	<b>18873</b>	<b>14653</b>	<b>2.15</b>	<b>16265</b>	<b>1.77</b>	<b>17403</b>
<b>4</b>	<b>15376</b>	<b>2.88</b>	<b>17682</b>	<b>2.77</b>	<b>19804</b>	<b>15376</b>	<b>2.15</b>	<b>17067</b>	<b>1.77</b>	<b>18262</b>
<b>5</b>	<b>11352</b>	<b>2.88</b>	<b>13055</b>	<b>2.77</b>	<b>14621</b>	<b>11352</b>	<b>2.15</b>	<b>12601</b>	<b>1.77</b>	<b>13483</b>
<b>6</b>	<b>14000</b>	<b>2.88</b>	<b>16100</b>	<b>2.77</b>	<b>18032</b>	<b>14000</b>	<b>2.15</b>	<b>15540</b>	<b>1.77</b>	<b>16628</b>
<b>7</b>	<b>7590</b>	<b>2.88</b>	<b>8729</b>	<b>2.77</b>	<b>9776</b>	<b>7590</b>	<b>2.15</b>	<b>8425</b>	<b>1.77</b>	<b>9015</b>

WARD	LOW HIV Aids Impact					HIGH HIV Aids Impact				
	2001	Gro wth %	2006	Gro wth %	2010	2001	Gro wth %	2006	Gro wth %	2010
<b>8</b>	<b>7138</b>	<b>2.88</b>	<b>8209</b>	<b>2.77</b>	<b>9194</b>	<b>7138</b>	<b>2.15</b>	<b>7923</b>	<b>1.77</b>	<b>8478</b>
<b>9</b>	<b>10284</b>	<b>2.88</b>	<b>11827</b>	<b>2.77</b>	<b>13246</b>	<b>10284</b>	<b>2.15</b>	<b>11415</b>	<b>1.77</b>	<b>12214</b>
<b>10</b>	<b>10040</b>	<b>2.88</b>	<b>11546</b>	<b>2.77</b>	<b>12932</b>	<b>10040</b>	<b>2.15</b>	<b>11144</b>	<b>1.77</b>	<b>11925</b>
<b>11</b>	<b>20989</b>	<b>2.88</b>	<b>24137</b>	<b>2.77</b>	<b>27034</b>	<b>20989</b>	<b>2.15</b>	<b>23298</b>	<b>1.77</b>	<b>24929</b>
<b>12</b>	<b>14724</b>	<b>2.88</b>	<b>16933</b>	<b>2.77</b>	<b>18965</b>	<b>14724</b>	<b>2.15</b>	<b>16344</b>	<b>1.77</b>	<b>17488</b>
<b>13</b>	<b>18138</b>	<b>2.88</b>	<b>20859</b>	<b>2.77</b>	<b>23362</b>	<b>18138</b>	<b>2.15</b>	<b>20133</b>	<b>1.77</b>	<b>21543</b>

### 4.1.3 Topography, Hydrology, Biophysical Slope Analysis

#### 4.1.3.1 Topography

The study area is characterised by relatively gentle slopes in the central and western parts. The central part of the municipal area is quite flat and is utilised for intensive crop farming under irrigation (GMH SDF, 2006).

Steep, mountainous regions occur in the northern and eastern areas. These areas cannot be utilised for agricultural purposes and can in many cases be regarded as environmentally sensitive areas.

To the south-west of the study area the Olifants River is located on an open floodplain area and to the north the river is located in a valley surrounded by the Strydpoort Mountains (parallel hills and lowlands). Strips of erosion can be found in the valleys alongside most of the perennial and non-perennial rivers (GMH SDF, 2006).

#### 4.1.3.2 Hydrology

The Greater Marble Hall municipality area lies predominantly in the Middle

Olifants sub-catchment. This sub-catchment comprises the portion of the Olifants basin between Loskop Dam and the junction of the Selati and Olifants rivers. It receives upstream inflows from the Wilge and Little Olifants-Riet sub-catchments, as well as the Steelpoort and Blyde sub-catchments. Within this sub-catchment, the most important tributaries are the perennial Elands, Moses, Selons, Bloed and Makhutswi rivers, whilst several smaller tributaries, both perennial and seasonal or episodic, enter from the north-west and south-east (GMH SDF, 2006; GMH IDP, 2007).

#### **4.1.4 Nodal Hierarchy**

The area has a dispersed settlement pattern with 59 settlement concentrations. The dispersed nature of the settlement pattern is the result of various factors and activities, which had an impact on the area over a considerable period of time. The spatial pattern is, therefore, also the physical manifestation of a combination of economic and political processes and forces. In South Africa, and especially in the rural areas, the spatial pattern was to a large extent determined by the political ideology of the Apartheid government, traditional authorities and to a lesser extent by economic processes (GMH SDF, 2006).

The fact that settlements/towns were not allowed to develop naturally at nodes of economic or social activities, resulted in the establishment of an enormous amount of settlements with little or no economic base, and with no position in a hierarchy or any functional order, whatsoever. The present situation renders the provision of all social and physical infrastructure very costly and inefficient (GMH SDF, 2006).

Because no planned hierarchy of towns/settlements has developed over time, the provision of services is complicated even further, as it is very difficult to prioritise the provision of such services for the various settlements in the area. Only a few settlements have some form of economic base and the potential to support long-term sustainable development. The majority of these settlements serve a dormitory function as most people work elsewhere and commute on a daily basis to places of

employment outside these settlements (mines, farms, etc.), and form part of the migrant labour system (GMH SDF, 2006).

#### **4.1.5 High Potential Agricultural Land**

Agricultural activities form the main land use utilizing approximately 80 % of the total land and makes the largest contribution to the GGP of both the local and District economy. The commercial farming sector is very well developed and is predominantly based on irrigated crop production. A wide variety of crops are being grown such as citrus and table grapes for export, vegetables (± 16 different vegetables crops), potatoes, tobacco, cotton, maize, wheat and soya beans. Very little further processing takes place locally (GMH IDP, 2007).

#### **4.1.6 State and Private Land Ownership**

A distinction has been made between land owned by the Government and private land. The ownership information of land within Greater Marble Hall municipality is available to some extent. Available information on state owned land gives some indication on the land ownership status i.e whether the land is reserved for a specific Tribal Authority, or held in trust for a specific authority.

#### **4.1.7 Land Use Patterns**

The configuration of the municipal area and the existing spatial pattern (topography, population distribution, sprawl) together with causal factors (land ownership, established land uses) are impediments to the successful implementation of a Development Strategy to achieve the four developmental outcomes proposed in the White Paper on Local Government. Restricted access to land by the Municipality due to inhibitive land cost (privately owned land) and statutory deterrents (state – owned land under tribal custodianship) would exacerbate attempts by the Council to orchestrate and encourage the development of a beneficial spatial pattern within the municipal area.

The following major spatial characteristics can be identified and indicated for the Greater Marble Hall Municipal area, and are depicted in the GMH SDF (2006)

- a) A relatively large land area extending approximately 1 793km<sup>2</sup>;
- b) A fragmented residential component consisting of formal, semi formal and rural villages;
- c) Two significant clusters of villages, one to west of Marble Hall and one to the north and east of Marble Hall;
- d) A clear distinction between high and low potential agricultural land being utilized for intensive or extensive agricultural activities;
- e) An indication of other land uses, such as nature reserves, etc.;
- f) Significant area of land owned by the state under custodianship of Tribal and or Traditional authorities, as well as private owned land;
- g) An indication of environmental sensitive areas mainly along stream areas and an indication of mountainous or steep terrain not ideal for development; and
- h) An indication of existing areas being serviced by water and electricity.

#### **4.1.8.1 Land Uses**

- Urban Sprawl - The fragmented and spread out nature of the urban component has caused inefficient provision of basic services and hinders the creation of a core urban complex, which is essential for a healthy spatial pattern (GMH SDF, 2006).
- High Potential Agricultural Land – the most central area of the municipality can be regarded as high potential agricultural land (irrigation) which will indefinitely contribute towards a division of the area. It is imperative that this resource be protected for the economic well being of the area (GMH SDF, 2006).
- Other Land Uses – The existing 2 lime mines and mineral rights directly to the east of Marble Hall limits eastwards extension of the township (GMH SDF, 2006).

#### **4.1.8.2 Land Ownership**

- Inaccessibility of land caused by private owners who are not willing to make land available for development and other related factors is regarded

as a serious constraint to the harmonious development of the area (GMH SDF, 2006).

#### **4.2 PROFILE OF MARBLE HALL TOWN**

Marble Hall town is a small town located within Greater Marble Hall municipality. Christoffel Visagie and his wife discovered the town in 1913 when they were hunting and came upon a peculiar “hole” in the ground and in this hole there was not only water but also a stone that looked like marble (Marais, 2007).

In 1929 the Marble Hall Lime Company was established to exploit lime as well as 15 different varieties of marble found in around the hole and 1936 a railway line was built. Marble Hall town was surveyed in 1942 and proclaimed in 1945 (Marais, 2007). The town falls in ward 6 of Greater Marble Hall municipality and has a population of 3777 and 965 households (GMH IDP, 2007). An additional 637 houses are being built at extension six and 202 sites are being planned at the golf estate at Marble Hall golf course.

Marble Hall has until recently been growing economically at a very slow pace. The cost of property in the area was initially cheap. The price of erven (of about 1000 square metres) cost R8 000 in 2005. In 2007 the price of a 500 square metre erven increased to R120 000 (Gouws, 2007). Pressures (demand) for housing started emerging in 2001 during the term of office of the new municipal council. Because the municipal council of Greater Marble Hall was more representative of the citizens of the area, meaning there would not be any resistance from the municipal council, some black people felt the need to move to town, a place of economic activity. The lack of basic services and lack of secure tenure in the surrounding rural villages of the municipality prompted people to start looking for housing or stands in Marble Hall. Initially in the late 1990's up to 2005 property in Marble Hall was affordable to the affordable housing income group (Gouws, 2007).

The mining developments in the neighbouring Greater Groblersdal municipality created a demand for housing by the mines for mine staff (Gouws, 2007). Suddenly there was a huge demand for affordable housing in Marble Hall, but no supply to cater for this demand. There

are about six estate agents in Marble Hall, between the six of estate agents there is a waiting list of about 2000 people looking for housing in the affordable housing market price range (Gouws, 2007). This illustrates the huge demand for housing that exists in the area.

Due to the unavailability of houses in the affordable housing market segment in Marble Hall, people opted to buy houses in areas outside of Marble Hall i.e Hlalamnandi in Middleburg and Cosmo City in Johannesburg (Gouws, 2007).

## CHAPTER FIVE

### RESEARCH METHODOLOGY AND FINDINGS

#### ***5.1 Introduction***

Current research and debate in housing and land circles is producing a common theme: securing access to land for the urban poor is critical for poverty reduction, institution building, good governance, and conflict prevention (Dowall, 1993; Urban Sector Network, 2004). Supply of land is critical to ensuring a supply of affordable housing (Erguden, 2001; Rust et al, 2005).

#### ***5.2 Research methodology***

This project adopted a range of research methods.

In stage 1, a desktop review of affordable housing developments and land issues impacting on the supply of affordable housing was undertaken, to provide a conceptual framework for the primary case study research. The general idea of the literature review was to become familiar with literature that provides an understanding of land issues that have a bearing on affordable housing supply, of housing in general and of the affordable housing market, and to effectively apply it to the case study.

Stage 2, a primary case study was selected, the Marble Hall Extension 5 affordable housing project. The Marble Hall area was selected because of the authors knowledge of the area and connection to the municipality, but also her connection to the many people (friends, relatives and citizens of the community of Greater Marble Hall municipality) who are seeking affordable housing. Some of the basic information about the municipality and the Marble Hall housing project was known to the author. The specific case study was explored and then used as an entry point into a set of broader land issues in the area.

Stage 3, fieldwork was carried out using qualitative research methods.

The research involved a desk review of literature focusing on housing, land issues impacting on affordable housing. The desk review highlights strengths and gaps in understanding the research questions being addressed by the research. This informed the preparation for the field research that was undertaken. Drawing on methodological best practices of previous studies on land issues and affordable housing in relation to the availability of data, the fieldwork consisted of qualitative research methods. The fieldwork consisted of interviewing private sector developers, estate agents, municipal officials, officials from the Department of Local Government and Housing Limpopo and a Housing expert.

### **5.2.1 The case study**

The Case study seeks to illuminate a broad and inclusive understanding of land issues and how this hinders the supply of affordable housing. Case study methodology points to a set of procedures required for effective case study research. The case study of the Marble Hall Extension 5 affordable housing development is relevant, as it has provided me with an opportunity of investigating the impact of land issues on the supply of affordable housing. What are the land issues that hinder the supply of affordable housing?

In order to develop a successful case study the following essential parts to the research design were used:

**5.2.1.1 The research question** – for this work there is one central research question: *In what way do land issues hinder the supply of affordable housing in the Marble Hall area?* With several subsets of inquiry. Together these questions helped formulate the objectives of the research and guided the inquiry toward the relevant factors for the study. The literature review and the theoretical framework informed these questions. Drawing from the issues discussed in chapter two and three, the following questions were considered relevant. These questions probe issues around the problem of the shortage of affordable housing, land as a barrier to the supply of affordable housing and the role of government in the supply of affordable housing.

**Figure 9 : Research questions**

SUB-QUESTIONS	METHOD/ APPROACH
Understanding the shortage in affordable housing. Why is there a shortage in South Africa and Marble Hall?	<ul style="list-style-type: none"> <li>-Literature review</li> <li>-Developers and Estate agents</li> </ul>
<p>In what way is land seen to hinder the supply of affordable housing in South Africa?</p> <p>The causes and consequences of land unavailability</p>	<ul style="list-style-type: none"> <li>-Literature review</li> <li>-Interview municipal officials</li> <li>-Interview developers</li> <li>-Interview a housing expert</li> </ul>
<p>What are the patterns of land ownership in the Marble Hall area. How does this impact on land availability?</p>	<ul style="list-style-type: none"> <li>-Evaluate municipal records i.e municipal valuation document and Spatial Development Framework</li> <li>-Interview municipal officials</li> <li>-Literature review</li> </ul>
<p>What are the prices of land?</p> <p>What are the development constraints?(e.g geotechnical issues, land claims, environmental issues etc)</p>	<ul style="list-style-type: none"> <li>-Interview developers</li> <li>- Interview the municipality</li> </ul>
<p>What initiatives have been tried to produce affordable housing previously?. How has land featured in these initiatives?</p>	<ul style="list-style-type: none"> <li>-Interview municipal officials</li> <li>- Interview developers</li> </ul>
<p>What are the uses of land in the area?. Are there competing land uses which impact on land availability for affordable housing?</p>	<ul style="list-style-type: none"> <li>-Interview the Chamber of Business</li> <li>-Interview developers</li> <li>-Interview municipal officials</li> </ul>

What factors affect the supply of urban land for housing?	-Literature review
What is the profile of potential home buyers? What are the trends of supply and demand	-Interview Estate agents - Literature review
What role does government play in support of the private sector in the delivery of affordable housing? What role should government play?	-Interview municipal officials - Interview government officials - Interview developers - Interview housing expert

**5.2.1.2 The objective of the study** – the objectives must be researchable meaning they must be subject to examination through a valid methodology.

**5.2.1.3 The Unit of analysis for the case** – selecting the unit of analysis is a critical aspect of case study methodology. Units for study can be groups, entities or individuals, the unit of analysis must be selected so that the research can be completed with the resources available within the time permitted. This study uses affordable housing projects as its unit of analysis. This choice of the unit of analysis links with the research question.

The following sources of relevant evidence were used for this project:

- Document resources consist of municipal plans and newspaper articles
- Interviews are an important source of case study information. The results of the interviews provide an insight into events and assisted in validating evidence obtained from another resource.

The following were some of the candidates that were interviewed for the research:

- Interviews with municipal officials, planners and elected councilors were conducted as a valuable source of information on the needs, challenges and plans of the municipality regarding housing.
- Developers were questioned about their plans, their concerns and barriers they face in the delivery of affordable housing.

- Department of Housing officials were interviewed on government initiatives to address land issues in housing delivery.

On site research – The Marble Hall Extension 6 housing project was visited to observe, photograph and document existing physical conditions. The goal of this method was to develop an understanding of the conditions on site as well as obtain visuals of the project areas. In addition, a second affordable housing project, Cosmo City in Johannesburg, was also visited. Cosmo City was visited because some of the people who initially lived in Greater Marble Hall municipality eventually bought houses in Cosmo City because there they found houses they could afford. They bought houses for R260 000 compared to the entry-level house in Marble Hall, which cost R360 000. Municipal officials from Steve Tshwete local municipality were also interviewed because a lot of people from Greater Marble Hall bought houses in Hlalamnandi for similar reasons as those mentioned for Cosmo City.



**Figure 10: RDP house at Cosmo City**



**Figure 11: RDP Houses at Cosmo City**



**Figure 12:**  
**Credit linked housing**  
**Cosmo City**



**Figure 13: Bonded house: Extension 6 Marble Hall**



**Figure 14: Bonded house: Cosmo City**



**Figure 15: Bonded house: Marble Hall Extension 6**

### **5.2.2 Limitations of the research**

During the research the author relied on the co-operation of people that were identified as candidates for the interviews. Initially about 14 people were identified for the interviews, 4 could not be interviewed due to other commitments. The finalisation of dates for interviews was delayed a bit due to the initial non-availability of the candidates. This delayed the process of compiling the findings and writing up the rest of the dissertation.

Because the research is based on an area known to the author and also due to her acquaintance to the community and people in the area, it was important to ensure that there was no bias when conducting the investigations. As a researcher the author had to be aware of her position in relation to the research.

### **5.2.3 Research Findings**

Interviews were conducted with the following people:

- Developer from the Marble Hall extension 6 Housing project: J Van Heerden of Inkhokheli cc.

- Developer for the Groblersdal and Marble Hall area: M Gouws of Mercia Gouws developers.
- Developer for the Cosmo City Housing development: P Hofmeyer of JFC
- Greater Marble Hall municipality: Manager Technical Services, B Mtshali.
- Steve Tshwete municipality: Chief Town planner, M Mahamba and Chief Housing, D Mashile
- Department of Local Government & Housing Limpopo: General Manager: Social housing, Mr Kotane
- Housing Expert: Kecia Rust

The questions listed below guided the inquiry during the process of conducting interviews. For each question, the findings gathered through the methods noted above are discussed.

### **5.2.3.1 Supply and demand**

Understanding the nature of the problem: shortage of affordable housing.

Why is there a shortage in South Africa and Marble Hall?

Why is the market (private sector) not responding to the demand for affordable housing?

### **Findings**

There are problems relating to the supply of affordable housing across South Africa. There is currently an estimated backlog of about 625 000 units of affordable housing. Currently 20 000 units are being delivered a year, whereas there is a need to deliver about 140 000 units a year in the next five years in order to address the current backlog (Matthew, 2005). To give an indication of the demand for affordable housing in Marble Hall , more than 2000 applications were received from prospective homebuyers for the 637-stands/ affordable housing packages that were on sale at the Marble Hall Extension 6 housing project (Gouws,2007).

Economists say if there is demand supply will follow, there is a huge demand for affordable housing in Marble Hall but supply is not following, the question is why? Rust (2007)

explained it this way. “There was a decrease in the interest rate in 1990’s and this led to the availability of finance. With the availability of finance you have an increase in demand, but supply does not increase. There was affordability and an under supply of affordable housing then you get access to finance, you have a supply constraint as supply is static which creates affordability constraints, which means there is nobody to buy the housing, which constrains the supply and this demand pushes the prices of houses up”.

The private sector (developers) is not responding to the demand because they feel the risks are too high and the profit margins are too little. If a project does not make a profit of about R20 000 per stand then from a developer’s perspective it is not worth venturing into (Van Heerden, 2007; Gouws, 2007).

Housing market processes are high risk and complex, which results in time delays, time delays result in increased costs of supplying affordable housing. Such processes include those related to land proclamation and the provision of services especially bulk services, which are the responsibility of municipalities (Van Heerden, 2007; Hofmeyer, 2007).

Average house price in 2006 in terms of ABSA’s housing price index was R216 000 in the affordable housing market. A person needs to earn about R8000 a month to afford an installment needed to pay for a R216 000 house. Only 10 % of the population of South Africa falls within the income category band that earns R8000 per month and upwards. This means 90% of the population cannot afford affordable housing. Of this 90 % of the population, 17% of the population falls within the income category of R3500-R7500 per month and 73% of the population fall within the R0-R2500 per month income category (Rust, 2007).

According to Van Heerden (2007) the cost of providing internal reticulation of services such as water, electricity, sewer and roads are too high. It costs about R50 000 per stand depending on the level of service required by the municipality. Installation of spaghetti (overhead) electricity lines instead of underground cables brings down the cost of electricity reticulation by R12 000. The residents of Marble Hall insist on underground cables for electrical reticulation for housing developments in the urban area.

The process of accessing land for housing development takes too long. The process of acquiring land for housing development and eventually getting the land proclaimed in Marble Hall, took about 6 years. This makes it difficult to prepare a cost estimate for the housing development. A lapse of six months is too long for a developer. During the six months there are usually price escalations, which increase the cost of the housing development (Van Heerden, 2007; Gouws, 2007).

### **5.2.3.2 Profile of potential homebuyers**

What is the profile of potential homebuyers?

#### **Findings**

The homebuyers in the Marble hall housing development are people earning a single or joint income of not less than R12 000 per month. The prices of the houses for sale range from R360 000 to R900 000. To qualify for a bond for a house that costs R360 000, household needs an income of not less than R12 000 per month. This means the houses are not affordable to the affordable housing market (income of R3500-R7500). 1500 of the 2000 applications received from prospective homebuyers were from civil servants (teachers, nurses, government officials and municipal officials) who earn an income of less than R7000 per month (Gouws, 2007).

The project was initially meant to benefit the affordable housing market but due to the delays in the township establishment processes and the high cost of providing services, this pushed up the cost of the housing development and the cost eventually of providing a house affordable to the affordable housing market (Gouws, 2007).

### **5.2.3.3 Land issues: general**

In what way does land hinder the supply of affordable housing in South Africa? The causes and consequences of the unavailability of land.

## **Findings**

Lack of urban land, which is readily available for development, is a constraint to the delivery of affordable housing. Access to suitable land, at the right price and in the right location is limited and is making the provision of affordable housing a challenge. The price of land is high, so is the cost of servicing the land (Van Heerden, 2007; Hofmeyer, 2007).

State land is available in some areas but its ownership and the applicable development rights are not always clear. "Accessing state land is a long and cumbersome process as one is sent from pillar to post in terms of whom to liaise with about whatever piece of state land" (Mahamba, 2007). Greater Marble Hall municipality attempted to get land belonging to Transnet donated to the municipality for purposes of social upliftment of the poor. The response was that in the event Transnet decided to dispose of the land, the municipality would be given the first option to purchase the land at market related prices (Mtshali, 2007).

Greater Marble Hall municipality does not have a comprehensive land register, which indicates the ownership of pieces of land within the municipality. Available information on who owns which pieces of land is based on the valuation roll of the municipality (includes ownership information of properties in the town of Marble Hall) and the IDP, which indicates which land is state land and which parcels of land are held by the Kgosi's (Chiefs) in trust (Mtshali, 2007; Marais, 2007)).

### **5.2.3.4 Patterns of land ownership**

What are the patterns of land ownership in the Marble Hall area. How does this impact on land availability?

## **Findings**

Land in Greater Marble Hall municipality is owned by the state (communal land) and by private owners. Land in the town of Marble Hall is predominately owned by private owners. The municipality still has a few land parcels it owns. State land is available in some areas but its ownership and the applicable development rights are not always clear. The confusion is also exacerbated by the transfer of areas that used to fall in Mpumalanga Province to Limpopo Province. Information about who owns some land in Marble Hall between National

department of public works and Provincial Department of Public Works is not clear. This makes it difficult on who to approach about the donation of this land to the municipality for development. When letters are written to the National and Provincial Departments of Public Works regarding the matter, they do not respond (Marais, 2007)).

The Municipality may in terms of its Spatial Development Framework, identify certain parcels of land as necessary for future housing development and future expansion but the private land owners can decide differently on when, at what price and how to utilize the land (Marais,2007).

#### **5.2.3.5 Development Constraints**

What are the development constraints? (e.g. geo-technical issues, land claims, environmental issues etc)

#### **Findings**

Development constraints faced by developers include:

Land claims: if there is a land claim on a piece of land the township proclamation process will not be approved, instead it will be placed on hold until the land claim is resolved. This can take a long time (years) (Mahamba, 2007; Van Heerden, 2007; Hofmeyer, 2007).

The Extension 6 housing development land does not have any land claims (Marais, 2007). There are surrounding parcels of land that are privately owned that have land claims. The Department of Land Affairs will not recommend for a process of establishing a township to go ahead until a pending land claim has been resolved (Mahamba, 2007; Van Heerden, 2007; Hofmeyer, 2007).

Environmental issues: The process of the EIA (Environmental Impact Assessment) and getting an ROD (record of understanding) can take not less than six months if there are no objections to the development. If there are objections the process can take up to three years or more. These delays result in increased costs, which are then taken into account when the property is sold, meaning the increased costs are eventually borne by the purchaser of a house or stand (Mahamba, 2007; Van Heerden, 2007; Hofmeyer, 2007).

Provision of bulk services: Some Municipalities are often not geared to provide bulk services at a time when it is needed due to budgetary constraints or other priorities. There is little or no forward planning for the expansion of bulk services for future developments. This process is sometimes only initiated when developers make a request to the municipality for the provision of bulk infrastructure for a proposed development. This was the case in Greater Marble Hall whereby the municipality made an application for funding for bulk infrastructure because of the proposed extension 6 housing development (Van Heerden, 2007; Hofmeyer, 2007).

Geotechnical issues: access to suitable land for housing development can be a challenge; the Marble Hall area has a lot of dolomite, of which some of the land is not suitable for housing. In parts where housing can be developed, high-rise buildings of more than two storeys are not permitted (Van Heerden, 2007).

#### **5.2.3.6 Affordable housing experiences/initiatives**

What initiatives have been tried to produce affordable housing previously? How has land featured in these initiatives?

#### **Findings**

Only one developer approached the municipality in 1999 to develop affordable housing. The municipal Council at the time did not see housing as a priority and never considered the project. It was only in 2002 that the then Municipal Council considered the proposal on affordable housing and approved the project. (Van Heerden, 2007; Marais, 2007).

A partnership was formed between the Greater Marble Hall municipality and the developer to initiate and implement a affordable housing project. The project was initiated in 2002 and the first sites were sold in 2006. The price of stands at phase one were R60 000 in 2006, phase two was sold at R120 000 in 2007. This was due to the escalation in prices of material for internal services (roads, electricity, water and sewer reticulation) and the costs incurred in the delay in the township establishment process, which took about five years. The municipality made land available at a price to the developer for the extension 6 housing

development. The developer was responsible for internal reticulation of services. The municipality was responsible for the provision of bulk infrastructure. (Van Heerden, 2007; Mtshali, 2007).

The provision of bulk services such as water, sewer and storm water within the District municipality of Sekhukhune are the function of the district municipality (water services authority). The municipality applied for funds to the District municipality to provide an additional reservoir in 2002. The project was implemented by the district municipality and was only completed in 2005. On completion the Greater Marble Hall municipality discovered that the reservoir was leaking. The District failed to attend to the leak. Greater Marble Hall eventually lined the reservoir and fixed the leak at its own cost in 2006.

The District municipality as part of its powers and functions and as per application by Greater Marble Hall municipality funded through MIG the construction of storm water drainage canal. The project has still not been completed. Greater Marble Hall municipality again had to repair the old storm water facility in Marble Hall, which after being repaired worked better than the newly constructed storm water drainage facility (which caused flooding during rainy seasons). This lack of commitment from the District municipality caused severe delays in the provision of bulk infrastructure. (Marais, 2007; Mtshali, 2007).

#### **5.2.3.7 Land uses**

What are the uses of land in the area? Are there competing land uses which impact on land availability for affordable housing?

#### **Findings**

Land uses in the Marble area are predominantly agriculture. The process of changing the use of land from agriculture for a residential development can take time since consent needs to be sought from the Department of Agriculture. Land uses in Greater Marble Hall municipality are predominately agriculture and mining in certain areas (Marais, 2007). Changing land use from agriculture to residential needs the consent of the Department of Agriculture. Changing land use to residential on land that has minerals or mining rights

needs the consent of the Department of Minerals and Energy. If the available minerals have a potential of being mined for economic development purposes, the Department of Minerals and Energy is more likely not to recommend for the housing development to go ahead. (Van Heerden, 2007; Mtshali,2007).

### **5.2.3.8 Supply of Urban land**

What factors affect the supply of urban land for housing?

#### **Findings**

Factors that affect the supply of urban land for housing are:

Availability of reasonably priced, serviced and well located land: land in urban areas is expensive. When land is available, it is not serviced and servicing land is an expensive exercise. Municipalities are expected to provide bulk services. In order to provide bulk services, they need to have funds (budget for the provision of bulk services). Accessing funding to provide bulk services can take up to three years. Councilors in municipalities that are predominately rural need a lot of convincing before they can approve any spending of Council funds in an urban area, even if it is for the provision of services. They believe that rural areas should be attended first before urban areas because there is a serious backlog of services in rural areas. (Marais, 2007; Mtshali, 2007).

Housing is not seen as a core competency of municipalities instead municipalities see it as an unfunded mandate. Municipalities are not being provided with funding to deliver housing other than RDP houses (Mashile, 2007; Mtshali, 2007; Marais, 2007). Because of these issues, the provision of affordable housing is usually not regarded as a priority. Municipalities are required to have as part of their IDP (Integrated Development Plan) a housing chapter or a housing sector plan. Greater Marble Hall municipality like many municipalities in the country does not have a housing sector plan. The lack of housing sector plans means there is very little or no planning by some municipalities around housing delivery. Local government has limited financial resources ((Mashile, 2007; Marais, 2007).

\_ There is a lack of policies and land release systems within municipalities. Each municipality deals with the issues of availing land for housing development, as it deems suitable to its cause (Marais, 2007; Mahamba,2007) .

\_There is lack of internal coordination in the municipality between the various departments of the municipality in relation to development projects including housing development. Each department acts as a silo and runs its own programmes. Based on information from the IDP, the IDP unit is supposed to play a coordination role and bring all the different role-players (departments) within the municipality together in order that each one identifies what role they are going to play in the implementation of a project or programme so that the project is successfully implemented (Marais, 2007; Mashile, 2007. At the moment this is not taking place in an effective manner. It is not clear which department is responsible for the acquisition of land and how land is identified as suitable for activities such as housing developments. Developers are the ones who approach municipalities with proposals to develop housing. It is only then that municipalities start identifying parcels of land for housing development, which in some cases they do not have land suitable for housing. Municipalities are not proactive in identifying parcels of land for development (Marais, 2007).

\_There is a lack of cooperative governance and integrated planning between the different spheres of government and other role-players such as Eskom (Van Heerden, 2007; Hofmeyer, 2007; Mtshali, 2007; Marais, 2007; Mashile, 2007).

\_There is tension between the MFMA (Municipal Finance Management Act), the social justice responsibility of government to ensure access to adequate housing for all especially the disadvantaged and the expectation that municipalities need to generate income in order to become sustainable. Firstly, the Constitution of South Africa regards housing as a basic human need (RSA, 1996). Municipalities are obligated to ensure together with the other spheres of government, the provision of adequate housing for all. Secondly, Supply chain management regulations, which enforce the MFMA, stipulate, “Immovable property may be sold only at market related prices except when the public interest or the plight of the poor demands otherwise.” In practice this has been done without any queries from the Auditor-

Generals office, in instances when land was donated for the purposes of delivering subsidized housing (RDP housing). The Auditor-General is usually not comfortable when council land is donated to private developers for housing either than RDP (Nevhutalo, 2007). The Auditor-General's Office is also not comfortable when council land is sold to a private developer at below market related prices. The reason is that developers are allowed to acquire land from municipalities by selling it to them or through a land availability agreement at below market related prices, the aim being to enable them to provide housing to low income earners (Nevhutalo, 2007). In many cases developers end up selling the houses at prices above that which low-income earners can afford. This then defeats the initial intentions of Councils of making land available to developers in the public interest, so that housing can be affordable to low income earners. Thirdly, municipalities play a key role in utilizing public land to maximize economic development objectives. Increasingly land is seen as both an investment and an asset, which has the potential as a source of much needed revenue by municipalities (Marais, 2007). Municipalities may choose to sell land at market related prices or enter into a land availability agreement with a developer in order to generate revenue from the council's land asset, and use the revenue to fund other development activities (Mtshali, 2007).

#### **5.2.3.9 Role of Government**

What role does government play in support of the private sector in the delivery of affordable housing? What role should government play? What initiatives is government implementing to address land issues in housing delivery?

#### **Findings**

Government is committed to providing housing that is integrated and affordable. The Department of Local Government and Housing in Limpopo has approved a programme to purchase land for housing development. An advert was placed in the City Press recently requesting landowners interested in selling their land to the department for housing or entering into a partnership with the Department to make their interests known (Kotane, 2007). This initiative came about because a lot of municipalities have identified a need for housing for the poor and the affordable housing market. A large number of municipalities

neither have land to address this need nor the funds to purchase land for housing. This initiative of purchasing land for housing is one of the mechanisms government is trying to use to create an enabling environment for housing delivery to take place.

There is an initiative nationally to review legislation that impacts on housing delivery so that some of the processes can be shortened (Kotane, 2007). As part of this process of reviewing legislation, a draft piece of legislation, the Land Use Management Bill of 2001 was developed and gazetted as notice 1658 of 2001. The most recent version of the draft Land Use Management Bill was released in 2006. The main aim of this draft piece of legislation is to provide a uniform regulation of land use management and land development in South Africa (RSA, 2006). The unfortunate thing is that the Land use Management Bill is taking too long to be enacted into law.

During 2005, an intergovernmental agreement was reached between the Department of Housing and SALGA calling on municipalities to adopt a moratorium on the sale of municipal-owned land (Kotane, 2007). It should be noted that the agreement was entirely voluntary. The purpose of this moratorium was to give government time to develop clear processes and priorities for demarcating land for housing (Cokayne, 2005). The moratorium on the sale of land was also intended to ensure that there is a supply of well-located parcels of land. It is envisaged that this municipal land and land held by National and Provincial Departments will be transferred to the Housing Development Agency, which will be created in 2008 (Kotane, 2007).

In October 2007 government presented Notice 1252 of 2007 proposing the establishment of a Housing Development Agency as a mechanism to speed up housing delivery. According to Bhengu (undated, p.1), the agency's main task would be to "develop, manage and coordinate the development of housing nationally". The objectives of the Housing Development agency would be the following:

- Minimize red tape in the approval of developments by both government and the private sector.
- Ensuring that developments are fully integrated.

- ❑ Ensuring that the right land is identified for housing development.
- ❑ Purchasing suitable land for residential development.
- ❑ Responsible for holding land and paying for municipal service charges until land is developed and transferred (Bhengu, undated).

The department has developed a provincial housing plan. The next step is to focus on ensuring that municipalities develop housing sector plans. Municipalities need to be accredited for them to be responsible for housing provision. Presently the department is piloting Polokwane local municipality to deal with beneficiary administration. None of the municipalities in Limpopo have been accredited to provide housing (Kotane, 2007).

Greater Marble Hall municipality does not have sufficient technical capacity to deal with the technical requirements of infrastructure provision and housing developments. There is only one official in the housing section of the municipality. This official does not have technical skills; he is more of a social facilitator. There is no building inspector in the municipality; instead the Manager Technical Services provides this function. The municipality does not have an in-house town planner this function is outsourced. The Manager Technical Services and the Divisional Manager Electrical Services are the only qualified engineers. Engineering services function are also outsourced (Marais, 2007; Mtshali, 2007).

Greater Marble Hall municipality does not have a Housing Sector plan. The main purpose of a Housing Sector plan is to guide municipalities to deliver adequate housing to all in a planned, integrated, sustainable and coordinated manner (Kotane, 2007). It can be argued that the lack of Housing Sector plans in municipalities has partly contributed to the slow delivery of housing, identification of land for housing in the outskirts of areas of economic activity and lack of delivery of affordable housing (Kotane, 2007).

## CHAPTER SIX

### ANALYSIS

#### **6.1 Introduction**

In an era when the South African government has made a commitment through the 1996 Constitution of the country and in a number of policies such as the 2004 “Breaking New Ground” strategy to ensure a provision of housing for all, a sector of the population (low income earners) still finds it almost impossible to own a house. This can be attributed to market failures. The market is said to be failing, as it is not automatically responding to the needs of the poor and this low-income earning group, despite a demand for housing and some financial capacity amongst some low-income earners.

Government has an obligation in terms of the Constitution of South Africa to take all reasonable and necessary steps to ensure that citizens have access to housing on a progressive basis (RSA, 1996). For this reason the necessary step taken by government, which is considered to be appropriate given the failure of the market, is to intervene and make markets work for the poor. Governments in many parts of the world including South Africa, guided by the theories and policies of the World Bank, thought they would be able to assist markets to function better. Governments can assist markets to function better in a number of ways, i.e. by sharing some of the risks with the private sector.

Harvey (1973) argues that planning involves allocational decisions that have distributional effects. It is a key mechanism through which distributive justice is related to space (Smith, 1994). Smith (1994) argues that the spatial structure of the city promotes existing inequalities. These inequalities are prevalent when the wealthier benefit from the advantages of better locations and the opposite is true of poorer people in disadvantaged areas. These inequalities promote the exclusion of the poor and low-income earners from access to well located land for residential purposes. Planners are crucial in the fight against social injustice. Planners need to be dedicated to finding ways of redressing social justice or of at least ensuring injustice is not aggravated any further (Thomas, 2006). Fainstein (2005)

believes planners are expected to secure justice through the plans and programmes they implement. This research document suggests that the unavailability of land for affordable housing is a major obstacle to social justice which planners need to find ways of eliminating. Social justice can be secured through the development and implementation of public policy. Such public policy should benefit people who need the mediation of government in order to attain a decent quality of life (Fainstein, 2005). The shortage of affordable housing is an issue that is becoming more and more prevalent as an increasing number of people continue to struggle to access quality and affordable housing in urban areas. It is a problem which planners in South Africa are expected to finding solutions to.

The lack of supply of affordable housing by the private sector has been identified as one of the factors contributing to this problem. Land has been identified as one of the key issues in this challenge of supply of affordable housing by the market. From my findings, I am confirming that land is a key issue. In particular I have explored land as a stumbling block in the town of Marble Hall in Greater Marble Hall municipality, where there is a clear demand for this form of housing. Mentioned earlier on in this document is the fact that various land conditions exist, which are said to affect the feasibility of the market to provide affordable housing. These reflect the technical challenges around land availability for housing development. These technical challenges include (1) the high cost of well-located urban land, (2) land development procedures, (3) competing land uses and (4) the incapacity of municipalities to provide bulk infrastructure. After discussing each of the issues mentioned below, this chapter goes on to discuss the tensions that exist in local government in its attempt to ensure it meets its constitutional obligation of ensuring access to adequate housing. The analysis provided in this document draws on the interview findings, the literature review, the theoretical framework and the insights of the author on municipal mandates and functioning of municipalities, gained through her experience in working in a municipality. The author will then draw on the analysis to derive recommendations, which firstly aim to raise awareness of the justification of state intervention in the supply of affordable housing from a social justice perspective and secondly suggest solutions to the problem.

## **6.2 Land availability: Technical challenges**

### **6.2.1 Price of land**

One of the pressing challenges that impacts on land availability as identified by the Banking Association of South Africa (2005); Dowall (1998) ; Napier and Ntombela (nd) is generally the high cost of well located urban land, which has led to a situation whereby private sector developers are not interested in assembling land for the affordable housing sector of the market. The Greater Marble Hall municipality does not have a land policy or a land register and is still busy compiling a spatial development framework. This is an indication that the municipality does not have an effective approach to identifying land for development and a proactive way of dealing with land issues. A sizeable amount of well-located land that is suitable for housing in the Marble Hall area is privately owned. The selling price of this privately owned land is not cheap. Uncertainty of land ownership of private land also poses a constraint where the landowner cannot be located for discussions or negotiations about the availability of the land for housing. Access to State owned land for housing still remains a challenge. Poor record keeping at provincial level makes it difficult to establish which state department owns and controls the land.

The municipality's intervention to access to land for housing was through making land available for the proposed housing development. This was done through a land availability agreement between the developer and the municipality. The developer was required in terms of the agreement to pay a certain amount to the municipality for the land. The land was made available in phases. The developer agreed to set the starting price for the stands at R60 000 per stand (this was for phase 1). The price of the stands in less than a year increased to R120 000 (phase 2 and 3).

From a social justice perspective the municipality's intervention of basically selling the land to the developer contributed to the stands being sold at R60 000 and the houses at R300 000. People and households falling within the affordable housing market income category could not afford to buy the houses.

### **6.2.2 Land development procedures**

A second challenge impacting on land availability relates to the land development procedures and land use controls (regulatory framework). Private developers experience delays and extended durations due to lack of administrative capacity within municipalities to administer these procedures. The function of providing affordable housing requires a certain level of capacity in municipalities that is presently not sufficiently available. This is apparent in Greater Marble Hall municipality. Municipalities are expected to consider a range of contractual options when contracting private developers for housing developments. Greater Marble Hall municipality does not have an in-house legal advisor and depends on outsourcing legal advice from external legal firms. This can be a time consuming exercise, as the legal adviser needs to understand the municipal legislative framework as well as the housing/built environment legislative framework. This is important, as the legal advisor has to protect the interests of the municipality. It is difficult to find such legal firms that also comply with broad based black economic empowerment (BEE). The problem is that legal firms that have the kind of capacity necessary to deal with drafting agreements for housing developments initiated by municipalities usually have a large client base. For Greater Marble Hall municipality this constraint resulted in delays in the drafting of the necessary agreements for the housing development. The cost of engaging the services of external legal firms is usually expensive and small municipalities have limited resources.

The internal processes leading to the approval of the agreements by the Greater Marble Hall council are lengthy. The agreement first had to be presented to management, then to the Technical services Portfolio Committee, then to the Executive Committee, then finally to Council. Sometimes the portfolio committee and the executive committee of the municipality could not deal with the matter because their meetings did not form a quorum.

The Housing Act requires municipalities to undertake a range of technical, financial and planning activities. Greater Marble Hall does not have the necessary skills and capacity to discharge speedily the processing of planning applications and technical issues relating to housing development. It relies on outsourcing the town planning function and part of the technical services function to external service providers. The delegation of powers of the

municipality requires that Council should be the only authority to approve planning applications. This causes delays as the Council meetings take place quarterly. Special or emergency Council meetings sometimes do not take place because of councilors not forming a quorum.

From a social justice perspective these delays and extended durations when dealing with land development procedures contribute to disadvantaging the least advantaged in that they influence the cost of the house or stand for the end-user (prospective homeowner). The financial consequences of these delays as illustrated by Matthew (2005) indicate that a house that has a value of R180 000, if delayed by a month results in a holding cost of about R1 500. The escalation of building prices has a significant impact on the price of a house. The major building construction activities in taking place in South Africa presently, such as the soccer stadiums for the 2010 world cup and the GAUTRAIN project are putting a great strain on the availability of building material. A consequence of this has been a major increase in the price of cement.

### ***6.2.3 Competing land uses***

In Marble Hall there are competing claims to vacant land. It took the municipality about five years to eventually approve the implementation of the extension 6 housing project in Marble Hall. The reason for this was that the municipality regarded as more important the provision of land for commerce and industry than for housing. Before the local government elections in 2001, municipal councilors in Greater Marble Hall municipality owned businesses in the town of Marble Hall. They sold land to themselves and prioritized developments that served their personal interests.

### ***6.2.4 Provision of bulk infrastructure***

Lack of financial (funding) and technical capacity by municipalities to provide bulk infrastructure needed to accommodate housing developments is another challenge in the delivery of affordable housing. Municipalities are often not ready to provide bulk services in response to housing development or commercial development needs due to budgetary

constraints or other priorities. There are usually no plans in place for the expansion of bulk services for future developments. This process is sometimes only initiated when developers make a request to the municipality for the provision of bulk infrastructure for a proposed development; Greater Marble Hall municipality is an example of a reactive approach that municipalities have taken towards development.

The provision of bulk services such as water, sewer and storm water within the District municipality of Sekhukhune are the function of the district municipality (water services authority). The municipality applied for funds to the District municipality to provide an additional reservoir in 2002. The project was implemented by the district municipality and was only completed in 2005. On completion the District failed to attend to a leak. Greater Marble Hall eventually lined the reservoir and fixed the leak at its own cost in 2006. The district municipality as part of its powers and functions and in response to an application by Greater Marble Hall municipality funded through MIG the construction of a storm water drainage canal. The project was never completed till today. This lack of commitment from the district municipality (due to lack of administrative and technical capacity) led to delays in the provision of bulk infrastructure. It should be noted that municipal by-laws or policies do not allow the development of land in urban areas without the provision of services i.e water, electricity, sewer, roads (Knaap and Moore, 2000). In this context the provision of bulk infrastructure and reticulation is necessary for any housing development.

### ***6.3 Local Government the enabler***

Understanding what significant role local government can play is key in the delivery of affordable housing. Khan and Thuruman (2001,p. 4) assert that the key role local government is required to play is to “ensure that basic services and infrastructure are provided; and to identify and designate land for housing”.

The lack of supply of affordable housing which leads to low income earners being unable to own a home requires social justice to prevail. For South Africa the role and obligations of the state towards its citizens are based on by the concept of social justice. This is reflected in how the state formulates and implements social policies like those for housing. The South

Africa government has acknowledged the need to provide housing for all and not just the poor (people earning less than R3 500). Government has acknowledged in the 'Breaking New Ground' (2004), the need to cater for the provision of affordable housing. A mechanism identified to do this is by creating an enabling environment for the private sector to deliver housing. This reflects government's commitment to social justice for its citizens.

Of interest here is determining how government can achieve social justice for its citizens so that there is a supply of affordable housing for the affordable housing market. In what way can government assist? One way that government can assist could be by partnering with private developers. A significant role that can be played by government would be to avail land through mechanisms such as a land availability agreement through which it could donate the land for free to beneficiaries of affordable housing. Presently private developers are expected to make a contribution to the municipality at market related prices for land provided to them for housing development. In some instances developers are provided the land at below market prices (up to 50%). This practice of paying market related prices for land has led to costs incurred by the developer during the development (including the cost of the land) being transferred to the price of the house.

The principles of social justice and the need to achieve social justice for the affordable housing market provide reasonably sufficient justification for government and municipalities to dispose of land by donating it as part of the partnership with the private sector.

Municipalities can donate land but we need to acknowledge the tension that exists between the social justice responsibility of government to ensure access to adequate housing for all especially the disadvantaged, the MFMA (Municipal Finance Management Act), and the expectation that municipalities need to generate revenue in order to become sustainable, but also to fund projects that are considered a priority by the municipality.

## **6.4 Tensions in Local Government as an enabler**

### **6.4.1 Social equity and municipal capacity**

A matter of emphasis through out this document has been the fact that the Constitution of South Africa regards housing as a basic human need. The first tension relates to the fact that municipalities have an obligation together with the other spheres of government, to take all reasonable and necessary steps to ensure that citizens have access to housing on a progressive basis. This is in terms of the commitment to social justice by the South African government and its municipalities. This commitment means municipalities have a social responsibility to provide housing to its citizens including affordable housing. Municipalities have been given this responsibility of providing housing by being responsible for:

- The provision of basic services and infrastructure, and
- Identifying, providing and designating land for housing.

Mechanisms employed by both national and provincial departments to allocate additional functions (functions other than of schedule 4b and 5b of the Constitution of South Africa) to municipalities are sometimes responsible for the gap between functional and fiscal resources of municipalities and the vision of developmental local government. The various organs of state acknowledge the importance of municipalities and sometimes engage them in their programmes.

Of concern is the fact that the means of transferring functions to municipalities do not empower local government to perform the particular function. The most commonly used mechanisms for transferring powers to municipalities are delegation and agency. This reduces the role of municipalities to that of implementing agents. The consequence of such efforts is that local government often ends up bearing hidden overhead costs associated with the function, which is an unfunded mandate. The function of housing provision has been devolved to municipalities without the necessary funding support. This makes it difficult for municipalities to prioritise housing and avail land by donating it. A number of municipalities (especially small municipalities) find it difficult to support housing provision initiatives because of limited financial resources.

#### **6.4.2 Legislative compliance: MFMA**

The second tension relates to the Supply chain management regulations, which enforce the MFMA, which stipulate, “Immovable property may be sold only at market related prices except when the public interest or the plight of the poor demands otherwise.” The poor refers to indigent people in terms of the indigent policy of the municipality, which defines the poor/indigent as people who earn a joint income of less than R1 500. This basically means the people within the affordable housing market do not fall within the category of the poor in terms of the municipality’s indigent policy. It can then be said that immovable property (land) cannot be sold at below market related prices or donated to a private developer for the benefit of people who fall within the affordable housing market. In instances where land was donated for the purposes of delivering subsidized housing (RDP housing), such a practice has not attracted any queries from the Auditor-Generals office because it is line with the MFMA (Nevhutalo; 2007).

The Auditor-General is usually not comfortable when council land is donated to private developers for housing that is not RDP housing (Nevhutalo; 2007). The Auditor-General’s Office is also not comfortable when council land is sold to a private developer at below market related prices. The reason is that developers are allowed to acquire land through a process wherein municipalities sell it to them or through a land availability agreement at below market related prices, the aim being to enable them to provide housing to low income earners. This practice is said to be in the public interest. Whether the provision of affordable housing is done in the public interest differs from municipality to municipality. The matter depends on the priorities of the municipality. If the provision of affordable housing is a priority to the municipality and can be motivated that it is in the public interest, the Office of the Auditor General may accept the motivation on condition the public interest issue is unpacked (i.e through detailing the notion of the housing ladder/ social mobility as a matter of public interest).

The Office of the Auditor General claims there are many cases where land was sold to private developers at below market related prices under the auspices of ensuring the delivery of affordable housing and the developer ended up selling the houses at prices

above that which low-income earners could afford. This then defeats the initial intentions of Councils of making land available to developers in the public interest, so that housing can be affordable to low income earners.

#### **6.4.3 Fiscal sustainability**

The third tension relates to the fact that municipalities in South Africa face a range of budgetary and fiscal constraints that impact on their ability to deliver services. The increased responsibility to facilitate the delivery of housing adds to the demand on the municipality's fiscus. Municipalities are expected to be financially sustainable and adopt revenue enhancement strategies. Municipalities play a key role in utilizing public land to maximize economic development objectives. Increasingly land is seen as both an investment and an asset, which has the potential as a source of generating much needed revenue by municipalities. Municipalities as mentioned previously in this document have limited financial resources.

A municipality like Greater Marble Hall municipality, which is predominately rural, still has a backlog of basic services such as water and sanitation, where 50 % of the populations do not have access to water and 90% of the populations do not have access to sanitation. In this context access to revenue is of utmost importance. The municipality in such cases of high service backlogs and limited financial resources cannot afford to sell land at below market related prices let alone donate it for free. It can use whatever revenue it can generate from activities such as the sale of land at market related prices to use in the provision of much-needed services to its communities.

## **CHAPTER SEVEN**

### **7. RECOMMENDATIONS**

A challenge in promoting social justice in South Africa and Marble Hall is to working towards a local government that is able to provide sustainable human settlements. The challenge is to “find the golden mean, or the optimum solution” for housing “which will cause the least harm and maximum benefit” (CSIR, 2002,p.76). The supply of affordable housing has been identified within the context of building sustainable human settlements as an area that needs urgent attention from government and the private sector. Below are some recommendations on what solutions are needed to facilitate the supply of affordable housing:

#### **7.1 *Appropriate partnership models***

The initiators of the MFMA have focused on good governance and compliance. These are good intentions, but the tensions between social development, legislative compliance: the MFMA and fiscal sustainability have not been identified as a barrier to speedy decision-making in terms of housing development. National Treasury, the department of housing, private developers and local government need to develop acceptable models for releasing land for development and appropriate models for establishing partnerships.

#### **7.2 *Innovative Land management approaches***

This research is making a case for government intervention. There is a role for government intervention in the provision of affordable housing. An area for intervention is at local government level and it relates to the issue of land. A more systematic approach to dealing with land in terms of identifying and acquiring well-located land is necessary in municipalities. Land audits need to be conducted to establish which land is vacant and developable, but also to establish the ownership of land that can be developed. A Land policy should be developed which will facilitate the proactive release of land for development purposes. Municipalities need to develop innovative approaches to land management.

### **7.3 Transfer or purchase of land**

Mechanisms to transfer state owned land for development to municipalities need to be established. In cases where well-located land is privately owned, resources need to be made available to municipalities to enable them to purchase land for development.

### **7.4 Simplified administrative and regulatory processes**

There is a need to simplify administrative requirements and procedures with regard to land acquisition and land proclamation processes. It would be important to work around the regulatory issues relating to municipalities. Changes need to be made to the existing complex land development procedures. Other initiatives that need to be implemented is the speeding up of approval procedures. Developers need clarity on the decision-making and expect it to be speedily. There also needs to be an agreement about the processes that need to be undertaken by both the parties. Clear time scales need to be provided by municipalities regarding processes and approvals as time is of essence in any housing development (Smit, 2006).

### **7.5 Housing sector plans**

Municipalities need to develop housing sector plans that are linked to the spatial development frameworks. The Housing Act (107 of 1997) requires municipalities to formulate housing strategies and targets and these need to be incorporated into their integrated development plans (IDP's). If successfully implemented Housing Sector plans will ensure:

- ❑ Effective allocation of limited resources for housing.
- ❑ A Housing focus in the IDP.
- ❑ Stimulation of the local economy.
- ❑ Creation of an environment for job creation.
- ❑ Integration and coordination between housing and other services.
- ❑ Spatial linkages between the Spatial Development Framework and the physical implementation of projects on the ground (PPT,2006).

Included in the Housing Sector plan should be a component dealing with the proposed institutional framework of the municipality. The purpose of the institutional framework is to

ensure that the municipality has the necessary systems and capacity to be accredited by the Department of Housing to provide housing.

### ***7.6 Infrastructure development plans***

There is a need for municipalities to be proactive and practice forward planning by developing infrastructure development plans that are informed by the housing sector plan and spatial development framework.

### ***7.7 Funding for housing***

The housing sector plan and infrastructure development plan prepared by municipalities should inform applications to access funding for housing and infrastructure development from national and provincial level. Government should put in place mechanisms to fund land acquisition for housing development. Processes that will ensure the speedy access of well located land owned by government to municipalities for housing are part of the support needed to speed up housing delivery. An application for funding for a housing project should be treated as a whole divided into components such as land acquisition funding, infrastructure funding, funding for the house (top structure/ housing product) and funding for the facilitation of cooperative governance. This will ensure that once a project is approved it will be implemented without delays caused by lack of funding for a particular component i.e infrastructure, land etc. The facilitation of cooperative governance is important in ensuring integration and coordination between government departments, municipalities and any other state organs in the provision of the necessary support and services during the implementation of projects. The successful implementation of Integrated Sustainable Human Settlements requires strong, effective and efficient cooperative governance.

### ***7.8 Municipal capacity building***

Funding should be made available to build capacity in municipalities to administer developments i.e housing and commercial. The approach that can be used would be the one similar to the one used to build capacity in municipalities to implement the MFMA. A special grant was established specifically to facilitate the implementation of the MFMA. A

grant could also be made available to facilitate a proper capacity building programme linked to ensuring the fast tracking of housing delivery. This grant can among other uses be used to fund an internship programme and pay the interns allowances.

### ***7.9 Win win contractual arrangements***

The government of South Africa is committed to facilitating affordable housing delivery through forging partnerships with private sector developers. One of the important elements in a successful partnership is a contractual arrangement that is effective. The contracts governing the partnership should be structured so that everyone wins. A win win situation for everyone is one in which the developer is able to secure a return on investment, the municipality is able to maintain its monitoring and regulatory role as well as attract more developers to participate in the supply of housing, and the consumer is able to get a good housing product that provides value for money. The necessary assistance and capacity needs to be provided to municipalities so that they are empowered to be able to address any partnership option and its contractual requirements.

### ***7.10 Housing Toolkit and Developers Guide***

There is a need for the Department of Housing in collaboration with Local government to develop innovative, coherent and pro-active approaches to the provision of affordable housing by developing a Housing toolkit and a Developers Guide. The Housing toolkit will serve as a guide to provide municipalities with simple and practical guidelines and suggestions of how to deal with housing developments (what to do, when to do it, why to do it and how to do it). The Developers Guide should serve to make development information more easily accessible to property developers, town planners, engineers, estate agents, architects and other professionals. It should contain information such as information about the municipality, contact details of key municipal officials and councilors, policies affecting development, development costs, development application processes with timeframes and rules and procedures. Ekurhuleni Metropolitan municipality is an example of a municipality in South Africa that has developed a Developers Guide.

### **7.11 One stop service centre**

Municipalities at local level or at District level should establish one-stop service centers, which should have simplified procedures and rules in order to increase efficiency and also speed up decision-making. These centers should serve the purpose of making information about the municipality and its development/ investment potential available to developers and potential investors. The municipality needs to ensure (1) it projects a clear and consistent corporate approach, (2) there is speed and clarity of the decision-making process outlining who is responsible for what, where and how they can be contacted, (3) honesty, transparency and realism are practiced, (4) there is a robust and clear policy, (5) there are clear time scales for approval and (6) there is agreement of process between all parties (Smit, 2006: 12). The center should also provide advisory services to beneficiaries/ potential beneficiaries on housing by making information available pertaining to housing developments, access to finance, legal advice, land management procedures etc.

## CHAPTER EIGHT

### 8. CONCLUSION

The aim of this document has been firstly to argue that there is a shortage of affordable housing in South Africa as a whole including the town of Marble Hall. The market is not automatically responding to this shortage of affordable housing. This shortage of affordable housing has become an issue of major concern as more and more people find it difficult to access quality and affordable housing in urban areas. A number of constraints have been identified by Erguden (2001) as hindering the supply of affordable housing. These constraints include lack of effective implementation strategies, poor promotion of tenure, inadequate supply of affordable land and infrastructure, inadequacy of financial systems and poor utilisation of local building materials and technologies. This research has confirmed some of these constraints namely; lack of effective implementation strategies, inadequate supply of affordable land and infrastructure. Land has been identified by the Matthew (2005) as a key issue in the problem of supply of affordable housing.

Section 7 of the Constitution of South Africa provides that the Bill of Rights 'is the cornerstone of South Africa's democracy in that it 'enshrines the rights of all people in our country and; affirms the democratic values of human dignity, equality and freedom (RSA, 1996). Housing is one of the fundamental rights contained in the Bill of rights in the Constitution of South Africa (section 26), which states that every citizen of the country has a right to have access to adequate housing (RSA, 1996). This means the state has an obligation to ensure that its citizens have access to adequate housing. For South Africa it is quite clear that the establishment of a society based on social justice, including one where the quality of life of all citizens will be improved and their potential maximized, has always been one of the most important aspirations for our people. Our Constitution is not only a product of these aspirations but also reflects and provides a framework for their realization. Government's commitment to the aspirations of the people is reflected in the direct link between social justice as a notion and how the South African government formulates its housing policies.

Planners are perceived as experts who decide how society should be improved ' for the common good' (Altshuler, 1973, p.195). Urban areas that we see in towns and cities are based on planner's visions of what is 'right'. Planners are expected to be the proponents of social justice.

Distribution on the basis of need assumes that all individuals require an equal amount of benefits and burdens, and that it is government's responsibility to even out the distribution. A liberal democratic framework of social justice requires that in a just society the benefits and burdens of social cooperation should be distributed fairly (Rawls, 1971, p.4). The fair distribution of benefits and burdens is grounded in the distributive principle of need (Harvey, 1973). This social justice framework implies that each member of the community has basic needs and rights that government is obliged to fulfil.

Sandercock (1998) argues that "In a society and world with vast differences in the amount of material goods to which individuals have access.... any conception of social justice must address the distribution of material goods" (Young, 1990, p. 19). "The immediate provision of basic material goods for people now suffering severe deprivation must be a first priority for any programme that seeks to make the world more just." (Hobson, 1999, p. 7).

Social justice rests on the basic belief that society is a cooperative venture for mutual advantage (Rawls, 1971, p.4). From this perspective society is one in which people are dependent on one another for the fulfillment of their needs and potential.

The enabling housing market policy is articulated in terms of a set of comprehensive policy measures such as the Breaking New Ground (2004) strategy. This aims at developing the housing sector, as a whole through enhancing private market capacity, which it is deemed, would then be able to reach a wider sphere of commodity circulation that includes much of the lower income groups. The essence of the policy revolves around government lifting restraints from private market activity such as providing infrastructure for residential development, reforming building and planning regulations, rationalizing subsidies,

developing an institutional framework for managing the housing sector ( see Keivani et al., 2005, p.2). The state needs to do what the market does not. This is direct state action to counter the inadequate responses of markets to urban growth, to poverty, to lack of resources for providing serviced land on a scale that can match needs (see Keivani et al., 2005, p. 3). The government therefore needs to exert a mixture of land market management and direct action rather than solely relying on market management. Stronger government land management deserves consideration as part of a broader comprehensive policy package. Government can facilitate the expansion of low income housing by directly providing land. Such an intervention can provide a rich source of urban land resources for housing particularly the low and middle-income groups (see Keivani et al., 2005, p. 3).

A municipality that requires affordable housing units to be built, needs to provide a private developer with the incentive to offset the costs of the units, i.e well located land. One way government can play a constructive role in the provision of affordable housing is to partner with developers through the provision of state owned land (Muller, undated ). He supports the notion that government should partner with the private sector and help reduce developers' holding costs by making subsidized municipal land available (Muller, undated , p.1)

Markets can exclude the poor. The World Bank has supported work on housing provision that shows how it is possible to introduce incentives that will encourage the private sector to address the needs of the poor. For the markets to work better for the poor they must provide access to the opportunity to build and acquire assets and help reduce vulnerability. To do this markets must become progressively more developed and more accessible to the poor (DFID, 2005, p. 4). Improved access to markets can both empower the poor and expand their livelihood opportunities (DFID, 2005, p. 5).

The inclusionary housing programme as proposed in the fourth draft of inclusionary housing policy (2006) is about allowing affordable housing to become an integral part of commercially-driven development aimed at higher income groups (Gauteng Department of Housing, 2006). Inclusionary housing contribute to the development of economically and

racially integrated communities. It helps build a diverse housing market, ensuring that lower income individuals, whose housing needs are not met by the market, can live in a community where they live and work (Smit, 2006, p. 12) This kind of programme is also aimed at providing incentives to private developers to supply affordable housing. It is not yet clear what kind of incentives will finally be offered to private developers as the policy is still in draft stage.

Charlton (2006) suggests that one of the problems, which may impact on the ability of the state to accelerate delivery of housing lies in securing the asset value of state built houses, which have had a tendency to be undervalued by beneficiaries. The uneven growth in the South African residential market in recent years, with the 'affordable market' not reflecting the same level of growth as the upper end of the market, one factor is the limited trading underway in this section of the market, with the consequence that households are unable to realize the full asset value of their housing. This undermines housing as a potential investment for low-income households, whilst it proves to be a very good investment for high-income households. This means the poor are effectively excluded from participating in this lucrative property market (Charlton, 2006, p.5). Access to, and ideally integration with public parts of rich areas provides some opportunity for poorer inhabitants to gain access to opportunities and facilities, which are generated through the resources of the more wealthy. Inclusionary housing developments can go a long way in promoting the integration of the rich and the poor and duly contribute to housing as a weapon that can be used to fight poverty (Charlton, 2006, p.5).

In providing for market and affordable housing developers need to take into account their four benchmarks namely: profit margins; return on capital employed; number of units (developers require a certain percentage of the units in private developments above a certain size/number to be affordable); and risk involved. Developers seeking planning permission need the following from local authorities:

- A clear and consistent corporate approach
- Speed and clarity of the decision-making process
- Honesty, transparency and realism

- A robust and clear policy
- Clear time scales for approval
- Agreement of process between all parties (Smit, 2006, p. 12)

There is increased pressure on local municipalities, which are given bigger roles to play in policies, but less power and resources in practice (CSIR, 2002). There should be a realistic relationship between income (available resources) and the expected delivery responsibility of local authorities.

Within local authorities there tends to be an absence of policies and land release systems, confusion and a lack of information relating to land ownership and cumbersome red tape. While land lies idle in South Africa's urban areas, the lack of innovative approaches on the part of local governments to land management is a major obstacle to the socially responsive functioning of South African cities. (Khan and Thuruman, 2001, p. 19). The problems that arise around housing delivery could be because there is too much policy prescription for local governments to comply with adequately. The question is whether in pursuing the formulation of 'World class' policies, policy makers in effect ended up producing 'Rolls Royce' policies that did not take into account the fact that the implementers of these policies were more likely to be driving 'Uno's' (Tomlinson and Narsoo, 2007, p. 1)

South African policies in general are very good and can compare with the best in the world. There is however concern around how policy is translated, introduced and implemented. At present there are no, or very few mechanisms to make sure that national policy is taken up at provincial and local level (CSIR, 2002). The biggest gap is between policy and what happens on the ground. There is little evidence that the utopian visions in the policy documents are actually being implemented at grassroots level or translated in a way that supports sustainable settlement development. Perhaps what is needed is a consolidation of existing legislation and policy into simple, easily understood policy framework, and an implementation plan that clearly allows for access to funding, and makes provision for a transition period which includes proper capacity building before implementation is required

(CSIR, 2002, p.74). There should be an implementation framework; development targets; financing; legal recourse; expert advice; and support.

The experience of Marble Hall shows that the implementation of affordable housing failed to deliver housing to the affordable housing segment, in its processes and its response to needs. The municipality had good intentions, which conformed to social justice, but the outcomes do not. The obstacles encountered can be summarized as follows: institutional constraints and weaknesses within the municipality, lack of land management policies and procedures, lack of services authority over water, sanitation and storm water, insufficient political commitment, lack of funding, cumbersome regulatory and administrative processes, lack of cooperative governance between organs of state, lack of internal coordination and lack of capacity to plan for and implement housing developments.

Furthermore, the research has highlighted key areas of tension encountered by municipalities in their endeavour to facilitate the provision of affordable housing. The three areas of tension when summarized relate to, (1) the legislative compliance to the MFMA, (2) social equity obligation and lack of municipal capacity for municipalities to ensure access to adequate housing for all and (3) the responsibility of ensuring the financial viability of municipalities.

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