



# NEWS

Part 1

Volume 7 Issue 3  
March 2011

## New building rules to cost consumer

A move by the eThekweni Municipality to implement new national building regulations will help to clear the building industry of fly-by-night builders and plan drawers but will increase the cost of plans for consumers.

Durban architectural technologists said yesterday the impact of the regulations would pass the responsibility of policing the building process from municipal building inspectors to private professionals, a positive move they viewed as the government "tightening the knots" in the sector before the Consumer Protection Act comes into effect on March 31.

Graham Braum, Chairman of the Voluntary Associations Committee, which represents the KZN Institute of Architects, SA Institute of Building

Designers and SA Institute of Architectural Technologists, said city officials had met professionals to inform them that the SANS 10400 National Building Regulations, which were published in the Government Gazette in October, would be implemented from March 1.

"The consumer or developer will have to enter into a contract with their registered architectural professional by signing a declaration form which will enable us to submit plans," Braum said.

"The new application forms are very onerous on the professional person and it's pushing more responsibility on to their shoulders and more detailed plans have to be produced."

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## Shock at R58bn bill to fix RDP houses

Disclosure that it will cost an astonishing R58 billion to fix shoddy RDP houses has caused outrage, with labour federation Cosatu calling for the heads of the culprits.

It was a "painful example of corruption, gross negligence and incompetence", said Cosatu, joining the DA's condemnation. "The Minister of Human Settlements, Tokyo Sexwale, must urgently rectify the problems with these houses and ensure that those responsible for this disaster are brought to book.

The bill for the dud houses was revealed by the department's Director-General, Thabane Zulu, at a meeting of Parliament's Human Settlements Oversight

Committee on 9 February.

Both Cosatu and the DA were outraged at his admission that the department had no way of blacklisting the contractors who had done this. Zulu acknowledged to the committee that this was a major problem and a way had to be found to do so. "Many of them may still have contracts with the national government to build more sub-standard housing," Cosatu said. "Heads must roll for this squandering of taxpayers' hard-earned money, especially those workers who do not own houses and will have to wait even longer for a house, thanks to this debacle."

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## Building plans value down by 4.9% in 2010

The value of recorded building plans passed by larger municipalities fell by 4.9 percent, or R3.2 billion in 2010, Statistics SA said on 18 February 2011.

Most of the drop was due to a decrease reported for non-residential buildings with the value of building plans at estimated current prices falling by R6.26bn. Increases of 9.2 percent were reported for additions and alterations and 4.3 percent for residential buildings. The value of residential building plans passed last year was R26.39bn and the value of plans passed for private non-residential building was R12.49bn.

Six provinces reported decreases in the value of building plans passed during 2010. The decrease in the value of plans passed was led by Gauteng, with a drop of 4.8 percent followed by Limpopo with a drop of 1.1 percent. However, consistent growth was reported in the Western Cape, which saw the value of plans passed increase by 1.7 percent, or R1.1bn. The Free State and Northern Cape saw small increases of 0.5 percent and 0.2 percent, respectively.

*Source: IOLProperty - 18/2/2011*

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# *Sterility of the Institutional Housing Subsidy*

The Institutional Housing Subsidy (IHS) was initially utilised by the Department of Human Settlements, formerly known as the Department of Housing, to deliver rental and social housing projects before the advent of the Social Housing Programme (SHP), Social Housing Act and Community Residential Units Programme (CRU). Subsequently, a number of units were delivered using the IHS.

The target group for both the IHS and CRU is between R 1 500 and R 3 500, while the target group for the SHP is between R 1 500 and R 7 500. The SHP is *only* applicable in the 13 urban municipalities, while the CRU and the Institutional Subsidy are applicable in all municipalities. Judging from the income brackets of the target groups for the different subsidies, it is quite clear that outside the 13 municipalities with Provisional Restructuring Zones (PRZ) there is no possibility for subsidised rental housing for the income group of R3 500 to R7 500 per month.

It is on that basis that SALGA wishes to argue that the IHS in its current form and state is a *sterile and futile instrument* for municipalities, which are not part of the thirteen municipalities with PRZ, and the sector in general. The current subsidy amount (R 55 706.00 per subsidy) and its limitation to deliver only to the income group below R3 500 per month makes it practically impossible to deliver economically viable rental housing projects.

Municipalities that are interested and ready to deliver rental housing using only the IHS have established, through the rental housing demand surveys, that most of the demand for social and rental housing is above the income group of R3 500 per month, particularly for professionals such as teachers, nurses, municipal employees, etc. Most of the professionals are not interested in purchasing property but only require rental accommodation for a specific period.

The failure to provide affordable rental housing for those professionals makes it difficult for municipalities to attract and retain these important professionals and potential revenue stream. Unfortunately, the private rental housing market does not supply sufficient affordable rental housing units for this income group as well. That is mainly because the private sector cannot access the IHS and without it, it is very difficult to supply economically viable rental housing units for this income group.

The delivery of economically viable rental housing projects is only possible through the donation of suitably located land or buildings for brown field projects by government departments and municipalities. However, the availability of suitable land for human settlements is generally a huge challenge for government; consequently there is very little suitable land available for rental and social housing.

The National Department of Human Settlements is trying to resolve this challenge through the establishment of the Housing Development Agency (HDA), which focuses on the acquisition and release of suitable land for human settlement development, however the challenge still remains. Not all the land owned by public entities and government is ideal for sustainable human settlements development, more so rental and social housing. Donor funding, grants or soft loans are other possibilities that can be used to supplement the IHS and assist in the delivery of viable projects. However, in light of the recent economic down-turn and the reprioritization of donor funding, it is difficult to secure such funding.

In order to create a sustainable rental and social housing sector, it is essential that the projects should be economically viable and sustainable. The subsidies that are available play an essential role in the viability of the projects. As stated earlier, social and rental housing is primarily targeting the lower economic segments of the housing market; therefore the rental income that is and can be collected from the tenants is very limited.

Subsidies are necessary to allow Social Housing Institutions to deliver rental and social housing units at an affordable price to the target group.

However, the target market, income group below R3 500 per month, for the IHS substantially limits the rental revenues.

Consequently, the Institutional Housing Subsidy is currently not being used to its full potential and it is not providing the financial incentives that are necessary for rental housing projects outside the municipalities with Provisional Restructuring Zones.

It is SALGA's view that this subsidy instrument should be reviewed and amended accordingly. To provide input for the review, a more detailed research will be required. To provide input for the review, a more detailed research will be necessary. This research will need to investigate the following questions:

1. To what extent is the Institutional Subsidy currently being used?
  - a. How many Institutional Subsidies have been allocated for rental housing projects, not including projects that were also allocated the Social Housing Capital Grant?
  - b. Were those subsidies used for Brownfield or Greenfield projects?
2. Financial viability:
  - a. Is it financially possible with the current Institutional Subsidy to establish a viable Greenfield project in an area that does not have Restructuring Zones?
  - b. How much additional grant funding or other forms of indirect subsidies (for example cheap/free land or buildings from the municipality) were provided in each project?
  - c. What kinds of other financial assets were used to compliment the grant component of the project?
3. Regional matters:
  - a. How much does the amount for the Institutional Subsidy vary per province?
  - b. Do provinces apply different rules or standards to the Institutional Subsidy?
4. What measures can be taken to the current Institutional Subsidy to make it viable again?
  - a. Change of income brackets
  - b. Change of subsidy amount
  - c. Other measures
5. To what level should the income bracket be raised to serve the demand for affordable rental housing in areas outside Restructuring Zones?
6. Can combinations with non-subsidised rental units or ownership units (cross-subsidisation) increase the viability of the project without jeopardising other elements of the project?
7. What measures can be taken to ensure that the Institutional Subsidy remains a viable instrument for Rental Housing delivery?
  - a. Inflation correction for the income bracket
  - b. Inflation correction for the subsidy amount
  - c. Other measures

The research should provide the necessary information for an informed review of the Institutional Subsidy mechanism. It should provide answers to the questions mentioned above and provide a business case on what measures are needed to create a subsidy mechanism that will allow SHIs and other Rental Housing delivery agents to provide affordable Rental Housing in areas that do not have Restructuring Zones.

If reviewed and amended according, the Institutional Housing Subsidy will substantially reduce the rental housing demand, thus increasing its projected contribution of 8 487 units to the national target of 80 000 units.

# Developing Social Housing with Affordable Rent - UK

Software specialists Shelton Development Services (SDS) has been helping housing associations model internal subsidy generated through the Government's new Affordable Rent offer. Chairman David Shelton discusses how it will work.

"The Homes and Communities Agency (HCA) has published its investment model for delivering new affordable housing between now and 2015. For many associations there is the very real prospect that Social Housing Grant as we know it will become as rare as hens' teeth. Without grant the whole development cost will have to be funded by the association. By charging rent on a proportion of re-lets at up to 80 per cent of market rent, additional income will be generated and this has to be used to subsidise new social rented housing. The association will be expected to enter into an agreement with the HCA requiring it to deliver an agreed programme of development, in return for being allowed to charge Affordable Rents. The idea of internal subsidy is not new to associations. Nearly all social rented schemes currently require some element of internal subsidy to make them viable. This comes either from surpluses made on schemes developed for sale, or from existing capacity within the association's business plan. Willingness to subsidise schemes varies greatly across associations, with some refusing (or being unable) to subsidise, whilst others being prepared to contribute tens of thousands of pounds per unit. Internal subsidy cannot be equated with conventional grant. Internal subsidy arises over the long term as the higher rents are received.

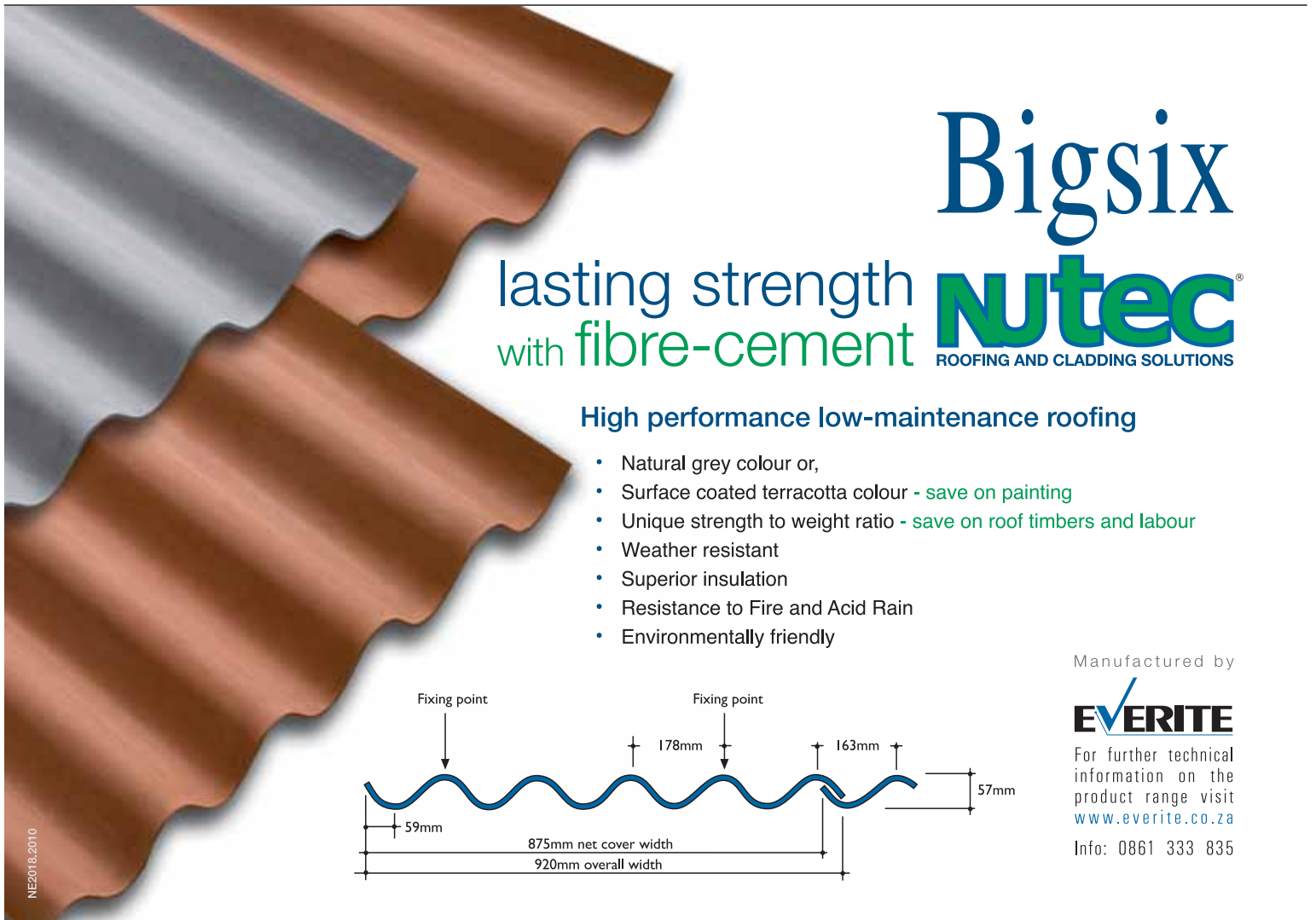
"For those associations looking to boost subsidy via Affordable Rent, it will mean additional borrowing, higher interest costs and higher gearing, all adding up to higher risk. For some associations this higher risk will be too much to embrace. "Associations are currently assessing the development capacity which they can generate from

switching some re-lets to the new affordable rent tenure. SDS has been helping associations with this and has produced a simple model to give some indication of what that capacity might be. The assessment is made from two perspectives: firstly, what is the Net Present Value (NPV) of the increase in net rent over the life of the business plan and secondly, how many additional units (at the new rent) are needed to repay the increased private finance.

"The capacity is sensitive to a number of inputs. Key amongst them is the size of the association's general needs stock, the potential rate of re-lets and, in particular the extra net rent that can be generated. Many in the sector have raised concerns that borrowing potential for associations developing in the North will be drastically different to that in the south. This is because in many parts of the North, social rents and Affordable Rents will be similar. Thus, the additional revenue that will result from charging 80% of market rents may be insufficient to generate resources to build new homes. The main difference between these areas will be the increase in the net rent generated from the new tenure. Net rent is defined here as the rent after deducting rent allowances. Some associations are concerned that the new arrangements will increase their housing management costs and incur higher bad debts. Such considerations need to be reflected in the extra net rent which will be received. In addition, the increase will need to be adjusted for the cost of services, as the new rent is deemed to include any service charges the tenant might have to pay. Alternative sources of subsidy may be available to the association.

Amongst these could be grant from the local authority, increased surpluses through stock disposal and asset management strategies, and of course surpluses from schemes for sale."

Source: 24.dash.com



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The DA said the contractors were "directly sabotaging the lives and human dignity of millions of South Africans with utter disregard for the consequences".

It called on Sexwale to implement an effective system of monitoring and oversight of building contractors, and to ban those who failed to meet standards from earning future contracts. The figure of R58bn was even more astonishing, the DA said, in light of Sexwale's announcement six weeks before that he had set aside R1.3bn to fix sub-standard housing this year.

"Accepting this figure, it would take the national government 40 years just to fix badly built houses."

Given that the annual housing budget was R16.3bn, it would take three-and-a-half years to fix all substandard houses if the government spent the whole allocation just on this, with no new houses being built.

The DA will be writing to the Chairperson of the Human Settlements Committee requesting that Sexwale appear urgently before it to explain why the situation has been allowed to continue for so long, and to outline a plan for effective monitoring and oversight to deal with it.

DA human settlements spokesman, Butch Steyn, said in the statement that the Zuma administration's emphasis on prioritising housing "rings hollow when we look at the statistics of the housing backlog, which stands at an estimated 2.1 million, affecting 12 million people".

"Most recipients of these houses have been waiting many years for a house to call their own, and they do not deserve to move into houses that will, at best, have to undergo extensive renovation soon afterwards, and, at worst, may endanger their lives," Steyn said.

"Not only is the state losing approximately R58bn, but the national government will continue to waste large sums of money on this for the foreseeable future," he said

Source: IOL Property - 14/2/2011

## UK - Eon granted planning for Humberside Wind Farm



Energy giant Eon has been granted planning approval for a 230MW offshore wind farm off the coast of Humberside.

The Department for Energy and Climate Change approved the application for the Humber Gateway offshore wind farm which will have the capacity to provide up to 150,000 homes with energy from up to 77 turbines.

Energy and Climate Change Secretary Chris Huhne said: "Offshore wind not only provides clean, green, secure energy, the investment that comes with it is great for the UK economy too. A new wind farm off the Humberside coast will be a further jobs and investment boost for the region, hot on the heels of Siemens' announcement of plans to develop the Port of Hull." The wind farm will be Eon's fifth in the UK and will be located 8km off the Holderness Coast in the East Riding of Yorkshire. Managing Director for Eon's European Renewables Business, Michael Lewis said: "This is really exciting news for us as we see offshore wind as an important part in the future energy mix of the UK. It's essential that we continue to invest in renewable technologies and this is further recognition of our expertise in the sector generally and in offshore wind in particular."

Eon was granted onshore planning consent for a new substation on industrial land near Salt End earlier this year and the substation will connect the Humber Gateway wind farm to the national grid via 30km of underground cable.

Source: CNPlus.co.uk - 9/2/2011

## Namibia - Builders want 25% pay hike

The Metal and Allied Namibian Workers' Union (Manwu) has received a mandate from its members to engage the Construction Industries Federation of Namibia (CIF) in negotiations and demand a 25 per cent wage increase. High on the list of priorities was the introduction of new job categories such as forklift driver, crane operator, and leading hand foreman.

Another point of discussion was housing. Manwu Project Coordinator Justine Jonas, who chaired the meeting, said most of the people working in the construction industry do not have proper housing, but are working to make millions for others. Many of the workers at the meeting complained that inexperienced but qualified workers are being paid higher wages than unqualified but experienced workers, who end up showing qualified workers how a job should be done.

Source: the Namibian - 7/2/2011

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Braum said architects and technologists would have to "tick the boxes" to declare that a structure had been built according to the regulations, and take responsibility for obtaining electrical, plumbing and engineering certificates.

He estimated that the cost of plans would increase by 25 percent. Professionals will have to buy a copyrighted copy of the regulations from the SABS, which will cost about R13 000, and have to pay the municipality R250 for the 16-page plan submission form. Professionals will have to register with the municipality to buy the form.

Braum said consumers should use professionals registered with the SA Council for Architectural Professionals.

Architectural technologist Michael Douglas said it was a "big grievance" that professionals had to pay for the regulations. "The SABS is cashing in on this," he said.

Ron Watermeyer, an engineer involved with the drafting of the regulations, said that if professionals signed the forms falsely, they could be charged for fraud and corruption "because you are accepting money to declare something as false."

Source: IOL Property - 21/2/2011



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